PARLIAMENTARY DEBATES

(HANSARD)

SIXTH SERIES—VOLUME 530 (Part 1)

HOUSE OF COMMONS

OFFICIAL REPORT

FIRST SESSION OF THE FIFTY-FIFTH PARLIAMENT
OF THE UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND
SIXTIETH YEAR OF THE REIGN OF
HER MAJESTY QUEEN ELIZABETH II

SESSION 2010–2012

COMPRISING PERIOD
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20 June 2011

THE PARLIAMENTARY DEBATES

OFFICIAL REPORT

IN THE FIRST SESSION OF THE FIFTY-FIFTH PARLIAMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND
[WHICH OPENED 18 MAY 2010]

SIXTIETH YEAR OF THE REIGN OF
HER MAJESTY QUEEN ELIZABETH II

SIXTH SERIES **VOLUME 530**

TWENTY-FIRST VOLUME OF SESSION 2010-2012

House of Commons

Monday 20 June 2011

The House met at half-past Two o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

COMMUNITIES AND LOCAL GOVERNMENT

The Secretary of State was asked—

Weekly Refuse Collections

1. **Mark Menzies** (Fylde) (Con): What steps his Department is taking to encourage local authorities to provide weekly refuse collections. [60273]

The Secretary of State for Communities and Local Government (Mr Eric Pickles): The public have a reasonable expectation that their household waste, in all its various forms, will be collected weekly. That is why we have already ditched the last Government's policy of imposing fortnightly collections, and we are now going to work with local councils to increase the frequency and quality of rubbish collections. We want to make it easier to recycle.

Mark Menzies: Does my right hon. Friend agree that by stopping Labour's planned bin taxes, we are saving hard-working pensioners and families a lot of money?

Mr Pickles: My hon. Friend is absolutely correct about abolishing Labour's plans for bin taxes, which would have hammered hard-working families. They were also ridiculous because they would have led to an increase in fly-tipping. The Keep Britain Tidy group has remarked that people would simply have dumped their garbage illegally in a bid to avoid the taxes. It seemed to me to be utterly unreasonable to pit neighbour against neighbour.

Alison McGovern (Wirral South) (Lab): Wirral council's ability to manage refuse collection is severely hampered by the financial settlement it has received. Will the Secretary of State or Ministers meet a Wirral delegation to discuss funding for local services, including refuse collections, in Wirral?

Mr Pickles: It is always a delight to meet people from Wirral, and if the council there—or, indeed, the hon. Lady—would like to meet me or some of my hon. Friends, we would mark it eagerly in our calendars.

Annette Brooke (Mid Dorset and North Poole) (LD): What incentives and support—financial or otherwise—will the Secretary of State's Department give to small councils such as Purbeck district council, which has moved to fortnightly waste collections but would be interested, if funds permitted, in moving to a weekly food collection?

Mr Pickles: My hon. Friend makes my point very well. As the Under-Secretary of State with responsibility for local government and planning announced, we are considering financial assessments. Often the kind of authority to which my hon. Friend referred could do with some help with procurement—we have seen a number of smaller districts get together—and we would certainly hope to deal with weekly collections in all their various forms.

Mr Speaker: Order. If the Secretary of State could face the Chamber, we will all benefit from hearing the full flow of his eloquence.

Caroline Flint (Don Valley) (Lab): This money has been recycled many times over. At the Conservative party conference in October 2008, the Secretary of State promised:

"Under a Conservative Government, the weekly bin collection will be back."

Since the election, eight Tory councils, including in the Prime Minister's own constituency, have abandoned weekly bin collections, and the Secretary of State has been forced into a humiliating U-turn. Why can he not deliver on his promises?

Bob Russell (Colchester) (LD): Rubbish!

Mr Pickles: My hon. Friend suggests, from a sedentary position, that that was rubbish, and I cannot disagree with him. We are looking at delivering weekly collections and a financial incentive for providing them, but we had to start from the basis of dealing with the legacy—we had first to remove the Audit Commission and the instructions in the waste and resources action programme suggesting that it was best to close these things down after local elections, and we had to ensure that the fortnightly collections, which the right hon. Lady advocated so strongly when she was Minister for Housing, were also stopped.

Caroline Flint: Of course, under Labour, recycling went up, and last week we heard that across our islands, Northern Ireland, Scotland and Wales have higher targets for recycling than England. I think that the record will show that most of the local authorities with fortnightly bin collections are Conservative-controlled. Is not the truth that this chaotic climbdown is a personal humiliation for the Secretary of State? He is making promises he cannot deliver, his own councils are not listening to him and he has been dumped on by his Cabinet colleagues.

Mr Pickles: I understand now why Polly Toynbee is so disappointed with the right hon. Lady's opposition across the Dispatch Box. I apologise, Mr Speaker, for not directing my earlier remarks to you. She is concerned about the number of Conservative authorities, but their number is due to the fact that the majority of councils in this country are Conservative—she had a big chance in May to rectify that and failed singularly. However, we are removing the incentives for fortnightly collections, and looking at incentives for weekly collections.

Housing (Armed Forces Personnel)

2. **Mr James Gray** (North Wiltshire) (Con): What plans he has to provide support through his Department's housing policy to serving and former members of the armed forces. [60274][1]

10. **Christopher Pincher** (Tamworth) (Con): What plans he has to provide support through his Department's housing policy to serving and former members of the armed forces. [60282]

The Minister for Housing and Local Government (Grant Shapps): I am absolutely determined to ensure that serving and former serving personnel from the armed forces are treated properly when it comes to housing on their return.

Mr Gray: Serving men and women form a disproportionately large part of those who are homeless or rough sleepers. I therefore very much welcome the Government's notification that they are a priority group under the Firstbuy scheme. However, many of them cannot afford to buy a house at all. Will the Minister now consider whether he can bring pressure to bear on local authorities, so that serving men and women are also designated as a priority for local authority housing?

Grant Shapps: I do not just want to remove the housing disadvantage for those who have served in the military; I want to put them at a positive advantage. That is why we have announced today that they will receive that priority in the Firstbuy scheme. I can also tell my hon. Friend that they will be a priority in the social housing allocation list. Also, if I may correct one point, the new figures for rough sleepers out today from CHAIN—the Combined Homeless and Information Network—show that just 2% of those who have served previously in the military are on the streets.

Christopher Pincher: I am grateful to my right hon. Friend for his answer. Will he join me in congratulating Tamworth borough council on the steps that it proposes to take in prioritising service people on its housing list? Professional organisations such as the Residential Landlords Association have also been encouraging their members to support service people with housing needs. Does that not demonstrate that the private sector can work with the public sector to deliver the housing element of our armed forces covenant?

Grant Shapps: I have no hesitation in congratulating Tamworth on its approach to the armed forces, or the Residential Landlords Association, which has done much to push this issue. I congratulate them, and I will go further when we draw up the social housing regulations after the Localism Bill has passed.

Service Provision

4. **Mr Andy Slaughter** (Hammersmith) (Lab): What recent assessment he has made of the effects of reductions in central Government funding for local authorities on levels of local authority service provision. [60276]

13. **Mrs Mary Glindon** (North Tyneside) (Lab): What recent assessment he has made of the effects of reductions in central Government funding for local authorities on levels of charges for local authority services. [60286]

The Minister of State, Department for Communities and Local Government (Greg Clark): I can tell the House that I have made a new assessment of the consequences for local authorities of paying down the deficit. Currently, the average reduction in spending power for councils this year is 4.4%. However, if VAT were reduced, as per a recent suggestion, the £13 billion a year needed to pay for it would require the average cut in council spending to be 29.1%. In my view, that would be to go too far and too fast.

Mr Slaughter: That is all very interesting, but from next month, nine Sure Start centres in Hammersmith and Fulham will lose more than 90% of their funding, and therefore will close. Parents at one of them—Cathnor Park—have got a judicial review going, but they are having to expedite it, because the council is going ahead with 50 redundancies and closing services, despite the fact that the courts have not yet considered these matters.

1. *[Official Report, 13 July 2011, Vol. 531, c. 3-4MC.]*

Will the Minister at least go as far as advising that rogue council not to proceed with those closures until the courts and the parents have had their fair say?

Greg Clark: That is a superb council, and it certainly does not need any advice from me. In fact, I am astonished that the hon. Gentleman has not taken the opportunity to congratulate his council on saving every library in the borough, by merging the service with neighbouring boroughs, and on saving £1 million. When he was leader of the council, he doubled the council tax and his Labour administration was booted out at the election. The current, Conservative administration was returned with a healthy majority at the last council election.

Mrs Glindon: As a result of the Government's decision to impose huge, front-loaded cuts on local authorities, many councils are increasing charges for social care, hitting the elderly and the vulnerable. Will the Minister join me in condemning Tory councils such as North Tyneside council, which has increased its home care charges by more than 50%, from £99 to a maximum of £150 a week?

Greg Clark: We still have not had an answer—perhaps we will shortly—to the question of how the extra black hole that has opened up will be funded, and whether that will come from local government, but I will answer the hon. Lady's question. Three years ago, one of the predecessors of the right hon. Member for Don Valley (Caroline Flint) as Minister for local government, the right hon. Member for Wentworth and Dearne (John Healey), complained that only one in five councils was using charging to its full potential. Indeed, the last Government issued statutory guidance to force councils to charge more for parking, for example. Council charging doubled under Labour. Unlike the last Government, we will not force councils to increase their charging.

Sir Paul Beresford (Mole Valley) (Con): Does my right hon. Friend agree that there is great cost variation in like-for-like authority provision? Therefore, it is inappropriate to judge the quality of services by the amount of other people's money—that is, taxpayers' money—spent on them.

Greg Clark: My hon. Friend is absolutely right. His record in leading Wandsworth, which was transformed under his leadership—I am pleased to say that that transformation has continued under the leadership of Sir Edward Lister, whom I am sure the House will congratulate on his knighthood—shows what can be done when there is a Conservative council that takes the economies seriously.

Henry Smith (Crawley) (Con): Does my right hon. Friend agree that, now that the Government have introduced greater transparency in relation to any amounts over £500 that local authorities spend, our constituents will be far better informed about the politics involved in the reduced budgets for local authorities?

Greg Clark: My hon. Friend is another distinguished former leader of a local authority, and he is absolutely right. We still have not heard whether those on the Opposition Front Bench think that it is a good idea for councils to have full transparency. I think that Nottingham city council is still holding out, but perhaps we shall be enlightened on that matter soon.

Jack Dromey (Birmingham, Erdington) (Lab): Today's report from the Equality and Human Rights Commission demonstrates that Britain's pensioners are not receiving the care that they deserve. In Birmingham, the coalition council's cutting of care to 4,100 of the most vulnerable has been branded unlawful by the High Court. Having imposed the biggest cuts in local government history, does the Secretary of State take any responsibility? Will he intervene in this matter, or does he share the view of the Prime Minister that the actions of Birmingham city council were "excellent"?

Greg Clark: The problem with Birmingham is that it has a legacy of mismanagement and waste from the days of Labour control, which lasted quite a long time. If the hon. Gentleman is interested in the economies, as I am, will he tell us his position and that of the right hon. Member for Don Valley (Caroline Flint)? He is the Rasputin of the Labour party, the power behind the throne of Edward Miliband. I have to warn the Leader of the Opposition, however, that the hon. Member for Derby North (Chris Williamson) is an acolyte of the shadow Chancellor. In Wimbledon fortnight, it would perhaps be appropriate to say that he is one of Balls' boys. Is it the shadow Secretary of State's policy to add an extra £13 billion of cuts? Yes or no? And would that come from borrowing, or would it yet again come from local government? Will she tell us what her policy is? In the week that—

Mr Speaker: Order. I am grateful to the Minister, but he must now resume his seat. In the name of utilising our time properly—I use the word "properly" advisedly—we must focus questions and answers on the policies of the Government.

New Homes Bonus

5. **Eric Ollerenshaw** (Lancaster and Fleetwood) (Con): How much funding his Department has allocated from the new homes bonus scheme (a) to Lancaster and Fleetwood constituency and (b) in total since the scheme's inception. [60277]

The Minister for Housing and Local Government (Grant Shapps): The first new homes bonus allocations were made in April. Over six years, Lancaster will receive some £1.4 million and Wyre some £1.6 million. Across England, the allocations will total almost £1 billion during the spending review period. The next allocations will take place next April.

Eric Ollerenshaw: I thank my right hon. Friend for that reply on behalf of the two district councils. How long will it be before this policy and others of the new Government begin to address the failure over the past 13 years to get the right number of new houses that we need?

Grant Shapps: The policies are already having some impact. In the first year of this new Government, house building starts were up 22%. That compares rather favourably with the period during which the right hon. Member for Don Valley (Caroline Flint), who is now the shadow Secretary of State, was Housing Minister, when house building starts were a third lower than they are today.

Mr Clive Betts (Sheffield South East) (Lab): The Minister will be aware that some Labour Members are rather sceptical about whether the new homes bonus will deliver more homes than were being built before the recession. Given that no research is being done into the effectiveness of the scheme, and that there is no evidence about such schemes in other countries, does he agree that it would be appropriate to have an independent review of the scheme's effectiveness? If so, what period of time should the review cover?

Grant Shapps: The Chairman of the Select Committee is wrong to say that no research has been done into the scheme. Indeed, the impact assessment stated that it would increase house building starts and, as I have just said, there has been a 22% increase in house building starts in the first year of the policy. Let us compare that with the year before the policy was put in place, when house building under Labour was at its lowest level since the 1920s. There is therefore growing evidence that the new homes bonus is working rather well.

Alison Seabeck (Plymouth, Moor View) (Lab): I make my usual declaration of an indirect interest.

The new homes bonus is paying out taxpayers' money but it is not delivering. Planning permissions fell by 17% on year for the first quarter. Let us not confuse that with starts, which took place as a result of investment by the previous Labour Government. The Town and Country Planning Association, the Campaign to Protect Rural England and the Royal Town Planning Institute are clear that the changes in the Localism Bill will enable developers to buy planning permissions. Are those professionals wrong?

Grant Shapps: The idea that one quarter can be judged against an entire year's evidence is, of course, nonsense. The evidence for the entire year is that house starts are up by 22%. I would rather take a year's figures than one quarter's. We know that councils right across the country, including Labour councils, are welcoming the new homes bonus money, which is now starting to make a real difference. Yes, it is right for local authorities and local people to take fully into account the economic benefits of building more homes in their areas.

Fraudulent Claims (Local Authority Funding)

6. **Mr Dominic Raab** (Esher and Walton) (Con): What steps he is taking to reduce the level of fraudulent claims for funding awarded by local authorities. [60278]

The Secretary of State for Communities and Local Government (Mr Eric Pickles): Last month, in conjunction with the National Fraud Authority, I published a 10-point plan outlining how councils can save £2 billion a year from tackling fraud. Whether it be through dealing with tenancy cheats or organised crimes, this is a key way to save taxpayers' money and protect front-line services.

Mr Raab: I thank the Secretary of State for that answer. Will he join me in recognising the lead taken by Elmbridge borough council, which over the last year alone recovered £72,000 of overpaid benefit and is using data checks to crack down on the abuse of the single person council tax discount, cutting out waste and fraud and saving taxpayers' money?

Mr Pickles: I will indeed join my hon. Friend in congratulating his council. As I said in my original answer, this is quite a big deal, amounting to £2 billion a year. I think it was Cheshire East council that managed to save £500,000 a year on the single person discount. We are not talking about trivial amounts here; we are talking about something that will make a big difference.

Home Ownership

7. **Robert Halfon** (Harlow) (Con): What steps his Department is taking to support home ownership. [60279]

14. **Nadine Dorries** (Mid Bedfordshire) (Con): What steps his Department is taking to support home ownership. [60287]

The Minister for Housing and Local Government (Grant Shapps): I can announce today that, subject to contracts, more than 100 developers will offer the equity loan product Firstbuy and I can also say that this will build more than 10,000-odd homes as we initially anticipated—something like 10,500 in England—and bring up to £500 million-worth of investment across the UK.

Robert Halfon: Is my hon. Friend aware that, under the last Government, the waiting list in Harlow quadrupled? Does he accept that one of the best ways to break the poverty trap is to help families into shared equity schemes to give them a foot on the property ladder?

Grant Shapps: My hon. Friend is absolutely right. The waiting list doubled across the country, but in Harlow it quadrupled during the period of the previous Government. That is not good enough; we must build more homes to get ourselves out of that trouble. In addition, we need innovative products that share equity. I know that my hon. Friend is a keen supporter of that and I am sure it will help in his area as indeed it will in the areas of all Members across the country.

Nadine Dorries: Many residents in Mid Bedfordshire who are living in social and council housing would love to have the opportunity to buy the home they live in. We know that such policies introduce aspiration and narrow the gap between rich and poor, enabling people to get on to that property ladder. Does the Minister have any plans to introduce schemes like right-to-buy again so that residents in Mid Bedfordshire can have some hope?

Grant Shapps: My hon. Friend is absolutely right to talk about right-to-buy, which helped millions of people achieve the aspiration of owning their own homes. This Government fully support that objective. I think it is right, however, to recycle that money into building more homes. Under the affordable rent scheme that I have recently introduced, that is precisely what will happen: if people end up buying their home, more homes will be built, which will help to lessen that record social housing waiting list that we were disgracefully left with after 13 years of Labour Government.

Mr Nick Raynsford (Greenwich and Woolwich) (Lab): Does not the Minister recognise that, far from promoting home ownership, his Government's policies have led to a stagnant market in which housing starts are collapsing

and public confidence has been shattered by a combination of the Minister's incompetence and the Government's economic management. Does he not recognise that the latest figures from the National House-Building Council—the most authoritative source—show that housing starts in April 2011, the latest for which figures are available, are 18% down on last year?

Grant Shapps: I am deeply shocked that the right hon. Gentleman, who is an acknowledged expert on housing, has chosen to judge what is going on in the housing market on the basis of a single month's figure, rather than an entire year's worth of data which shows a 22% increase in housing starts. Housing starts mean that homes get built, which is turn means that we are on the road to recovery in terms of starts and builds.

Kelvin Hopkins (Luton North) (Lab): It has been reported recently that millions of people will never be able to afford to own their homes, and that only those who inherit equity from their families will be able to do so. However, equity will increasingly be used to pay for long-term care, and owner-occupation will diminish. Is that not the reality?

Grant Shapps: The hon. Gentleman is right to draw attention to a serious problem involving both long-term care and a reduction in people's ability to buy homes. That has happened because house prices tripled over the 10 years following 1997. Eight out of 10 first-time buyers are buying their homes through the bank of mum and dad, but today those without that ability will be pleased to hear about our Firstbuy scheme, which will help more than 10,000 people in England to get a foot on the housing ladder for the first time.

Fire and Rescue Services

8. **David Wright** (Telford) (Lab): What recent discussions he has had with representatives of fire and rescue services on the effects of reductions in their budgets; and if he will make a statement. [60280]

The Parliamentary Under-Secretary of State for Communities and Local Government (Robert Neill): I regularly meet representatives of fire and rescue authorities. My door is always open to their members if they wish to discuss their concerns. I have specified seven areas in which fire and rescue authorities might make efficiency savings, but the setting of fire authority budgets and service delivery are a local matter which is determined by individual fire and rescue authorities and not by central Government.

David Wright: Shropshire fire and rescue service

"has been hit by unprecedented cuts to its grant from Central Government, with a 12.6% reduction for years 2011-12 and 2012-13".

Those are not my words, but the words of the chief fire officer in a letter sent to me the other day. Services and engine cover in Telford are to be reorganised. If response times fall away, will the Minister look again at the grant allocation for the Shropshire fire service?

Robert Neill: The local government grant accounts for only about 38% of the Shropshire fire and rescue authority's total budget. Its spending power has therefore been reduced by only 2.1%, while its capital grant has been increased by 32%. The disposition of appliances and staff is, of course, a matter for the authority.

Miss Anne McIntosh (Thirsk and Malton) (Con): As my hon. Friend knows, following the floods of 2007 and the tragedy in Hull the Pitt report placed an obligation on fire services to provide the right equipment in the event of future floods. Will he ensure not just that that obligation exists but that money will be provided, and will he insist that local authorities make that happen?

Robert Neill: Some of the most important equipment made available for such purposes is the "new dimension" equipment that is provided through a central Government grant. The Government have continued to fund the equipment directly, and I am glad to say that, with the exception of one item, all of it is duly being rolled out.

Chris Williamson (Derby North) (Lab): In February, the Under-Secretary of State accused me of scaremongering about the impact of his cuts on the fire service. However, freedom of information requests have confirmed that he has already presided over more than 1,000 firefighter job losses, although the Prime Minister pledged to supply funds to the fire service front line. Can he tell us whether he expects further firefighter cuts in the next 12 months, and if so, how many?

Robert Neill: The disposition of firefighters is entirely a matter for local authorities, whose job is to ensure that they fulfil their statutory obligations and meet their integrated resource management plan. Provided that they do those two things, it is not for central Government to micro-manage them. I know that it is difficult for the hon. Gentleman to understand that.

Unauthorised Development

9. **Mr David Evennett** (Bexleyheath and Crayford) (Con): What plans he has to increase the powers of local authorities to tackle unauthorised development. [60281]

16. **Andrew Jones** (Harrogate and Knaresborough) (Con): What plans he has to increase the powers of local authorities to tackle unauthorised development. [60289]

The Secretary of State for Communities and Local Government (Mr Eric Pickles): The Government take the problem of unauthorised development very seriously. There are already strong powers to enable local planning authorities to take action, and the Localism Bill, which begins its Committee stage in the House of Lords today, includes provisions in clauses 108 to 111 to strengthen authorities' powers to tackle unauthorised developments, particularly when people have deliberately tried to conceal them.

Mr Evennett: I thank my right hon. Friend for his response and the work he and his Department are doing in this field. Does he believe the policies in the Localism Bill to which he has just referred will speed up the planning and enforcement process to help tackle the problems caused by unauthorised developments and business operations?

Mr Pickles: I do. A particular problem has been unscrupulous developers rather playing the game by both appealing against enforcement in respect of unauthorised developments and putting in fresh applications. In future, the applicant will have a choice of either appealing the enforcement or making a fresh application.

Andrew Jones: I thank my right hon. Friend for his answer. The 2006 planning enforcement review recommended that planning fees should not include a charge for enforcement. Will the Secretary of State confirm what the current position is, and is he considering changing it?

Mr Pickles: We will lay out changes with regard to enforcement and issue guidelines. For instance, we will increase the fine for enforcement from £1,000 to £2,500. It is important to send out the message that unscrupulous developers will no longer be able to play the system and get those vital months of freedom in which to continue with a development no one wants.

Fiona Mactaggart (Slough) (Lab): One of the planning enforcement steps that the Secretary of State has made it harder for Slough local authority to take is dealing with what we call Slough sheds, which is people erecting garden sheds in their back gardens and letting them out for others to occupy. The Secretary of State has taken away the funds we had to be able to enforce against that abuse of garden sheds. What is he doing to ensure that local authorities have sufficient powers and resources to deal with the letting out of inappropriate buildings to needy people?

Mr Pickles: I regret to have to inform the House that, in all our deliberations, Slough sheds have not been at the forefront of the Department's mind. If it is an important abuse, I frankly do not believe that the local authority cannot find the necessary resources to prioritise tackling it. However, we are looking at ways in which we can encourage small business and private enterprise to set up in private homes, and I hope the point the hon. Lady raises would not stand in the way of that.

Empty Homes

11. **Chris Skidmore** (Kingswood) (Con): What steps his Department is taking to reduce the number of empty homes. [60283]

The Parliamentary Under-Secretary of State for Communities and Local Government (Andrew Stunell): We have put in place powerful tools and incentives to support local communities to tackle empty homes. Through the new homes bonus, communities will receive a direct financial reward for bringing an empty home back into use, and we are investing £100 million to tackle empty homes directly.

Chris Skidmore: Under the previous Government, together with local residents I fought to prevent thousands of homes from being built on the Kingswood green belt, particularly since there are 2,260 empty homes in south Gloucestershire, an increase of more than 660 empty homes since 2004. What encouragement can the Minister give my constituents that we will do all we can to get these homes back into use?

Andrew Stunell: The new homes bonus will give local councils every incentive to bring empty homes back into use. They will get matching council tax receipts for six years for each home brought back into use, and that extra funding can be spent on things that benefit the local community, such as council tax discounts, boosting local services, renovating more empty properties or improving local facilities. The £100 million of investment is part of our affordable homes programme. Applications for that will be opened in the autumn, but I can tell my hon. Friend that 100 organisations have already expressed keen interest in it.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): Will the hon. Gentleman take a look at the issue of empty offices that might be appropriate for housing? I walk past 200 Aldersgate, a massive office complex in the centre of our city that has been empty for years. That is a disgrace. Why cannot we use that for people who have nowhere to live?

Andrew Stunell: I am happy to tell the hon. Gentleman that he is just in time. There is a consultation on precisely the issue he has raised. It closes on 30 June, and I look forward to receiving his submission.

Senior Pay (Local Government)

12. **Steve Baker** (Wycombe) (Con): What steps he is considering in relation to senior pay in local government. [60285]

The Secretary of State for Communities and Local Government (Mr Eric Pickles): We have been clear that we expect councils to demonstrate much more restraint in the local decisions they make on senior pay. In addition, we have introduced measures in the Localism Bill and we are improving transparency arrangements to ensure greater local democratic accountability in determining senior pay.

Steve Baker: Many senior business men and their staff in my constituency have taken pay cuts as a result of part-time working through the downturn. Is local government sharing that pain?

Mr Pickles: I am delighted to tell my hon. Friend that a survey by one of the trade papers showed that chief executives' salaries have dropped by 14%. In my view, that is certainly a very good start. We have asked chief executives who are earning more than £150,000 to take a 5% cut, and those earning more than £200,000 to take a cut too. They need to do that so they can look their front-line staff in the eye when taking these difficult decisions.

John Cryer (Leyton and Wanstead) (Lab): Does the Secretary of State agree that the level of transparency being applied to the public sector should also apply to the private sector, and how can that be achieved?

Mr Pickles: That is a matter for companies and their shareholders. However, I am sure that somebody who has been a champion of the low-paid, such as the hon. Gentleman, will be very pleased that we are extending that transparency. It will apply not only to highly paid people but to low-paid people in the public sector, so that we can clearly see the level of remuneration that local authority workers receive.

Planning

15. **George Freeman** (Mid Norfolk) (Con): What steps he is taking to enhance the role of neighbourhoods and town and parish councils in local planning. [60288]

The Minister of State, Department for Communities and Local Government (Greg Clark): The Localism Bill gives every community the right to have a neighbourhood plan, and town and parish councils will have a leading role in bringing the plans together. The National Association of Local Councils, which is the umbrella body for town and parish councils, is one of five organisations funded to provide assistance to neighbourhoods in drawing up their plans.

George Freeman: I thank the Minister for that answer, and on behalf of the 110 villages and four towns in Mid Norfolk I thank him for giving them the opportunity to take control of their own housing policy after a decade in which housing policy was something done to them by unelected Labour quangos. Can he reassure the town councils in my constituency that where a district council, for good reason, is seeking to complete a local development framework in an area with very high speculative pressure from developers, there will be some scope for town councils to put in place their own plan for their town, such that housing that has been provided for can be delivered in a way that will boost the identity of that town and its sense of itself?

Greg Clark: My hon. Friend is absolutely right. As he will know, the parish council in Attleborough, in his constituency, is already drawing up a neighbourhood plan, so that plan can have statutory force as soon as the provisions of the Localism Bill come into effect. I encourage other councils throughout the country to join the more than 90 parishes and neighbourhoods that are drawing up neighbourhood plans, even in advance of the Bill's provisions coming into law.

Heidi Alexander (Lewisham East) (Lab): The Minister will know that I do not share his optimism about the effectiveness of his planning process proposals in engaging people. How will relaxing the planning rules on converting offices into homes give more powers to neighbourhoods and communities?

Greg Clark: Having debated these matters with the hon. Lady in the Localism Bill Committee, I would have thought she would be the first to recognise the need to turn derelict buildings that are not being used into housing that can be used for people in city centres. I am surprised at her attitude. However, I can update her. I know that she expressed some scepticism about the idea that people would be enthusiastic about this, but I have to tell her that since the Bill Committee, we have been vastly oversubscribed by enthusiastic councils in all areas of the country that are eager to get on with neighbourhood planning. That has surpassed our expectations and bodes pretty well for the take-up of the rights.

Duncan Hames (Chippenham) (LD): The Government's natural environment White Paper proposes a new designation of green areas to be identified in neighbourhood plans. However, those plans must remain in line with the local authority's strategic vision for its area. How does the Minister propose that neighbourhood plans could safeguard green areas of land identified for development in existing local development frameworks?

Greg Clark: I am grateful to my hon. Friend for his question. Our hon. Friend the Member for Cheltenham (Martin Horwood) proposed the designation in the first place. Hon. Members will see in the national planning policy framework that we will capture a definition that will allow the people who know green spaces best—those who live with them—to provide them with the protection for which they have been looking for some time.

Transparency (Local Government Spending)

17. **Jane Ellison** (Battersea) (Con): What steps he is taking to improve the transparency of spending in local government; and if he will make a statement. [60290]

The Minister for Housing and Local Government (Grant Shapps): All local authorities in England now publish details of their £500 spend online and our Department routinely publishes a wide range of statistics on local authority spend. I say all local authorities but there is one exception to that rule—Labour Nottingham.

Jane Ellison: Ministers have already referred to the sound stewardship of Wandsworth council, which not only publishes everything over £500 spending wise but publishes the salary and expenses of all its staff who earn over £58,200. Will the Minister urge all public bodies to follow that lead?

Grant Shapps: My hon. Friend is absolutely right about this. It is incredibly important that public bodies follow that lead. Transparency is at the very heart of allowing citizens to take part in local democracy and hold public bodies to account, and I cannot imagine for one moment why any public body would want to hold out against that. It is extraordinary that some do and even more extraordinary that one of them is a major city authority such as Nottingham.

Steve McCabe (Birmingham, Selly Oak) (Lab): Will the Minister be fully transparent about how much the people of Birmingham will have to pay for the establishment of the imposed office of a shadow executive mayor and what they will have to pay in reconversion costs if they happen to reject that back-to-front proposal when he finally consults them in a referendum?

Grant Shapps: I think we might be finally making progress. The good news for the hon. Gentleman is that when that kind of transparency is combined, everyone can hold local authorities to account—that is the whole point. When people try to cover things up and when huge amounts of expenditure go completely unchecked by armchair auditors, that cannot happen, but this way it can and will.

Business Rates

18. **Paul Goggins** (Wythenshawe and Sale East) (Lab): What assessment he has made of the likely effects of retention of business rates on local authorities in areas with high levels of deprivation. [60291]

The Secretary of State for Communities and Local Government (Mr Eric Pickles): The local government resource review is considering options to allow authorities to receive the repatriation of business rates. We will publish our proposals in July for consultation. We have been clear all along that the review will continue to support people where needed, to consider how to fund authorities where locally raised funding would be insufficient to meet budget requirements and to control council tax levels.

Paul Goggins: I am very grateful to the Secretary of State for his answer. I am sure he will agree that local authorities have a key role to play in promoting growth. There are very strong arguments in favour of allowing local authorities to keep their business rates, but given the great disparity that exists between local authorities across the country, can he give us a bit more detail about how he will make sure that local authorities in disadvantaged areas that do not have a strong business base will still be able to fund essential services?

Mr Pickles: I am grateful for the right hon. Gentleman's question, because it allows me to make it absolutely clear that there is absolutely no intention whatever for councils to receive anything less than they currently receive with regard to the amount of grant. Manchester receives £714 per head and Trafford receives £325 per head. That kind of bridging is not easy to do, but I want him to understand that the system we are proposing will fully meet the aspirations of places such as Manchester, which has a very dynamic economy. We want to ensure that we no longer take from areas where growth exists, as happens under the existing provisions.

Amber Rudd (Hastings and Rye) (Con): Hastings recently fell to 19th from the bottom on the index of multiple deprivation. Can the Secretary of State reassure me that in the new assessment, with business rates as a right incentive for councils, areas of deprivation will still get the support they need from central Government while growth comes back?

Mr Pickles: The short answer is yes. My hon. Friend is a doughty defender of her constituents, but there is irony in the fact that the worse an authority can present itself, the more grant it gets. When I was council leader I often wanted to state what the good reasons for coming to the area were, and I think we have found a system under which councils will be able to do that. Hon. Members should not be under any illusions—the existing system is bust; it is broken. It simply does not deliver and we want a system that will deliver for the richest and the poorest.

Andrew Gwynne (Denton and Reddish) (Lab): But while the Stockport part of my constituency would broadly break even from localising business rates by raising almost the same amount as it gets in formula grant under the current arrangements, the Tameside part of my constituency would see a massive 35.7% drop—a shortfall of some £30 million funding. Does the Secretary of State understand that coming on top of his front-loaded cuts, such a massive reduction in funding for one of England's poorest local authorities would be an unacceptable outcome?

Mr Pickles: My advice to the hon. Gentleman is to cancel the leaflet. If it has already gone, pull it back. There is no intention whatsoever, under any circumstances, that he should lose 34%—not in one lump, not in a series of lumps. He is going to have to trust me. We are producing a scheme that he will like. We are producing a scheme such that he might even consider crossing the Floor.

Mr Speaker: We are obliged to the Secretary of State, I am sure.

Fiscal Autonomy (Local Authorities)

19. **Mr Douglas Carswell** (Clacton) (Con): What steps he is taking to increase the fiscal autonomy of local authorities. [60292]

The Parliamentary Under-Secretary of State for Communities and Local Government (Robert Neill): The local resource review will enable local authorities to keep at least a proportion of the business rates that they raise. This will enable a number of local authorities to break free from dependency on central Government. The review will also bring forward proposals to free local authorities to raise tax increment financing to support infrastructure and related projects.

Mr Carswell: Does the Minister believe that we can achieve real localism without devolving revenue-raising powers from Whitehall to the town halls?

Robert Neill: The Government are anxious to ensure that local businesses are not subject to local increases in taxation which they cannot control, but on the other hand a real and powerful incentive is being created for local authorities to grow their tax base by attracting business to their area.

Topical Questions

T1. [60298] **Mark Pawsey** (Rugby) (Con): If he will make a statement on his departmental responsibilities.

The Secretary of State for Communities and Local Government (Mr Eric Pickles): Since the last oral questions we have announced plans to build 100,000 homes and create 25,000 jobs by selling off surplus public sector land. We have unveiled a new planning protection to help communities to protect valuable green open spaces. We have opened up the books on the lavish spending of the previous Government via the Government procurement card—Whitehall's flexible friend.

On a more sombre note, we are making a £2 million contribution to the Auschwitz-Birkenau Foundation to ensure the long-term preservation and restoration of its memorial site. It is our collective responsibility to educate future generations about the horrors of the holocaust and never to forget why we need to challenge and combat the forces of hate.

Mark Pawsey: The need for more new homes is accepted across the House. In addition to Firstbuy and the new homes bonus, one way of increasing the supply of new homes will be to relax the planning rules, including allowing the conversion of empty commercial space. The Government's current consultation on that

proposal will be welcomed by first-time buyers as well as the Opposition. Will the Minister tell the House when the legislation might be introduced and estimate the number of new homes that might be created in this way?

Mr Pickles: I think the proposal will be welcome in all parts of the House. We heard opposing views from the hon. Members for Huddersfield (Mr Sheerman) and for Lewisham East (Heidi Alexander), but my hon. Friend has until 30 June, when we will be closing the consultation. The proposal could produce 70,000 new homes over 10 years. I share his commitment to that aim.

Caroline Flint (Don Valley) (Lab): We have already heard today about the concerns over the level of charges being raised on the old and vulnerable in our communities as a result of the cuts, but it is not only those people who are facing increases in charges. Tory-run Wandsworth and Bexley councils are planning to charge children to play on their swings. Will the Secretary of State join me in condemning this fun tax, or is pay to play now official Government policy?

Mr Pickles: Let us be clear: under the Labour Administration councils were harangued about not charging. Councils were instructed to charge more. We will look at the level of charging in the context of the reform of local government finance, but it ill becomes the Labour party to suggest what the right hon. Lady is now suggesting when under Labour charges went up and the council tax doubled.

T4. [60301] **Jessica Lee** (Erewash) (Con): I would like to bring to the attention of my right hon. Friend the Housing Minister the good work being done by Erewash borough council and the private landlord sector across the borough to encourage landlords to consider housing benefit recipients on an equal footing with tenant on private lets, which has strengthened the process of moving families into appropriate accommodation more quickly. Will he welcome this cross-sector work?

The Minister for Housing and Local Government (Grant Shapps): My hon. Friend is absolutely right that the relationship between local authorities and private landlords is critically important. We have seen how the total stock of social housing declined under the previous Administration. We are going to do something about that by ensuring that we build an additional 150,000 affordable homes, but the relationship with the private sector is absolutely key, and I encourage and wholeheartedly welcome it.

T3. [60300] **Mr Chuka Umunna** (Streatham) (Lab): Following that answer, we were told that the Government's changes to local housing allowance will bring down private sector rents. If that turns out not to be the case, what plans have the Government to ensure that private sector rents are affordable for the large section of my constituents who earn too much to qualify for social housing or local housing allowance, but not enough to buy a home of their own and, as a consequence, spend a huge proportion of their income on rent every month?

Grant Shapps: The hon. Gentleman is absolutely right, and this is a huge problem for a large number of his constituents and those of many Members across the House. The answer, of course, is that I hope he will give his full backing to the Localism Bill in the Division Lobby when it comes back to the House, as it contains provisions on affordable rent that are designed to get people out of the private-rented sector and into lower-cost rents of perhaps 50%, 60%, 70% or 80%. That will help his constituents and many of ours to afford that rental.

T7. [60305] **John Glen** (Salisbury) (Con): Does the Minister agree that the Government's recent statement of 13 April on Traveller sites provides excellent advice to Wiltshire council when it comes to consider contentious planning issues in Alderbury and Salisbury?

Mr Pickles: It is quite reasonable to see this as an emerging policy. We have put out a consultation document on Traveller sites, and there are a few more days before the consultation closes. It should be clear in the council's mind that this is a policy that is changing and emerging.

T5. [60302] **Graham Stringer** (Blackley and Broughton) (Lab): The Housing Minister is familiar with the blight caused by private landlords in old terraced houses in Manchester and Salford. The area-based registration of private landlords has had some success in dealing with the problem, but those schemes under the Housing Act 2004 are coming to an end. If local authorities can show that there has been some success, will he agree to the extension of those schemes?

Grant Shapps: The simple answer is yes. I have visited the hon. Gentleman's constituency and seen some of the problems for myself. I am very much in favour of the discretionary local licensing schemes, which can play an important part. I pledge that when I come back to see his Collyhurst estate, which is about to have its decent homes funding get under way and have work done on that, I will be very happy to visit one of those licensing schemes.

Mr Speaker: I call Nigel Adams. Not here.

Alec Shelbrooke (Elmet and Rothwell) (Con): Will my right hon. Friend visit my constituency so that I can show him at first hand the greenfield land that is being developed, while thousands of units neighbouring my constituency, which have been approved by Leeds city council for building on, are being completely ignored by housing developers, thereby totally undermining any regeneration the city would like to achieve?

The Minister of State, Department for Communities and Local Government (Greg Clark): I would be delighted to go to Yorkshire to visit my hon. Friend's constituency and advise the council that the best way it can control its destiny is by adopting a local plan forthwith.

T6. [60304] **Yasmin Qureshi** (Bolton South East) (Lab): Despite receiving £20 million of cuts—£5 million more than Wandsworth borough council, and £15 million more than Bexley—Bolton's labour-run council will not be charging children to play. Will the Secretary of State join me in congratulating Bolton council on protecting children from the Government's huge cuts?

Mr Pickles: Of course, that is because Bolton receives an enormous grant from the Government.

T9. [60307] **David Rutley** (Macclesfield) (Con): In the week of the anniversary of the emergency Budget, what additional steps is my right hon. Friend's Department taking to help the Government to achieve their fiscal mandate?

Mr Pickles: We have delivered a good settlement for local government; we are looking to reduce our own Department, including reducing at the top and reducing numbers; and we are looking to extend that by offering help on growth, on enterprise zones and on local partnerships for growth. This Department has changed enormously over the past year by becoming pro-growth and helpful to local communities, offering power to local government and ensuring that ordinary people do not face a big increase in council tax.

Mr Speaker: I think the hon. Gentleman might want an Adjournment debate on the matter.

Ms Karen Buck (Westminster North) (Lab): In the Westminster city council area, 3,000 elderly and disabled people are losing social care, children's centres are being cut, street cleansing is being cut and the youth service is being cut. In the light of that, does the Secretary of State think it is a good use of public money to run a summer roadshow

"to counter the messages that people are hearing about council services being reduced or withdrawn"?

Mr Pickles: We have been most careful to ensure that priority has been given to the most vulnerable. That is why we made sure that £6.5 billion went into the Supporting People programme, and £400 million into homeless programmes. We expect that to be reflected by local authorities prioritising the most vulnerable.

Greg Mulholland (Leeds North West) (LD): It is a national scandal that wanted and profitable pubs are being closed against the wishes of the communities they serve and simply to serve the interests of greedy developers and pub companies. I was delighted to welcome the Minister with responsibility for community pubs to the launch of the all-party save the pub group's new planning charter. Will he welcome that charter and work with the group to ensure that the Government do all they can to protect pubs?

The Parliamentary Under-Secretary of State for Communities and Local Government (Robert Neill): I am delighted to work with the hon. Gentleman and to discuss his charter—I should be delighted to join him in a pub, if need be. The Government are determined, through our planning reforms and the Localism Bill, to give communities an opportunity to acquire those assets that genuinely can be viable.

Graham Jones (Hyndburn) (Lab): Conservative-run Lancashire county council has increased day-care charges from £5 to £30 starting from this month. Does the Minister think that the residents and elderly of Lancashire will see a 600% improvement from that Conservative council?

Mr Pickles: I dare say that, if Labour had been in control, we would have seen even bigger increases. After all, this is the year that Labour was going to impose pretty big front-loaded cuts on local authorities, and it was urging local authorities to increase their charges. A Labour MP should therefore not castigate a local authority that increases charges after listening to a Labour Government; he should be encouraging it.

Laura Sandys (South Thanet) (Con): I have a council that is keen to transfer assets to community groups, and community groups are, encouragingly, interested in taking them on. However, there seem to be some barriers in terms of not only VAT and the complexity of the VAT system but community insurance policies, so will the Department put in place a working group to look at the barriers that are stopping people transferring assets to community groups?

Mr Pickles: My hon. Friend makes some very important points, but such matters are way above my pay grade. With regard to charitable trusts and the like, however, it would be sensible for her to talk to members of my Department, and we will do our best to help her.

Mr Nick Raynsford (Greenwich and Woolwich) (Lab): I draw attention to my entry in the Register of Members' Financial Interests.

On waste, will the Secretary of State confirm that his Department spent £1.3 million in the first four months of this year on legal advice and consultancy? How much of that was attributable to the consequences of his unlawful decision to try to abolish regional spatial strategies?

Mr Pickles: I am delighted to tell the right hon. Gentleman that the bill has come down from what it was under Labour, and that quite a lot of that money was actually expended on decisions taken by my Labour predecessor. We have been using that money to unravel the mess that he and his friends left behind.

Mr Philip Hollobone (Kettering) (Con): The village of Braybrooke in my constituency is gradually being surrounded by unauthorised developments in open countryside as a result of applications from the Gypsy and Traveller community. What additional powers and guidance will the Secretary of State give to the local planning authority to ensure that the village is not completely encircled?

The Parliamentary Under-Secretary of State for Communities and Local Government (Andrew Stunell): The current consultation on the planning guidelines is open for a few more days, and we will be interested to hear my hon. Friend's views if he has not already submitted them. We are determined to tackle this problem, and the Localism Bill and the changes to the guidelines are designed to achieve just that.

David Wright (Telford) (Lab): The 1% increase in mortgage activity over the past 12 months is largely focused on remortgages. Why is that?

Grant Shapps: Because there was an enormous bank crash due to the fact that the debt in the British economy got out of all possible control, with Labour spending

money that this country simply did not have. We are in the process of unravelling that mess. I am pleased to report to the hon. Gentleman that for the first time for a very long time average lending to first-time buyers has dropped below 6%.

Bob Russell (Colchester) (LD): Further to Question 2, do Ministers accept that in towns where there is a major garrison there is a significant impact on the rented housing sector, both public and private? That being the case, will the coalition Government provide additional resources over and above what they would provide for a town without a garrison so that our current and former service personnel can be housed?

Grant Shapps: My hon. Friend is absolutely right about the additional pressures that arise when there is a garrison in a town. As I announced at the Dispatch Box an hour ago, this Government are determined not only to honour returning service personnel but to put them at an advantage by putting them right at the top of the list and for top consideration for such things as the Firstbuy scheme. We will send Firstbuy agents into the garrisons to ensure that they can help to get the right people into these new homes.

Eurozone (Contingency Plans)

3.32 pm

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab) *(Urgent Question)*: To ask the Minister what are Her Majesty's Treasury's contingency plans in case of a Greek default.

The Financial Secretary to the Treasury (Mr Mark Hoban): Hon. Members will be aware of the recent developments in Greece. There has been considerable media speculation about what this means for the Greek adjustment programme and potential market reactions. I am not going to engage in speculation on what might or might not happen but give the House an account of the facts as they currently stand.

Let me begin with some background on Greece and the financial assistance package. The international financial assistance package for Greece was agreed in May 2010. The package is composed of two elements: a loan of €30 billion from the International Monetary Fund and €80 billion of bilateral loans from euro area member states to the Greek Government. Although they were created at a similar time, neither the European financial stabilisation mechanism, which is backed by the EU budget, nor the euro area-only European financial stability facility contributed to the package for Greece.

The adjustment package requires Greece to undertake significant actions. There are some very difficult questions that Greece has to address now, because the package assumed that it would be able to access market funding again in 2012, but this now looks unlikely in current market conditions. The House will also be aware of political developments in Greece; a new cabinet has been appointed and the Government will soon be subject to a vote of confidence in the Greek Parliament. Later this month, the Greek Parliament will also be voting on a medium-term fiscal strategy, which is a key element of the conditions attached to the current adjustment programme.

Against this backdrop, the euro area member states have been discussing the next steps. The Eurogroup, which comprises euro area member states, today released a statement calling on

"all political parties in Greece to support the programme's main objectives and key policy measures to ensure a rigorous and expeditious implementation".

The statement also said that Ministers will

"define by early July the main parameters of a clear new financing strategy".

This is a statement from the euro area member states only. Let me be clear: the UK has not been involved in these discussions. We did not participate directly in the May 2010 package of support for Greece, and there has been no formal suggestion of UK bilateral loans or use of the EFSM, which is backed by the EU budget. The UK participated in the May 2010 package for Greece only through its membership of the IMF. So the burden of providing finance to Greece is shared between the IMF and euro area member states, and we fully expect this to continue. Our position on that is well understood across the euro area.

The UK believes that the international community needs a strong IMF as an anchor of global economic stability and prosperity. Over the past few years, we have seen how important that role can be in times of crisis, as the IMF has taken swift and decisive action to support the global economy.

There is, of course, no room for complacency. The Treasury, the Bank of England and the Financial Services Authority are monitoring the financial system, including in the euro area, on an ongoing basis. Many scenarios are considered as part of the normal policy development process. Hon. Members will agree that it would not be appropriate for me to discuss the detail of those scenarios. I also remind hon. Members that UK banks have little direct exposure to Greece.

The continuing uncertainty in the euro area is a reminder of the benefits of taking early action to stabilise and recapitalise the banks, as the UK has done. The UK banking system has developed a strong capital position, which has made it more resilient and will insure it against future risks. UK banks have made good progress in sourcing funding, despite the difficult market conditions.

The difficulties faced by eurozone countries such as Greece and Portugal reinforce why it is right to pursue the course that we set last year to tackle the deficit. The House should reflect that our deficit is larger than that of Portugal, but that our market rates are similar to those of Germany. The action we have taken to strengthen the country's finances stands us in good stead during this period of instability in the eurozone. No one on either side of this House should lose sight of the importance of these decisions in protecting the UK economy.

Ms Stuart: It is absolutely true that there is no room for complacency, but there is also no room for selective blindness and deafness, which there clearly is on the Front Benches. We have yet another question on a bail-out to which Ministers say, "Of course, we cannot be specific and we will not indulge in speculation on events that may or may not happen."

The United Kingdom will not be isolated if Greece defaults. Economists across the world are increasingly saying that it is a question not of if, but of when and are arguing that, for all intents and purposes, it has already happened. Another bail-out package will not solve Greece's problems because it is not regaining competitiveness and cannot do so while it is in the eurozone. Therefore, is it not time that Her Majesty's Government woke up and prepared for the possibility and almost inevitability of Greece defaulting? The situation will lead either to a Greek default or to the break-up of the eurozone. Whichever way it goes, we will not be isolated.

I will therefore ask the Minister some questions that go to the heart of the resilience that needs to be built up. The first is about institutional resilience. If he is really telling the House that people at the Treasury and the Bank of England have not started to get together to make practical provisions about who will meet, hold discussions and take action in the case of a default that would be comparable to Lehman Brothers, he is guilty of not stepping up to the responsibilities of his office.

Secondly, the Minister's economic plans are completely predicated on the rest of Europe and the world being economically successful. If Greece defaults, other economies will not grow and ours will be affected. Therefore, should he not reconsider his VAT increase, because that would give us greater resilience?

Mr Hoban *indicated dissent.*

Ms Stuart: The Minister shakes his head; I ask him to take me seriously.

Thirdly, I ask the Minister to consider article 66 of the treaty on the functioning of the European Union, which states:

"Where, in exceptional circumstances, movements of capital to or from third countries cause, or threaten to cause, serious difficulties for the operation of economic and monetary union, the Council",

after consultation, can impose

"for a period not exceeding six months"

measures to restrict capital flows between the EU and the rest of the world. The UK would be affected by such restrictions of capital flows. Has he discussed that with the Commission? Has he made provision for how the UK economy would deal with that if it was imposed?

Mr Hoban: The hon. Lady poses a series of very good questions, to which I will respond.

The hon. Lady asked whether the authorities are working together. I said in response to her initial question that the Treasury, the Bank of England and the FSA are working closely on this matter and monitoring the situation. We are keen to ensure that the UK banking system is resilient. The additional capital that the banks hold now, compared with at the start of the crisis, will help with that. As I said, UK banks have not had difficulty in sourcing funding in the market. There is a concern about liquidity risk, but UK banks are continuing to source funding.

I mentioned in my statement the exposure of UK banks to the Greek Government. It is $4 billion, which is less than our exposure to, for example, the Irish banks. The hon. Lady should bear it in mind that French banks' exposure is about four times that amount and that German banks' exposure is about five times that amount. We are taking the matter seriously and considering it carefully, and the Chancellor is currently at the ECOFIN meeting in Luxembourg, where I am sure it will be discussed.

The hon. Lady talked about reversing the VAT increase. The shadow Chancellor proposed last week a cut in VAT that would cost £51 billion, which would put at risk our credibility in international markets. We have taken the difficult decisions to ensure that UK market rates are in line with those of Germany. The proposal that she put forward, and which her right hon. Friend put forward last week, would mean interest rates rising for families and businesses across this country, putting the recovery at risk. I do not think that is a gamble that we can afford to take.

Mr William Cash (Stone) (Con): Will the Minister concede that it is crystal clear that the Greek situation, like those of Ireland and Portugal, does affect us? Does he also accept that the idea that is being put forward in the European Union Bill of not having a referendum on treaties that relate to the eurozone would mean that, although we are affected by the situation, we would not be allowed to have a referendum on it? Will he ensure that when the Bill returns to the House of Commons, there are amendments to ensure that there is a referendum on this matter, which affects us, so that the British people can vote on it?

Mr Hoban: My hon. Friend makes a couple of points about our exposure to Greece and the Bill that is currently going through the House of Lords. As I said, the UK's exposure to Greece is relatively small, with bank exposure at $4 billion. He will recognise that we have a big interest in ensuring the continued stability of the eurozone. That is why the treaty changes are being made—to put the European support mechanism for eurozone countries on a permanent footing and replace the EFSM, to which we have to contribute thanks to a decision taken by the previous Government, with a mechanism that is funded entirely by the euro area. We do not believe that there is a transfer of sovereignty from this Parliament to Brussels, so there is no need for a referendum on those treaty changes.

Mr Jack Straw (Blackburn) (Lab): Will the Minister first check his figures? Figures in the *Financial Times*, citing Moody's and Reuters, suggest that the exposure of British public and private sector banks to Greek debt is €13 billion, and that of Germany and France €34 billion and €53 billion. Those figures are much bigger than the ones that he gave.

Secondly, will the Minister not recognise that there is now a mood change in Europe? *Der Spiegel*, the German magazine, has had a cover story contemplating the end of the euro as we now know it, and Mr Charles Grant, the well known europhile, has done the same in *The Times* today. Instead of sheltering behind complacent language and weasel words that we should not speculate, the Government should recognise that this eurozone cannot last. It is the responsibility of the British Government to be open with the British people now about the alternative prospects. Since the euro in its current form is going to collapse, is it not better that that happens quickly rather than it dying a slow death?

Mr Hoban: May I just deal with the right hon. Gentleman's factual questions? The figures about UK banks' exposure to Greek sovereign debt were provided by the Bank of England, based on results at the end of quarter one this year.

On the right hon. Gentleman's second question, I seem to remember that he was a member of a Government who seemed committed to taking this country into the euro. I do not know whether we have seen a damascene or deathbed conversion from the Labour party. I think it was right for this country to stay out of the euro, and that is the policy of this Government. We have a strong interest, though, in the continued stability of the eurozone, as it is our major trading partner. Continued instability in the eurozone could be a factor in holding back the recovery of the British economy.

Mr John Redwood (Wokingham) (Con): Given that Greece needs a work-out rather than another bail-out, will the British Government go to the International Monetary Fund and the EU and say the following? First, a second bail-out would mean sending good money after bad and should not be done; secondly, we need an urgent conference of all the interested parties to reschedule and re-profile Greek debt in an orderly way to avoid huge systemic damage, while accepting that the problem has already occurred. Greece went bankrupt more than a year ago, but the Ministers of certain countries cannot believe it and are wasting taxpayers' money on trying to pretend that it has not happened.

Mr Hoban: My right hon. Friend highlights the need for private sector involvement, and he will know that Chancellor Merkel and President Sarkozy agreed this weekend that there should be voluntary and private sector involvement in resolving the Greek debt. Some very strong accountability is attached to any future financial support for the Greek economy: a tough programme of privatisation, and structural reforms to improve its competitiveness. I emphasise to my right hon. Friend that although it is right that there should be private sector involvement, it is not in our interests for there to be huge turmoil in our largest trading partner, the European Union.

Chris Leslie (Nottingham East) (Lab/Co-op): Clearly, it is vital and in all our interests that sustainable resolutions are agreed for Greek debt financing, but surely the Government must recognise that there needs to be a smarter approach than simply piling more and more austerity on Greece. What is the Financial Secretary's response to those, including Boris Johnson, who said yesterday that

"austerity measures are making the economy worse"

in Greece?

Why does the Financial Secretary allow the EU to procrastinate continually and to kick a solution on the bail-out mechanism into the distance repeatedly? He says that the EFSM has not yet been used. The European Council meets at the end of this week. Will the Government ensure that they grasp the nettle this time, and make sure that a permanent eurozone-only bail-out mechanism comes into force as soon as possible rather than pushing it back again? Will he give assurances that the UK will attend any future meetings, which could involve the use of EFSM, even if they are eurozone Finance Minister meetings, because the UK's empty-chair policy clearly is not working?

Given that the Financial Secretary tabled a little-noticed Commons motion last week to double the UK's subscription to the IMF from £10.5 billion to £19.7 billion, was not the Foreign Secretary being disingenuous when he said on "Sky News" earlier that

"any such support for Greece is for the eurozone and for the IMF, not for the UK"?

Britain will end up paying more for the Greek bail-out via the IMF, so will the Financial Secretary come clean and say what he estimates our share of IMF bail-out costs will be for our taxpayers? Surely Ministers should pull their fingers out and ensure that the EU makes some final decisions on all that. Is not it about time that the Government showed some leadership?

Mr Hoban: The hon. Gentleman continues to amaze me with his remarks. He seems to forget the role that his Government played in setting up the EFSM. The Conservative party has delivered a commitment to ensure that it is replaced with a permanent mechanism—one matter that will be discussed at the European Council later this week.

It is clear that we do not want to be part of a bail-out of the Greek economy and that we do not want the EFSM to be used. The fact that we are outside the Eurogroup sends a clear signal that it does not expect us to participate in that bail-out. Of course, Madame Lagarde, the French Finance Minister, made it clear last month when she appeared on "Newsnight" that she thought that the resolution for Greece was a matter for the eurozone only.

The hon. Gentleman mentioned the increase in the IMF commitment. Of course, the former Prime Minister, the right hon. Member for Kirkcaldy and Cowdenbeath (Mr Brown), committed to doubling the resources available for the IMF at the April 2009 G20 summit in this country. I am surprised that hon. Members have such short memories of those matters.

Sir Peter Tapsell (Louth and Horncastle) (Con): As several EU members have said that the only long-term solution to the crisis in the eurozone is establishing a fiscal union, has the Chancellor made it clear to them that there is no possibility of Britain joining that? As a member of the IMF, we are already playing a role in trying to bail out the European Union from its folly with its single currency.

Mr Hoban: As ever, my hon. Friend, whom I congratulate on becoming a member of the Privy Council in the birthday honours list, speaks wise words. The Chancellor has been very clear that we do not wish to be part of a fiscal government for the European Union. That is why we have fought for the right package for economic governance, which safeguards the independence and sovereignty of this House when it comes to making fiscal decisions. My hon. Friend rightly reminds us why it was right never to join the euro.

Kelvin Hopkins (Luton North) (Lab): Whatever happens in Greece this afternoon, and even if there is a fire sale of public assets to buy time, the fact is that the euro is moving inexorably towards its death throes. The realistic choice is between a controlled deconstruction of the euro and the restoration of national currencies, or a crash that would be catastrophic for everyone.

Mr Hoban: The hon. Gentleman once again reminds us how important stability in the eurozone is—the situation could have a significant impact on the UK economy, which is why it is important that the Greeks resolve their problems in conjunction with eurozone member states. However, let me make this quite clear again: we do not want to be part of that bail-out.

Duncan Hames (Chippenham) (LD): How does the Government's disposition on these matters differ between the case of Greece and that of other strained but larger or more closely integrated economies, such as, say, Spain?

Mr Hoban: My hon. Friend will of course recollect that one reason why we made a bilateral loan to Ireland was the particularly close relationship between the UK and Irish economies. That relationship did not exist with Portugal, and it does not exist with Greece, so there is a different approach. It is important to remember that Greece was bailed out by eurozone countries, and that the bail-out of Greece should continue to be done by them.

Chris Bryant (Rhondda) (Lab): Is not the danger of the Government's deliberate attempts to steer as far away from any involvement whatever that the indirect, knock-on effect for British businesses and banks, and in

the end for British taxpayers, will be far more significant than he is letting on? That is why many Opposition Members feel that he is being deeply complacent.

Mr Hoban: I do not think anyone is in a position to accuse this Government of being complacent. We are the Government who have taken action to tackle the fiscal deficit that we inherited from the Labour party. That has enabled the spreads between UK gilts and German bunds to narrow, reflecting market confidence in the measures that we are taking to sort out the problems in the British economy. The Labour party is failing to take its responsibilities seriously or to acknowledge the mistakes that it made when it was in government. It also fails to recognise the strength of support for the actions that this Government have taken to resolve the economic crisis in this country. Had we not taken that action, we might well have been in the firing line with Greece.

Mr Richard Shepherd (Aldridge-Brownhills) (Con): The eurozone was never an optimal currency zone. It is predicated on a treaty arrangement that calls it irrevocable and irreversible. We should never have accepted the hubris contained in those phrases, which brought about the passage of the Maastricht Bill and the current situation. This Government and this country should not be involved, and it would be helpful if we said what everyone in the press now says: this arrangement cannot survive in its current form. The hubris of those politicians who led the poor Greeks and all those who believed in this arrangement should be exposed as such.

Mr Hoban: My hon. Friend is absolutely right that we have seen during this crisis the strains within the eurozone mechanism. The actions that needed to be taken to resolve the consequences of those strains include the bail-outs of the Greek, Irish and Portuguese economies. It is absolutely right that we secured that opt-out to the Maastricht treaty, to ensure that this country did not have to be a member of the euro, a position that the previous Government seemed not to support.

Graham Stringer (Blackley and Broughton) (Lab): The Minister, the Government and the House want stability, but quite frankly, Greece is bankrupt, and cannot restore its economy while it remains in the euro. Is not the answer to introducing stability an orderly return to the drachma? Should not that be the burden of the Government's policy?

Mr Hoban: The hon. Gentleman is absolutely right that we need stability in the eurozone, but I do not think that speculation here will help to deliver that stability to the Greek economy or the wider eurozone.

Mr Douglas Carswell (Clacton) (Con): Most previous IMF rescue packages that I can think off have generally involved first a currency devaluation and secondly a debt default—or, should one prefer the term, a restructuring. Does the Minister agree that the IMF should be consistent with that approach in regard to Greece, and should not the IMF oversee a decoupling from the euro and a default on the debts, which would be consistent with its approach in other instances and rescue packages?

Mr Hoban: The IMF is the body best placed to decide the conditions to be attached to any rescue package that it puts forward. Strict conditionality is attached to the rescue package for Greece, including significant privatisations, tax collection reform and wider structural reforms. However, I think that this is a judgment for the IMF to make.

Mr Dennis Skinner (Bolsover) (Lab): Does the Minister recall that when the Tories and Liberals were in opposition and sat over here on the Opposition Benches, the Tories wanted to see the collapse of the eurozone, but the Liberal Democrats thought the opposite and wanted to prop it up? Here we are today with a great opportunity to see the back-end of the euro, and I can only reach the conclusion, based upon his complacent answers, that the Lib Dems are running the coalition.

Mr Hoban: That was a flight of fancy by the hon. Gentleman. I would say to him and his hon. Friends that it was this Government who scrapped the euro preparation unit, which the previous Chancellor of the Exchequer set up in the Treasury.

Mark Reckless (Rochester and Strood) (Con): It is only six weeks since £26 billion of European financial stabilisation mechanism funding was nodded through for Portugal. May I congratulate the Minister on the change we have seen in those six weeks, on his statement now that there is no question of any further EFSM funding, and in particular on what we read in the weekend press—that this is a red-line issue for the Treasury and that any further use of the EFSM is unacceptable? Long may it continue.

Mr Hoban: My right hon. Friend the Chancellor has made it very clear in his discussions with the Finance Ministers of EU member states that we do not want the EFSM to be used in this bail-out—a statement that Madame Lagarde confirmed on British television only a few weeks ago. I welcome my hon. Friend's congratulations.

Mr Denis MacShane (Rotherham) (Lab): The Minister is prudent not to join in the glee of the euro's gravediggers, because if Greece defaults, it will not stop on the Acropolis—Portugal and Ireland will be next—and the nine out of 10 banks in the City that are European and foreign-owned will pay a terrible price. Rather than waiting for the eurozone to disintegrate into a set of competing currencies hiding behind capital-controlled walls—the notion that an open-trade Europe can exist in those conditions is nonsense—we should be very careful about where we are going. Boris Johnson said today that Greece was bankrupt. That is a signal to every Greek to get on his bike and seek work elsewhere. Is that really what we want—a new flood of economic migrants into Britain?

Mr Hoban: The right hon. Gentleman raises a series of points in his speech, but he makes a strong argument for why it is important that the eurozone is strong and stable. That has broad economic and social benefits. Clearly, if that is to happen, it is important for the Greek bail-out to work and be effective.

Mrs Anne Main (St Albans) (Con): I am very concerned. The next debate is about trying to cut back on pensions and save taxpayers' money, yet we are still planning to put through the IMF—a third party—taxpayers' money

[Mrs Anne Main]

that we are having to scrimp and save at home. My constituents will not stand for it. I am disappointed to hear the language of the Government at the moment, which seems to imply that Greece is an economy that is too big to fail. That is the same thing we had with the banks. We should put Greece out of its misery—it is flatlining—and no more of our public money should be sent abroad to Greece, even through the IMF. There are riots on its streets. Its people do not like the medicine being offered to it, and we cannot expect it to take any more. Let it depart peacefully from the euro. It cannot be sustained as it is; it is just good money after bad.

Mr Hoban: My hon. Friend will be aware that these are matters for the Greek Government, but I would say this. When money has been lent to the IMF, that does not reduce the amount of money available for public spending. We get interest on the balances that we lend to the IMF, and it has never defaulted on a programme yet. We need to recognise the importance of support provided through the IMF, although I do not really think that my hon. Friend is suggesting that we should withdraw from it. On fiscal consolidation, let me reiterate to my hon. Friends and to the Opposition, who have ignored this crucial fact, that if we had not taken the tough action that we took a year ago in our emergency Budget, it would be the UK, not Greece, in the firing line.

Stewart Hosie (Dundee East) (SNP): Nobody wants to see Greece default, but that is most certainly possible. Were it to happen, there would be an immediate shock to the eurozone and, more widely, to the EU, our largest trading partner. That would have an impact on the UK. I am glad that the Minister said that the situation was being monitored, but the House and the public deserve more detailed information. If he has not already done so, will he ensure that the Treasury asks the Office for Budget Responsibility to assess the impact on UK growth of a potential Greek default, and publish that assessment quickly, so that we can understand precisely what the consequences might be?

Mr Hoban: The OBR will take into account the state of the eurozone economy in its normal forecasting. However, let me be clear to the House that the Treasury, the Bank of England and the Financial Services Authority work closely to monitor the strength of the financial system, and the exposure of UK banks to the Greek Government and the wider eurozone economy. The actions taken to date have ensured that our banks are well capitalised, have strong balance sheets and are less exposed to the Greek economy than, say, French or German banks. British banks can still access funding in international markets, which is a sign of the UK banking system's strength.

Mr Bernard Jenkin (Harwich and North Essex) (Con): May I urge my hon. Friend to bear it in mind that the nearer we get to the inevitable break-up of the euro, the faster the denials will be made that it is not going to happen? Will he urge the European Union to design a policy that creates a legal framework for an orderly departure of Greece from the euro? Can he name a single reputable economist who believes that the Greek economy can recover without a devaluation?

Mr Hoban: We all recognise the challenges that the Greek economy faces as a consequence of high levels of debt. That is one reason why it has been proposed that the banks take part in a voluntary initiative to roll over their debt, to reduce some of the burden on the Greek economy.

John Cryer (Leyton and Wanstead) (Lab): In answer to one of his Back Benchers, the Minister said that if we put money into the IMF or the EU, that does not affect the rest of public spending. However, the rest of the world would recognise that if we spend money on one thing, that gives us less to spend on other things. Is that right or is it wrong?

Mr Hoban: If that is the hon. Gentleman's view, he should talk to those on his Front Bench, who seem happy to propose £51 billion of unfunded tax cuts. Money that we lend to the IMF is money that is sitting on the Government's balance sheet; it does not affect the spending decisions that we make. We are paid interest on the amounts lent to the IMF, which do not affect the amount of money that we can spend on pensions, schools or health, and I made the same point about how the EU funds the European financial stabilisation mechanism.

Sajid Javid (Bromsgrove) (Con): Like Greece, we, too, have an enormous national debt, which more than doubled over the last 13 years, to more than £1 trillion, with an interest bill of more than £40 billion this year. Does the Minister agree that had we not had a change in Government 13 months ago, we, too, could have been facing the same sad fate?

Mr Hoban: My hon. Friend is absolutely spot on. We can see from the reaction of the Labour party in opposition that it has not learnt at all from its mistakes in government. If we had not taken tough action, we would have seen high market rates of interest, which would have increased costs for families and businesses across the country. We are now seeing the benefits of the tough decisions that we took in last year's emergency Budget.

Mike Gapes (Ilford South) (Lab/Co-op): Given that the tough, sado-monetarist programme imposed on the Greeks a year ago has not worked, how many more sado-monetarist programmes will work?

Mr Hoban: When the Greek Government agreed last year's debt bail-out package, it was assumed that they would be able to re-enter the markets in the spring of next year. That is clearly not the case, given current market pressures, which is why the Greek Government had to seek a second round of refinancing. However, they still need to take action to improve Greece's competitiveness, reduce the size of the state sector through further privatisation and improve taxation, to get the economy back on track.

Mr Peter Bone (Wellingborough) (Con): I congratulate the hon. Member for Birmingham, Edgbaston (Ms Stuart) on securing this urgent question, and I say gently to the Minister that it is a shame that he did not volunteer to make a statement on this matter first. What is Her Majesty's view on whether the euro can survive in its current format?

Mr Hoban: I cannot speak for Her Majesty on this occasion, but I would say to my hon. Friend that we did not come forward with a statement today because no decisions have been taken. A statement was put out by the Eurogroup last night which recognised that work was in progress, and my right hon. Friend the Chancellor has continually sought to keep the House informed of the outcome of such discussions. Once ECOFIN has met today, there will be an opportunity for him to lay a statement on the outcome of that meeting.

Mr William Bain (Glasgow North East) (Lab): Despite the European lenders having cut their exposure to risk in Greece by 30% in the past year, the risk of contagion in the eurozone has become the paramount concern. Will the Minister acknowledge that, with about $2 trillion exposure to Portugal, Ireland, Italy and Spain by lenders in the eurozone, any Greek default would have the potential to devastate the European banking system and jeopardise the economic recovery in the eurozone?

Mr Hoban: The hon. Gentleman makes an important point. In the event of a default, there would be consequences for the strength of bank balance sheets across Europe. That is why we are going through a stress-testing process across Europe at the moment to determine the consequences of various scenarios on the strength of bank balance sheets. UK banks have strengthened their balance sheets significantly and they hold high levels of capital. That will give them some insulation against the impact of a default.

Mr Julian Brazier (Canterbury) (Con): I welcome my hon. Friend's commitments on the non-IMF involvement of British funds in another bail-out for Greece. Does he accept that a country running a large balance of payments deficit can pay off foreign debts only if it is able to reverse that balance, and that to do that, it has to devalue? The man from Brussels cannot make water run uphill.

Mr Hoban: My hon. Friend has pointed to one way in which a country can regain competitiveness—through devaluation. There are other ways, including reducing labour costs and increasing productivity, and all those actions should be taken to ensure that the Greek economy and those elsewhere in the eurozone reach a much stronger position.

Andrew Gwynne (Denton and Reddish) (Lab): The impact on the British economy of events in the eurozone, and in Greece in particular, is potentially very significant. May I press the Minister further on what contingency plans the Treasury is putting in place to protect the UK's financial and economic interests in the event of a Greek default or, worse still, a domino effect across the eurozone?

Mr Hoban: I will say this again, so that no one leaves the Chamber unaware of what is happening: as ever, discussions are taking place between the Bank of England, the Treasury and the FSA, and we are considering a number of scenarios and potential market events. I can say to the hon. Gentleman that British banks are better capitalised than they were at the start of the crisis, and because of the strength of their balance sheets, they are able to access funding in what can be quite difficult market conditions. That is a good sign of market confidence in the strength of the UK banking sector.

Harriett Baldwin (West Worcestershire) (Con): Madame Christine Lagarde is clearly an outstanding candidate to be head of the IMF, but is the Minister slightly concerned that she is French and, given that the French banks have a very large exposure to the Greek problems, that she might therefore be conflicted in her approach to the problem?

Mr Hoban: Madame Lagarde is a strong candidate for the role of director-general of the IMF. My hon. Friend is absolutely right to point out that she is French; that fact has not escaped us in ECOFIN meetings. Madame Lagarde said on "Newsnight" a couple of weeks ago that she recognised that the bail-out of Greece involved a series of agreements between eurozone countries, and that that should remain the case.

Bill Esterson (Sefton Central) (Lab): The Minister has an extraordinary level of confidence—well, I think it is confidence—in the Greeks' ability to repay the loans they are currently receiving. I just want to check with him: how much of the £19.7 billion UK contribution to the IMF forms part of the Greek bail-out and how long he is prepared to see us continue to make our contributions through the IMF?

Mr Hoban: I do not think the hon. Gentleman is suggesting that we should withdraw our membership of the IMF—*[Interruption.]* It is not clear from the question he is asking. Part of the condition of any bail-out of an economy by the IMF—whether it is a eurozone economy or another economy—is a debt sustainability plan, which is a rigorous part of the assessment process. As was clear in the Eurogroup statement last night, the IMF and the Eurogroup have signed off on Greece's debt sustainability plan, so they expect that money to be paid back.

Joseph Johnson (Orpington) (Con): The hon. Member for Birmingham, Edgbaston (Ms Stuart) questions the UK's resilience in the event of a wave of eurozone defaults. Does the Minister agree that in the eyes of the markets, the UK has already become something of a safe haven, with UK 10-year borrowing rates and credit default swap rates falling last week while the comparable rates in other countries soared, precisely because the UK Government have a good deficit reduction plan, and a good plan for settling our banks and making them stronger—and they are sticking to it?

Mr Hoban: My hon. Friend is absolutely spot on in his analysis. I believe that the 10-year gilt rates fell to 3.2% at the end of last week, which reflects the markets' vote of confidence in the UK economy and particularly the fact that we took the difficult decisions that the Labour party shied away from when they were in government. We took those decisions, which is why the market rates are similar to those in Germany, yet our deficit is more in line with that of Portugal.

Tom Blenkinsop (Middlesbrough South and East Cleveland) (Lab): Can the Minister give an assessment of what effect a Greek default will have on the German and French economies, which are more exposed to such a default, and in turn on UK manufacturing?

Mr Hoban: The hon. Gentleman is right to say that German and French banks have a greater exposure to the Greek sovereign debt than the UK banks do. The

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French exposure is, I think, four times that of the UK, while the German banking sector's exposure is about five times ours. That is why it is important that, as we go through the process of stress testing European banks, we look very carefully at the level of capital that our banks hold to ensure that they are in a position to withstand shocks and thus to support and sustain the economy.

Nadhim Zahawi (Stratford-on-Avon) (Con): The hon. Member for Birmingham, Edgbaston (Ms Stuart) attacks this Government's VAT policy and, by implication, the deficit reduction policy. Does not what is happening in the eurozone absolutely serve as a timely reminder that we have to attack the deficit because that is how this country will maintain low interest rates?

Mr Hoban: My hon. Friend is absolutely right. It was clear in the reaction to last week's statement by the shadow Chancellor that everyone thought his plan lacked sense and would have undermined the recovery in this country by putting interest rates at risk and forcing up the interest costs of businesses and families. We have taken the tough decisions to get the economy right; the markets have demonstrated through the rates at which firms and businesses can borrow that they have confidence in our plans.

Several hon. Members *rose—*

Mr Speaker: Order. May I remind remaining contributors that this is not a general debate on the British Government's domestic economic policy?

Mr Philip Hollobone (Kettering) (Con): Does the Minister believe that the eurozone will remain intact with all its present members?

Mr Hoban: I am not going to comment on whether the eurozone will remain intact. Clearly, this crisis demonstrates the huge strain that the eurozone is under. That is why it was right for us to stay out of the eurozone.

Alec Shelbrooke (Elmet and Rothwell) (Con): Does the Minister agree that one of Greece's biggest problems is that its people, backed up by the unions, have not accepted the austerity measures going through? Is that not a timely warning to unions in this country, which are complaining about how we are trying to get the deficit under control, of the consequences unless proper and sensible action is taken?

Mr Hoban: My hon. Friend has made an important point. It is clear that difficult decisions must be made if our economy is to be put back on the right track, and the Government are demonstrating their commitment to making them. Interest rates are lower than they would have been if we had not made those tough decisions, which is good for families and good for businesses.

Points of Order

4.14 pm

Hilary Benn (Leeds Central) (Lab): On a point of order, Mr Speaker. The House is only too well aware of the mess that the Government have made of the handling of the Health and Social Care Bill, but today's Order Paper reveals that they are now outrageously and desperately trying to deny the House the right to decide whether it wishes to recommit the whole Bill to a Committee. Can you confirm, Mr Speaker, that not only would the business motion tabled by the Leader of the House specifically prevent the tabling of any amendment on the form of recommittal to the motion tabled by the Secretary of State for Health, which will appear on tomorrow's Order Paper—for example, an amendment proposing the recommittal of the whole Bill—but if tonight's motion were objected to, there would be no debate on recommittal tomorrow?

Is it possible, Mr Speaker, for you to prevent that from happening, and protect the rights of Members, by establishing, under Standing Order 83B, a programming committee that could meet and pass a motion today which might enable us to have a proper debate tomorrow, with amendments, by invoking one of the exceptions in Standing Order 83A to the rule that programme motions should be taken forthwith?

Can you also tell us, Mr Speaker, whether, if the motion tabled by the Leader of the House is passed tonight, it will be in order for Members to argue in tomorrow's debate that the whole Bill should be recommitted, especially as a motion in the name of the Leader of the Opposition calling for precisely that has been on the Order Paper since 24 May?

Mr Speaker: I am grateful to the shadow Leader of the House for his point of order and for giving me notice of it. The right hon. Gentleman has raised a series of very important matters, and I think that it is important to both him and the House for me to respond to them.

Tom Blenkinsop (Middlesbrough South and East Cleveland) (Lab) *rose—*

Mr Speaker: Will the hon. Gentleman allow me to deal with the point of order from the shadow Leader of the House? If after I have done so he remains dissatisfied, I will of course deal with any ensuing point of order.

Let me say first that the shadow Leader of the House is correct in supposing that if the Business of the House motion were objected to tonight, the programme (No. 2) motion would be put without debate or opportunity for amendment tomorrow. That is, as a matter of procedure, factually correct. The programme (No. 2) motion would be put without debate, as are all such motions varying or supplementing a programme order, unless they fall into one of the four exceptions listed in Standing Order No. 83A. The motion to be moved tomorrow is not covered by any of those exceptions, and so would ordinarily be put forthwith.

Secondly, there will indeed be no opportunity to move amendments. If the Business of the House motion is agreed tonight, the programme (No. 2) motion will be debated for up to an hour tomorrow, but no amendments may be moved. The same would apply if the motion were taken forthwith in accordance with Standing Order No. 83A. It would still be open to Members to table such amendments today to appear on the Order Paper tomorrow, but either way, under our procedures they could not be moved.

The right hon. Gentleman asked a very important question, namely whether it would be in order in the debate on the programme (No. 2) motion tomorrow to argue that the whole Bill, not just the clauses specified, should be recommitted, to which the explicit answer is yes. It would be possible to argue that more or less of the Bill ought to be recommitted, or, of course, to argue against recommittal altogether.

I understand the right hon. Gentleman's concern about the matter as a whole—and he referred specifically to the position set out by the Leader of the Opposition last month—but the House is not being asked to agree to anything that is out of order. It is for the House to decide on the motions before it. As for the particular question of a programming committee, I can tell the right hon. Gentleman and the House that the Standing Order relating to such committees would apply only to proceedings on the Floor of the House, and the initial programme Order of 31 January specifically excluded the operation of a programming committee on this Bill.

Whether my response is welcome or unwelcome to different Members in the various parts of the House, I hope that Members will accept that it has been fully thought through, and has been offered on the basis of the Standing Orders of the House.

Hilary Benn *rose—*

Mr Speaker: Of course I will take a follow-up point of order from the shadow Leader of the House.

Hilary Benn: Further to that point of order, Mr Speaker. I am extremely grateful to you for your comprehensive response. The Health and Social Care Bill programme motion passed on 31 January disapplied Standing Order 83B, which relates to programming committees only in relation to consideration and Third Reading, and which does not apply to Committee stage. If that is the case, could not a programming committee bring the matter within scope by the device of now suggesting a Committee of the whole House, which would therefore ensure that, even if that Committee of the whole House were not to be agreed to tomorrow, first, there would be a debate and, secondly, we could consider amendments?

Mr Speaker: I hear what the right hon. Gentleman says, but it is my understanding that a programming committee relates to the proceedings on the Floor of the House, and I think he is in some difficulty if he is praying it in aid in support of the proposition he has just made. If I am mistaken, no doubt I will be advised, and if he does not think that I have fully seized the gravamen of his point, he is welcome to return to it because these are important matters, but that is the best initial response I can offer.

Mr Peter Bone (Wellingborough) (Con): Further to that point of order, Mr Speaker. Thank you for your careful explanation of this issue, but am I right in thinking that if the Business of the House motion is objected to tonight, the Government would not necessarily have to introduce their substantive motion tomorrow and could, instead, have a rethink?

Mr Speaker: As so often, the hon. Gentleman is right. He is absolutely right that there is no obligation on the Government to introduce their motion. They are perfectly at liberty to test the will of the House, but the organisation of Government business is a matter entirely for the Government. If they want to take note of who votes which way, or decide to sleep on the matter and reconsider—I entertain no especial prospect of that happening, but it could if that is what is in Ministers' minds—that is a matter for Ministers.

Mr Denis MacShane (Rotherham) (Lab): A day at Wimbledon!

Mr Speaker: I note what the right hon. Gentleman says about a lawn tennis championship taking place not far from here, but how relevant that is to Ministers' thinking on this matter is not entirely obvious to me. We are grateful to him, nevertheless.

Tom Blenkinsop (Middlesbrough South and East Cleveland) (Lab): Further to that point of order, Mr Speaker. Is it in order for the Government to seek to prevent Members from tabling amendments to a programme motion, and, indeed, in effect to prevent you from deciding whether you wish to select any particular amendment—and do you have any idea what the Government are so afraid of?

Mr Speaker: It is for the House to decide to what it agrees; that is a matter for the House. Whatever attempts may be made to persuade Members of the merits of one course of action or another, they are perfectly free to do whatever is legitimate within the procedures of the House—that is up to them—and ultimately that is then a matter for the House.

Grahame M. Morris (Easington) (Lab): Further to that point of order, Mr Speaker. I rise to speak in support of the points that have been made, and to seek a little further clarification. I am certainly not suggesting that the Government are trying to stifle debate, but it is unclear to the House whether the Government have sought to prevent amendments to the committal motion on the Health and Social Care Bill by accident or design. Can you confirm that the Government can still change their mind today by moving the motion tonight without the last section, which prevents amendments from being taken?

Mr Speaker: The answer to the hon. Gentleman off the top of my head is that if the Government were moved by the power of his argument or the eloquence of its expression, they would be perfectly free to change their mind, and if they were so minded, they would probably do so through the conventional method in these circumstances, namely by not moving the motion on the Order Paper. If the Leader of the House, as a fair-minded man, happens to be swayed by the observations of the hon. Gentleman or others, it is perfectly open to him and his colleagues to decide not to move the Government's motion. I hope I have made the position clear.

It might also be helpful if I say by way of clarification in response to the shadow Leader of the House that the terms of a programming committee do not apply to—do not embrace—the proceedings in a Public Bill Committee. As I am helpfully advised, the deliberations of a programming committee do not apply to that element of the proceedings. In so far as there is any different interpretation, it might relate to interpretation as to the competences of a programming sub-committee. I hope I have explained the factual position of what a programming committee is, and is not, responsible for.

Stewart Hosie (Dundee East) (SNP): Further to that point of order, Mr Speaker. I am not sure where this matter will lead the Labour party or others in the debate tonight, or possibly tomorrow. I am concerned, however, that this uncertainty may lead to the time protected for the Scotland Bill being eroded or eaten into, and I am seeking clarification from you or others that that will remain protected.

Mr Speaker: Well, there is a lot to be said for seeing what transpires. I know that the hon. Gentleman is a keen student of political history. Perhaps he will agree with me in this context that it is a good idea to remember the wise words of the late Lord Whitelaw. He it was who said, "As a rule, I do not believe in crossing bridges until I come to them."

Mr Dennis Skinner (Bolsover) (Lab): Further to that point of order, Mr Speaker. This all started because the Government said they were going to listen. That is what it was all about. Have you stopped listening? Come on!

Mr Speaker: I fear that the hon. Gentleman, perhaps not for the first time and possibly not for the last, has taken matters a little outside my capacity to rule—

The Leader of the House of Commons (Sir George Young) *rose—*

Mr Speaker: He has nevertheless spurred the Leader of the House, and the Leader must be heard.

Sir George Young: Further to that point of order, Mr Speaker. It is precisely because the Government have listened that we have tabled the motion tonight to enable a debate to take place tomorrow. Had we not tabled such a motion, under Standing Orders the recommittal motion would have been proceeded with forthwith.

Mr Speaker: I am grateful to the Leader of the House, who I think has clarified matters very satisfactorily.

Mr Frank Field (Birkenhead) (Lab) *rose—*

Mr Speaker: I am sure it is an unrelated point that the right hon. Gentleman wants to raise.

Mr Field: Further to that point of order, Mr Speaker. Given that this motion is crucial to the survival of the coalition, if the House follows the advice you gave to the hon. Member for Wellingborough (Mr Bone), we would soon get another motion on the Order Paper, would we not?

Mr Speaker: I am very grateful to the right hon. Gentleman. My response is twofold. First, the question is hypothetical; secondly, the survival of the coalition, as the right hon. Gentleman, a Member of 32 years' standing, can well testify, is thankfully not a matter for me one way or t'other.

If the point of order appetite has been exhausted, perhaps we can now proceed to the main business.

Pensions Bill [*Lords*]

4.27 pm

The Secretary of State for Work and Pensions (Mr Iain Duncan Smith): I beg to move, That the Bill be now read a Second time.

May I first say something that might help the House? Hon. Members might not realise that there are a number of different things in the Bill, and I plan to go through those elements. I will obviously take interventions, and it would be helpful if interventions were made on those sections in due course; otherwise, it will take a long time, and I know colleagues want to speak.

The Bill is designed to secure this country's retirement system, putting it on a stable and sustainable footing for the future. I remind the House that our first priority on coming into government was to secure the position of today's pensioners. We acted immediately to introduce the triple guarantee, meaning that someone retiring today on a full basic state pension will receive £15,000 more over their retirement by way of the basic state pension than they would have under the old prices link. For 10 years, the previous Government talked about this, but we acted in our first year.

The backdrop to the Bill is that we have taken action, and we have committed to a permanent increase in the cold weather payments to £25—an increase the previous Government had planned to be temporary. The old rate, I remind colleagues, was £8.50. Last winter alone we paid out some £430 million to support vulnerable families. At the same time, winter fuel payments will remain exactly as budgeted for by the previous Government: at £200, and £300 for those over 80.

Mr Brian H. Donohoe (Central Ayrshire) (Lab): Will that be inflation-linked?

Mr Duncan Smith: With respect, it never was under the previous Government, and we are not going to change that policy. We have had plenty of discussions on this, and I remind the hon. Gentleman that, although the previous Government uprated it, the Red Book for that time shows that absolutely no money was allowed thereafter, so it was going to settle back. Let us be absolutely clear about that.

Sheila Gilmore (Edinburgh East) (Lab) *rose—*

Mr Duncan Smith: Let me make a little more progress and then I will give way.

We have protected other key areas of support for pensioners, including free eye tests, free prescription charges and free TV licences for those aged over 75. Having quickly put incomes on a firmer footing, we have moved to secure older people's right to work by taking decisive action to phase out the default retirement age, thereby sending a message that age discrimination has no place in modern British society and that older workers have a huge contribution to make.

Those were absolutely the right steps to take as a backdrop to the Bill, but they are just the beginning as we set about reforming our broken retirement system. At its heart, the Bill is about dealing with the challenge that faces the next generation, who will have to pay for their parents' retirement while footing the bill for a crippling national debt, even before they start thinking about their own pension arrangements. I remind the House that 7 million people currently are not saving enough to have the income they want or expect in retirement. We need to look at the steps we can take to secure their future.

Mr Dave Watts (St Helens North) (Lab): Is it not clear to the Secretary of State and the Government that although everyone accepts that there have to be changes, some of the proposals in the Bill are, for 500,000 women, unfair and unjustified? He should do a U-turn on those proposals as soon as he can.

Mr Duncan Smith: As I said at the outset, I will happily take an intervention on that part of the Bill when I come to it. Of course, that requires the hon. Gentleman's staying for the whole debate, but that is up to him.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): Many of us agree with the Secretary of State that it was about time that someone grappled with this particularly difficult issue of reforming our pension system, so I congratulate him on that, but we need to know very early in the debate whether that group of women will be fairly treated and whether the Government will think again, because those of us who feel positive about many of the reforms would find that a sticking point.

Mr Duncan Smith: I guarantee the hon. Gentleman that I will discuss the issue, and I hope he will still be here then—no doubt we can have an exchange on it.

The Bill addresses important issues, not just that of pension age. It is key that we get this generation saving and make sure that savings count and are not frittered away by the means test. We also have to find a way of sharing the cost of the retirement system between generations, ensuring a fair settlement for both young and old. I know that people think that retirement is all about just the group who are retiring, but as we look down the road ahead it is also very much about the generation who will have to pick up many of the bills. These are not easy decisions, but I want to make sure that the House recognises that we have to take decisions about the next generation; otherwise we will be guilty of falling into the same slot as the previous Government, who left us with the deficit.

Let me address auto-enrolment. The Bill takes forward the previous Government's plans for automatic enrolment, which were debated and widely supported during the passing of the Pensions Act 2008 and to which we remain absolutely committed. The Bill refines some of the policy's parameters to ensure that automatic enrolment works as effectively as possible, following the recommendations of the "Making automatic enrolment work" review that we initiated. First, we propose an increase in the earnings threshold at which automatic enrolment is triggered from an expected £5,800 under the previous Government's plans—I say expected because the figure involves assumptions about changes as a result of inflation—to £7,475. That will protect those on the lowest incomes and will reduce the risk of the lowest earners saving for a pension when they do not earn enough to make it worth making all that effort and

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sacrifice. It will also simplify administration for employers by aligning the earnings trigger with the existing personal tax threshold.

Jonathan Evans (Cardiff North) (Con): My right hon. Friend refers specifically to the linkage of the personal allowance but, as he knows, our Government are committed to increasing the allowance significantly. What impact is that likely to have on auto-enrolment?

Mr Duncan Smith: We are committed to reviewing that year by year, so I can assure my hon. Friend that we will constantly take it forward and not leave it static.

Introducing a waiting period of up to three months, which has been widely discussed and debated, will ease the regulatory burden on employers. We had many representations from employers. In view of the present circumstances and the difficulties that many of them face, it is important to recognise the key considerations that we had to take into account in framing the Bill.

Workers will retain the right to opt into the system if they consider it to be in their best interests to do so. That is important. Although we are allowing a let-out, if workers want to enter they will retain the right to do so. The Bill also amends legislation to enable employers with defined contribution schemes to self-certify their scheme. That is simple and straightforward. It makes it easier for employers with an existing scheme to try to align that. If it is aligned closely enough, the scheme can go ahead, saving employers the complication of having to change and engage in a new scheme. That is fairer and more reasonable.

Steve McCabe (Birmingham, Selly Oak) (Lab): Given that the vast majority of the 600,000 people who will be excluded from getting a pension under the raised threshold are women, is the Secretary of State at all worried that the Bill is beginning to look as if it discriminates against women?

Mr Duncan Smith: I recognise the hon. Gentleman's concern. We are not blind to the issue, but we have decided to strike a balance between making the scheme work from the beginning and avoiding driving people on very low incomes into sacrificing too much and therefore not seeing the rewards. It is important to make the point that in the Green Paper, as the hon. Gentleman will have noticed, we talk about the single-tier pension, from which there will be very significant benefits to women. We hope that in due course that will achieve a balance.

I do not dismiss the hon. Gentleman's considerations. We keep the issue constantly under review and will watch carefully to see what happens. It is important that we get auto-enrolment off the ground in a stable manner. I hope hon. Members on both sides of the House recognise that these are balanced decisions—sometimes nuanced decisions—that we have to take, but we will make sure that we review them.

Mr Tom Watson (West Bromwich East) (Lab): Will the Secretary of State give way?

Mr Duncan Smith: Indeed. How can I resist?

Mr Watson: The right hon. Gentleman knows that I have always admired his ambition, but is he familiar with the Burkean maxim that change always brings certain loss and only possible gain? What appears to sit within the proposals he is outlining today is certain loss for many thousands of women facing retirement. Will he sketch out a little more how he intends to give them security, given that many trade unions—the Public and Commercial Services Union, Unite, GMB and Unison—have just voted for strike action? I strongly contend that fear about insecurity in retirement is fuelling that.

Mr Duncan Smith: It is always nice to be accused of having ambition. I thought I was supposed to have given that up a few years ago, but I will be tempted by the hon. Gentleman. Workers can still opt in. They must be told that they can opt in, and if they feel it is the right thing to do, auto-enrolment will still be open to them. I will not be tempted just yet on the other subject to which the hon. Gentleman refers, which is the pensions age. I will take an intervention from him, if he wishes, when we get to that. For the moment I want to stay on auto-enrolment. As I said earlier, I recognise that these are not absolutes. In other words, to get the scheme going we have taken some of these decisions, but we will see where that goes. If there is a very big drive for more to go into it, we will take that into consideration.

Amendments made in the other place will ensure that the strength of the certification test is maintained by requiring that I and subsequent Secretaries of State ensure that at least 90% of jobholders receive at least the same level of contributions under the certification test as they would have received based on the relevant quality requirement for automatic enrolment. Employers told us in discussions that the certification test will significantly ease the process of automatic enrolment.

I believe that these changes, taken together, will allow us to present individuals and businesses with a credible set of reforms that will bring much of the next generation into saving for the first time, which was Labour's intention when in government, and one that we will pursue, thus beginning to improve the poor level of saving. There has been some talk, not necessarily by hon. Members here, about the possibilities of mis-selling. We have retained the powers to prevent excessive charging in automatic enrolment schemes and will use them as necessary and keep them constantly under review.

Part 3 of the Bill covers occupational pension measures, including a few relatively minor changes to the legislation governing the uprating of occupational pensions. The Bill amends existing legislation to set the indexation and revaluation of occupational pensions at the general level of prices. These changes are consequential amendments that follow the Government's decision to use the consumer prices index as the most appropriate measure of inflation for benefits and pensions.

I remind the House that the key legislation for setting the statutory minimums for the revaluation and indexation of occupational pensions is not in the Bill, as we have already considered the issue in previous debates on the Social Security Benefits Up-rating Order 2010. This is not the time to revisit those debates, but no doubt someone will want to. Hon. Members might wish to note that all the Government will do is set out the minimum increases; if schemes want to pay more than the statutory minimums, that is a matter for them.

I think that the move to CPI is supported, by and large, by Members on both sides of the House. That is certainly the indication I was given by the right hon. Member for East Ham (Stephen Timms) and his previous leader, the right hon. Member for Kirkcaldy and Cowdenbeath (Mr Brown).

We must also consider judicial pensions, although I am not sure how long Members will want to spend on them. Part 4 introduces provisions to allow contributions to be taken from members of the salaried judiciary towards the cost of providing their personal pensions benefits. I know that the House will be very worried that this might be too tough on members of the judiciary, but I will resist any pressure to reduce this provision. Judges currently pay nothing towards the cost of their own pensions, while the taxpayer makes a contribution equivalent to about 32% of judges' gross salaries, which we think is both unaffordable and unfair to the taxpayer. *[Interruption.]* I sense that the House is united at least on that.

Nick Boles (Grantham and Stamford) (Con): Does my right hon. Friend agree that it is extraordinary that a party that professes a belief in equality failed to tackle this extraordinary unfairness in 13 years in office?

Mr Duncan Smith: I would like to be generous to Labour Members and say that they were thinking of the worst-off in society and hoped that they might be able to protect some members of the judiciary. We recognise that we cannot afford to do that, so we must make the system more responsible, fairer and more balanced for all, and these provisions will help us to do just that. It seems that the House is united at least on that.

That brings me to the area that I suspect most Members want to talk about—the state pension age. I believe that we will be able to secure a fairer and more balanced system only if we get to grips with the unprecedented demographic shifts of recent years. I will put the issue in context before moving on to some of the detail.

Back in 1926, when the state pension age was first set, there were nine people of working age for every pensioner. The ratio is now 3:1 and is set to fall closer to 2:1 by the latter half of the 21st century. Some of these changes can be put down to the retirement of the baby boomers, but it is also driven by consistent increases in life expectancy. The facts are stark: life expectancy at 65 has increased by more than 10 years since the 1920s, when the state pension age was first set. The first five of those years were added between 1920 and 1990. What is really interesting is that the next five were added in just 20 years, from 1990 to 2010.

Joan Walley (Stoke-on-Trent North) (Lab): On mortality rates, life expectancy has risen, but is the Secretary of State not aware of the huge inequalities between different parts of the country? We have not yet been allowed to discuss the detail of the equalisation of pensions, the unfairness and injustice of which 55-year-old women in my constituency want to discuss. Surely we ought to be looking at the detail of that, which the Bill simply does not do.

Mr Duncan Smith: I recognise the hon. Lady's concern, but life expectancy has risen among all groups. I recognise also that some groups in certain parts of the country have a lower life expectancy—in pockets of the country, definitely—given the type of work they have done. The point is that, in setting and looking at pensions as we have done historically, that is one thing; the other thing is to look at the people in those conditions and ask, "Why is that the case?"

Surely we need to deal with the issue through public health policy, through the way in which we educate people and through the work experience and training that they receive, rather than by trying to do so through differential pensions. Importantly, if we tried to deal with it through pensions, we would be in the invidious and almost terrible position of telling one group of people that they were retiring at a set age and another group, "You're better than them, you retire at a later age." That would be an inequality and would be unfair generally, so the hon. Lady is right that there is an issue, but it is not right to deal with it through the pensions age; it is right to deal with it through public health policy.

Mr Frank Field (Birkenhead) (Lab): Given that the Secretary of State has told the House, and there is no reason to doubt him, that his proposals are based on fairness, it is reasonable to assume that before the Bill completes its passage we will see some changes to the way in which it treats women.

May I question the Secretary of State on a wider point, however? The Bill sets in motion measures not simply to equalise the state retirement pension age for men and women, but to increase it. Does he not accept, as my right hon. Friend the Member for Croydon North (Malcolm Wicks) has previously said, that people who enter the labour market early are usually those who live the shortest in retirement? Would it not be fairer for the Government to base eligibility for the state retirement pension not on a person's age but on their contributory years?

Mr Duncan Smith: I know that the right hon. Gentleman and the right hon. Member for Croydon North (Malcolm Wicks) have raised the issue in the past. I recognise their background, great experience and genuine sense of a need to try to figure out a solution. I am always willing to listen to argument and debate that, but my concerns are twofold: first, I am not certain that we have the data going back far enough to be able to make the calculation, although I might be wrong; and, secondly, I return to the point that in the past we have not done things in that way, because it is very difficult to set out differential pension retirement ages for different groups. We are going to equalise provision for women and men, but now the debate is about breaking them apart, and that would lead us into all sorts of debates about unequal retirement ages.

Malcolm Wicks (Croydon North) (Lab) *rose—*

Mr Frank Field *rose—*

Mr Duncan Smith: With respect, I recognise the right hon. Gentleman's point, and I will take an intervention from his right hon. Friend the Member for Croydon North, but this is a complicated and fraught area that we should not necessarily deal with in the Bill. Beyond it, I am willing to hear more.

Mr Watts: Will the right hon. Gentleman give way?

Mr Duncan Smith: I give way to the right hon. Member for Croydon North.

Malcolm Wicks: I am encouraged by the Secretary of State's thoughtfulness on the matter, to which I hope we will return in Committee. According to the Office for National Statistics, almost one fifth, or 19%, of men in routine occupations—manual workers, labourers and van drivers—die before they receive their state pension. As my right hon. Friend the Member for Birkenhead (Mr Field) has implied, those people have probably worked since they were 14, 15 or 16 years old—very different from those of us who did not start in the labour market until our early 20s. Some sensitivity about when people who have worked for 49 or so years can draw their pension is a matter well worth pursuing.

Mr Duncan Smith: As I said to the right hon. Member for Birkenhead (Mr Field) and repeat to the right hon. Member for Croydon North, I am always willing to look and to think carefully about what proposals there are—not for the purposes of this Bill, obviously, but in the future. I know that he has written—

Mr Watts: Will the right hon. Gentleman give way?

Mr Duncan Smith: May I just finish my answer to the right hon. Gentleman?

I am always happy to discuss the matter. There are complications, and there may be some issues about women, too, because contributions are an issue for many women at the moment, so we cannot take these things lightly. I recognise the work that the right hon. Gentleman has done, however, and I am very happy to discuss the issue beyond this Bill, as is the Minister of State, Department for Work and Pensions, my hon. Friend the Member for Thornbury and Yate (Steve Webb). For the purposes of the Bill, however, the right hon. Gentleman will forgive me if I stay to the point that we are going to equalise the retirement ages for men and women. The only question is, at what point?

Tom Blenkinsop (Middlesbrough South and East Cleveland) (Lab) *rose—*

Mr Duncan Smith: I am going to make some progress, but I give way to the hon. Member for St Helens North (Mr Watts).

Mr Watts: The Secretary of State seems to indicate that there is a potential practical problem. Is it not the case that when someone nears retirement age the Department looks at how many stamps they have paid and how many contributions they have made, which must mean that it keeps track of how long people have been working? That would resolve the problem mentioned by my right hon. Friend the Member for Croydon North (Malcolm Wicks).

Mr Duncan Smith: As I understand it, the pre-1975 data are very patchy and messy. I do not want to get sucked into this debate now, tempting as it is, and never to get on to the rest of the Bill; I do not think the hon. Gentleman's colleagues would thank me for that. I recognise the issue and I am happy to discuss it post the Bill, but he will forgive me if I do not go down the road that Labour Members want by adding that in all of a sudden. I am not going to do that; we are going to stay with what we have. I am happy to listen to their concerns and to see whether we can make changes in future, but I do not give any guarantees.

Tom Blenkinsop *rose—*

Mr Duncan Smith: To be fair, I want to make a bit of progress, because a lot of people want to speak. If the hon. Gentleman wants to raise something else about the matter, I will give way to him later.

Pensions policy has not been updated accurately to reflect all the increases that I spoke about. I remind the House, however, that we are by no means alone in having to deal with this issue; others are making decisions about it. Ireland has already legislated for the pension age to be raised to 66 by 2014, and the Netherlands and Australia are increasing state pension age to 66 by 2020. The United States is already in that position, and Iceland and Norway are now at 67. Under existing legislation, the timetable for the increase to 66 in the UK was not due to be completed for another 15 years, yet the timetable was based on assumptions that are now out of date. The Pensions Act 2007 was based on ONS projections of average life expectancy from 2004. Those projections have subsequently increased by at least a year and a half for men and for women, so the situation is moving apace. That is why we are taking the necessary decision to look again at the timetable for increasing the state pension age. The Bill amends the current state pension age timetable to equalise men's and women's state pension ages at 65 in 2018 and then progressively to increase the state pension age to 66 by 2020. This new timetable will reduce pressures on public finances by about £30 billion between 2016-17 and 2025-26.

The impact of the changes on women has been debated enormously, focusing particularly on certain cohorts. All but 12% of those affected will see their state pension age increase by 18 months or less. I recognise that some 1% of those impacted will have a state pension age increase of two years, but it none the less remains the case that those reaching state pension age in 2020 will spend the same amount of time in retirement as expected when the 2007 Act timetable was being drawn up. That is an important factor. There will be no change to the amount of time that they will spend in retirement—some 24 years, on average. In fact, the women who are affected by the maximum increase will still, on average, receive their state pension for two and a half years longer than a man reaching state pension age in the same year.

Fiona Mactaggart (Slough) (Lab): Which of the facts that the Secretary of State has cited was he unaware of 12 and a half months ago, when in the coalition agreement the Government signed up to not introducing these changes before 2020?

Mr Duncan Smith: As a coalition, we are, and continue to be, bound by the agreement. *[Interruption.]* The hon. Lady can shout at me in a second, but let me try to explain. There is a slight problem with that element of the coalition agreement. It was done in that way at the time, and that is fair enough, but we have since looked at it carefully and taken legal advice. The agreement talks about men's pension age being accelerated to 66, which would breach our legal commitment to equalisation and then not to separating the ages again. There are reasons for needing to revisit that, and we have done so and made changes.

Rachel Reeves (Leeds West) (Lab): The coalition agreement states that the parties agree to

"hold a review to set the date at which the state pension age starts to rise to 66, although it will not be sooner than 2016 for men and 2020 for women."

The Secretary of State's provisions clearly breach the coalition agreement, so what has changed?

Mr Duncan Smith: With respect, I have just said that there are certain elements that would not be legal. That is all that I am saying. The hon. Lady can go on about this point as much as she likes, but I have answered her. She might not like my answer, but that is the one I have decided to give. The fact that the women who will be affected will remain on the same level of retirement but will be in retirement for two and a half years longer than men is an important feature. I stand by the need to equalise women's state pension age in 2018.

Joan Walley *rose—*

Rachel Reeves *rose—*

Mr Duncan Smith: I give way to the hon. Member for Stoke-on-Trent North (Joan Walley).

Joan Walley: Will it not be 55-year-old women who pay the price? Will the Secretary of State give the House some indication that he will change his policy so as not to discriminate against that cohort of women?

Mr Duncan Smith: It will disappoint the hon. Lady, but I have no plans to do that.

Mrs Eleanor Laing (Epping Forest) (Con): My right hon. Friend is absolutely right in all that he is doing. No one can object to the equalisation of pension ages for men and women when we are fighting so hard for other areas of equality. However, does he recognise that for a particular group of some 300,000 women born in 1954 the transition arrangements are rather more difficult than for any other group in society? Although he should not change his policy, will he look at other ways to help that particular group of women?

Mr Duncan Smith: As I have made clear and will make clear later, the parameters of the Bill are clear and it is my intention to stand by those parameters. The ages will therefore equalise in 2018 and rise together to 66 by 2020. Of course, I am always happy to discuss these issues with colleagues from either side of the House, including those in the coalition. However, I make it absolutely clear that our plan is to press ahead with the Bill as it stands. The ages will therefore rise together to 66 by 2020.

Alok Sharma (Reading West) (Con): Does my right hon. Friend not think that the criticisms from the Opposition are rather rich? In September 2004, the then Secretary of State for Work and Pensions, the right hon. Member for Kingston upon Hull West and Hessle (Alan Johnson), told the TUC:

"This Government will not raise the state pension age",

yet Labour's Pensions Commission reported in 2005 that the pension age should go up, and in the Pensions Act 2007 the Labour party legislated to increase it for men and women.

Mr Duncan Smith: Indeed; I welcome that comment from my hon. Friend.

Rachel Reeves: Is the Secretary of State honestly saying that the policy has been changed because of legal advice? If that is the case, will he publish that legal advice today before the winding-up speeches and before we vote? Will he also confirm that this is a breach of the coalition agreement?

Mr Duncan Smith: I do not publish legal advice, but if the hon. Lady reads the coalition agreement, she will see the reasons. I ask her to study it carefully.

I know that the hon. Lady is sincere in what she is saying, but I say one thing to her. She made it clear on the media earlier that it is the Opposition's policy to move the rise to 66 to 2022 and for it not to start before 2020. That would cost £10 billion. She will presumably have worked that out. Where does she intend to get that £10 billion? We have heard nothing from the Opposition about debt reduction or the financing of future pensions. She should know that her policy would cost £10 billion, and she should consider that important issue.

Rachel Reeves: The Secretary of State rightly acknowledges that we have put forward proposals that would save £20 billion. *[Interruption.]* Has he looked at whether the increase to 67 could be brought forward, which would take us up to a saving of £30 billion? Can we find a compromise on those proposals, which would not cost women aged 56 and 57 so much money?

Mr Duncan Smith: We agree, then, that the hon. Lady's proposals would cost us £10 billion. We are on Second Reading, and if she wants to raise the same point or table amendments in Committee, she can do so by all means. The Bill as it stands is exactly as we set out, with equalisation of the age in 2018 and the rise to 66. I have no plans to make any changes to that.

Several hon. Members *rose—*

Mr Duncan Smith: I am going to make a little progress. We have more time, and I will give way to other Members later.

Mr Frank Field: Will the Secretary of State give way on this very point?

Mr Duncan Smith: I wish to make a few points, then I will give way to the right hon. Gentleman again. I think I have been reasonably generous, and I plan to continue to be.

As I said earlier, if we delayed the change as the hon. Member for Leeds West (Rachel Reeves) suggests, it would cost us something in the order of £10 billion. That would be an unfair financial burden, and it would be borne disproportionately by the next generation. In a country in which 11 million of us will live to be 100, we simply cannot go on paying the state pension at an age that was set early in the last century. We have to face up to that, and to the cost and affordability of state pensions, in all the changes that we make.

If the last Government had managed to get re-elected they would be facing much the same decisions. I recognise the need to implement the change fairly and manage the transition smoothly. I hear the specific concern about a relatively small number of women, and I have said that I will consider it. I say to my colleagues that I am willing to work to get the transition right, and we will. Some have called for us to delay the date of equalisation of

[Mr Duncan Smith]

the pension age, but I wish to be clear again that this matter is the challenge of our generation, and we must face it. That is why we are committed to the state pension age being equalised in 2018 and rising to 66 in 2020. That policy is enshrined in the Bill.

Mr James Gray (North Wiltshire) (Con): My right hon. Friend is being fair and sensible in his approach, and we admire his determination in introducing the Bill. I accept the cost of widening the transition period for the 2.5 million women involved, but will he give particular consideration to the small group of 33,000 women born in March 1954, on whom the change will bear down disproportionately harshly? Surely there is a way of finding a transition method that takes account of that small group of women.

Mr Duncan Smith: I repeat that the Bill that we have presented on Second Reading will retain the dates that we announced, but as I said earlier, I will quite happily discuss transitional announcements with anyone who wants to do so. I do not rule out discussions, but we plan to press ahead with the dates that I set out at the beginning of the process.

Mr Frank Field: The Secretary of State keeps insisting that he wishes to be fair, but the country increasingly thinks that he is being unfair to a particular group of women. The Opposition are not saying that his Department should not deliver the savings set out, but we are suggesting that they could be delivered in a different way. If he wishes to treat men and women equally, so that they make an equal sacrifice for the contribution that he has to make to the Exchequer, would it not be fairer to raise the state retirement age for both and women more quickly rather than collect £2 billion from a particular group of women?

Mr Duncan Smith: I think I have already covered that ground. I recognise the right hon. Gentleman's concern, but I will not repeat what I have already said, because I do not think the House would appreciate that.

Nic Dakin (Scunthorpe) (Lab): I welcome the Secretary of State's comments about his willingness to consider transitional arrangements. My constituents, the class that left Foxhills comprehensive school in 1970, who were all born in 1953-54, have written to me to ask why the pensions goalposts should be moved twice so close to their retirement. What would he say to those women?

Mr Duncan Smith: The only answer is that, so far, it is seven years away for women. I recognise the concerns, but I have had letters from the public stirred up by a number of people, and the facts have been simply incorrect. I am trying to set out the facts as we see them. The hon. Gentleman may disagree with us, but often people fear that something is going to happen overnight. There is some warning.

Jo Swinson (East Dunbartonshire) (LD): I think there is general acceptance that with increased longevity the pension age needs to be considered, including the current unfair distinction between men and women. However, there is a particular group of women who will be badly affected. I welcome the Secretary of State's saying that he will consider transitional arrangements. Is he willing to consider with an open mind amendments in Committee and on Report, or other solutions that might be brought forward, to help that particular group of women?

Mr Duncan Smith: My hon. Friend tempts me enormously, but she will forgive me if I do not give in to that temptation. Let me simply repeat what I said earlier—it is a bit like a recording, but I shall do it none the less: we have no plans to change equalisation in 2018, or the age of 66 for both men and women in 2020, but we will consider transitional arrangements.

Dame Anne Begg (Aberdeen South) (Lab): Does the Secretary of State accept that some women in the group that we are discussing have already retired or signed early retirement arrangements in the belief that they would receive their state pension when they were 63 or 64? The original equalisation was announced 25 years in advance. For some women, the equalisation that we are considering is only five years ahead. Surely that cannot be right when we are asking people to plan long term for their retirement.

Mr Duncan Smith: I think that the hon. Lady refers to people who have retired early, at around 57, as far as I can tell from her calculations. Other than that, I do not think that there is a huge difference. I recognise what their due would have been, but the change is no different thereafter for all the others. I acknowledge her point—I am sure that we will deal with it when we get into Committee.

Several hon. Members *rose—*

Mr Duncan Smith: I have given way a lot and I am not sure that we are going anywhere new on this. I have repeated myself several times. I will give way once more and leave it at that.

Dr Eilidh Whiteford (Banff and Buchan) (SNP): I want to emphasise the point that the hon. Member for Aberdeen South (Dame Anne Begg) made about people who have already retired. The latest health statistics show that healthy life expectancy for women and men does not necessarily keep pace with actual life expectancy. Many women in their 60s are trying to wind down their working hours because they are in poor health. The key point is not equalisation, but that people have not had time to plan for it. It is a great burden on people in the latter stages of their career who suffer ill health.

Mr Duncan Smith: I fully recognise the hon. Lady's point. It applies to the whole debate. One could argue that even an extra year's planning does not allow people time if they are not well. People living longer but being more ill is an issue for the health service—it is already having an impact on the health service. It is a reality—and a good thing—that people are living longer and are able to enjoy their retirement properly. For the most part, they can do that in good health, but I recognise that there are problems for those in poor health.

Mr Watson *rose—*

Tom Blenkinsop *rose—*

Mr Duncan Smith: Hon. Members will forgive me if I make some progress. I gave way to the hon. Member for West Bromwich East (Mr Watson) earlier, and, although

I did not give way to the hon. Member for Middlesbrough South and East Cleveland (Tom Blenkinsop), others want to speak, and I must conclude.

All the changes should be put in the context of our recent Green Paper, which set out plans for fundamental reform of the state pension. They include the option for a single-tier state pension, set above the level of the means test, which would provide a decent foundation income in retirement for many of the next generation, who might otherwise be forced to live in poverty. Importantly, that includes many women and self-employed people who have tended to suffer poorer pension outcomes in the past, particularly women with caring responsibilities. The changes will be very beneficial for them. The Bill is therefore only part of the process, but it is critical as we take the necessary steps for the next generation. I believe that those are responsible choices for Britain, but responsible government is not always easy government. It involves commitment, tough decisions and a willingness to stay the course. We will not change from that—we will stay the course. We must try to secure our children's future. The tough decisions are enshrined in the Bill, which I commend to the House.

5.9 pm

Mr Liam Byrne (Birmingham, Hodge Hill) (Lab): The debate is extremely important and I am glad that the Secretary of State approached his remarks with such care. It is an important debate because our treatment of older people in our country is one of the most important ways in which we judge the health of a society. Those people have made our country what it is today, and, in their retirement, we respect and honour a lifetime's work.

Frankly, when we came to power in 1997, too few of our older citizens enjoyed either that honour or that respect. Nearly 30% of our pensioners were forced to live in poverty. The state pension had declined from 20% to just 14% of average male earnings. That is why we set about changing that picture with such speed, passion and determination. That is why we lifted 1 million pensioners out of poverty; why we lifted gross income for our pensioners by more than 40%; why we ensured that no pensioner must live on less than £130 a week; why we introduced the winter fuel allowance, free off-peak travel on buses and free TV licences; and why we increased tax thresholds to ensure that 60% of pensioners now pay no tax. We are proud of our record. It is now set out in the Government's own figures that pensioner poverty in this country is at its lowest level for 30 years.

In dealing with such long-term issues, the House could legitimately have hoped that the Government would have built on those changes in a careful and consensual way. Instead, they have built nothing but confusion. Last Monday, the Secretary of State had to slap down his colleague the noble Lord Freud on whether there should be a cap on benefits; on Wednesday, we had the spectacle of the Prime Minister not knowing the consequences of his own Welfare Reform Bill; and today the Secretary of State has come to the Dispatch Box when this morning's newspapers are full of stories of how his Bill might be shredded, not in this House but in the very Treasury that pushed him out to walk this plank in the first place. It is U-turns, confusion and blunder, and the poor Secretary of State is forced to sit there in the middle as the House of Commons's very own Captain Chaos.

Nadine Dorries (Mid Bedfordshire) (Con): I thank the shadow Minister for giving way—I almost thanked "the Minister" in a throwback to another day.

Somebody—I am not sure who—left a note saying that all the money had been spent. Does the right hon. Gentleman agree therefore that some measures that we could not have predicted when the previous Administration were in power are now necessary, such as the ones proposed today?

Mr Byrne: Perhaps the hon. Lady would like to reflect on why, just over 12 months ago, the Government whom she is so proud to support set out a policy in direct contradiction to the one proposed in the Bill. I look forward to seeing which way she votes and how she justifies that to her constituents.

This afternoon, we must try to bring some order to that confusion, and establish which clauses we agree on, and which clauses the Government—and, I might say, the Treasury—need to rethink. The Secretary of State began with automatic entitlement, on which there is a measure of agreement—it is a rock that we should hang on to in that regard. The proposal for automatic enrolment of workers into workplace pensions is to be retained, which is important, because as a country, we under-save for pensions. In fact, 7 million could be under-saving for their retirements. Bringing those people into a pension system and creating a national pension scheme into which they might opt could lead to a step-change in savings in this country.

The previous Government were very careful to build that consensus, which we did patiently, beginning with the noble Lord Turner's commission. I am grateful that the Government have not junked that proposal, but it is deeply regrettable that they are increasing the salary threshold to entitle an individual to auto-enrolment. It is also regrettable that they are introducing a three-month waiting period before people opt in.

I understand the trade-offs that the Secretary of State is trying to make, but frankly, he has made the wrong call. Why? The first reason is that the salary at which someone is automatically enrolled will be raised from £5,000 to nearly £7,500. The impact of that will hit 600,000 people—they will be much less likely to opt in to long-term savings. If the Government raise that threshold in line with the coalition's ambition to increase the income tax threshold to £10,000, nearly 1 million people will be excluded, three quarters of whom will be women. Their loss, potentially, is £40 million of employer pension contributions.

The Government are proceeding in full knowledge of that. There is no defence of ignorance. Their review states:

> "Many or most very low earners are women, who live in households with others with higher earnings and/or receive working tax credits. These may well be exactly the people who should be automatically enrolled."

Yet the House has been presented today with proposals that could exclude more than 1 million people. We think, therefore, that the earnings threshold should be looked at again. And if that idea was not bad enough, the idea of a three-month waiting period makes it worse

[Mr Byrne]

and in itself could mean 500,000 fewer people enrolling automatically in a pension scheme. The loss to them could be £150 million in employer pension contributions. Put those two things together and the average man or woman could lose nearly three years of pension saving—a 7% reduction in an individual's fund. I am afraid that we simply cannot support that measure.

That takes me to the most audacious broken promise of the lot—the proposal to single out a group of 500,000 of our fellow citizens, all of them women, and say to them, "You know your plans for the future? Well, you can put them in the bin." The Secretary of State might think it a relatively small and trivial number, but the Opposition do not.

Ben Gummer (Ipswich) (Con): Will the hon. Gentleman give way?

Mr Byrne: I will in a moment.

This unfolding chaos has been impressive even for a Government who have presided over U-turns on forests, sentencing reform and the reorganisation of the NHS, because we thought we knew where we were. The coalition Government made a wise move in appointing the Pensions Minister to his brief—he is a man who knows a thing or two about pensions. Indeed, in one of his first major speeches, he told his audience:

"I have become known as something of a bore at pensions conferences."

We have no problem with that. Then we had the coalition agreement. I do not know whether anyone remembers the coalition agreement—it was important once. Page 26 reads:

"We will phase out the default retirement age and hold a review to set the date at which the state pension age starts to rise to 66, although it will not be sooner than 2016 for men and 2020 for women."

For good measure, the Pensions Minister got to his feet a month or so later and said that the Government were committed to any change not being sooner than 2020 for women. Then, 118 days later, the Chancellor arrives on the scene. He stands at the Dispatch Box and says that

"the state pension age for men and women will reach 66 by 2020."—[*Official Report*, 20 October 2010; Vol. 516, c. 956.]

Yet buried in the fine print, we learnt the truth—not the Pensions Minister, the Secretary of State or the Chancellor could bring themselves to that Dispatch Box and actually tell people straight that that policy set out in the coalition agreement was absolutely worthless. The truth was set out in the depths of the spending review, page 69 of which read:

"The State Pension Age will then increase to 66 for both men and women from December 2018 to April 2020."

That is a promise well and truly broken. At least when the Lib Dems changed their minds about increasing tuition fees, they could pretend that they were just making things up to get elected, but this was a promise they made and broke in government. Just last summer, the Pensions Minister boasted of reforms in the system that he said included

"those who the system has always missed out such as women and the lower paid."

In his own Department's review, he said that he wanted to look at the "particular challenge" for

"women pensioners. A group I have long worked for, and who are so often the poor relations in regard to pensions."

I will let the House draw its own conclusions. One moment the Pensions Minister is offering to protect women pensioners, the next he is presenting proposals that will punish half a million women with a bill for up to £16,000.

Richard Fuller (Bedford) (Con) *rose—*

Mr Byrne: I will give way, and perhaps the hon. Gentleman can explain the Pension Minister's change of face.

Richard Fuller: The right hon. Gentleman was giving a discourse on integrity in pensions provision under the previous Government, which I think is important, because many of my constituents will be worried about this issue, and will be looking for integrity. He is very good with numbers—it is when he has to add them up that he has trouble—so I am wondering, on the point of integrity, could he answer this question? The Labour party has recommendations for how best to treat the women he is highlighting who are being impacted by the Bill, and those recommendations are costed at £10 billion. In the interest of integrity, will he please advise me and other Members where he would find the money?

Mr Byrne: Can the hon. Gentleman confirm that he has seen the costings given in the parliamentary answer provided by the Pensions Minister on 9 March 2011?

Richard Fuller: I have not seen those costings, so the right hon. Gentleman can enlighten me further.

Mr Byrne: The Minister gave an interesting answer, because those costings say that if, for example, we increased the retirement age to 67 by 2035—that is, if we accelerated the reform by one year—that would save £6.9 billion. However, if the retirement age was increased to 67 by 2034, by accelerating the increase by two years, that would save £13.7 billion. Therefore, the question for us this afternoon is: how much will be saved by accelerating the reform for those women who are now having to retire later, and who therefore confront trying to find all that money magically, in the space of just four or five years? Has that been traded off against other options, such as introducing advances in the retirement age later on? That is the question that we have to get to the bottom of in this Second Reading debate.

Richard Graham (Gloucester) (Con) *rose—*

Ben Gummer *rose—*

Richard Fuller *rose—*

Mr Byrne: I will give way in a moment.

Let us hear what the impact of the Government's proposals will be, because the Secretary of State rather glided over this point. Some half a million women will receive their state pension at least 12 months later than they had previously been advised, with 300,000 women—those born between December 1953 and October 1954—experiencing a delay of one and a half years. For 33,000 women—those born between 6 March and 5 April 1954—that period increases to two years. For them,

the loss in state pension will be around £10,000. For those on full pension credit, the loss will be closer to £15,000. Those women, with five years' notice of the timetable change, have almost no time to prepare for their income loss.

Harriett Baldwin (West Worcestershire) (Con): Will the right hon. Gentleman give way?

Mr Byrne: In a moment.

We are talking about women in the age group that was asked by a Conservative Government in 1995 to set in train the equalisation of the state pension, a reform that we accepted, because it came with time to plan. However, that cannot be said of today's proposal. This morning, Age UK warned that

"a sizeable minority are not even aware of the 1995 changes with nearly a fifth expecting to receive their State Pension at the age of 60."

The Secretary of State's proposals will now make that worse.

Richard Graham *rose—*

Harriett Baldwin *rose—*

Fiona Mactaggart *rose—*

Mr Byrne: I will give way to my hon. Friend the Member for Slough (Fiona Mactaggart), then I will give way to Government Members.

Fiona Mactaggart: I heard the Secretary of State refer in his speech today to legal advice that said that the Government could not keep to their original proposals in the coalition agreement. He did not make the House aware of why the Government cannot legally do what they originally intended, so has he made my right hon. Friend aware of why that is?

Mr Byrne: My hon. Friend makes an extremely good point, because I think that that was news to the House. We would certainly expect that legal guidance to be published before we get to the Minister's winding-up speech. That guidance is a material point in a debate that is important to many people, as well as many right hon. and hon. Members, because this Bill has such a poor effect on women in this country—the people we represent.

Richard Graham *rose—*

Harriett Baldwin *rose—*

Mr Byrne: In two minutes.

Michelle Mitchell, the charity director of Age UK, has said that

"it's difficult to see how women can plan properly when the government keeps moving the state pension age goalposts".

The director general of Saga has said that

"to make just one cohort of women bear all the brunt of this in the very short-term will undermine the concept of planning for retirement over the long-term and cause real distress to the responsible women who have made careful financial retirement plans."

Can hon. Members tell me how this can possibly be justified?

Harriett Baldwin: I thank the right hon. Gentleman for finally giving way. I speak with a lot of interest in this matter, as a woman in her 50s—[Hon. Members: "Surely not!"]—I know, shocking isn't it?—who has seen her pension age increase, first by five years and now by a further year. However, does he accept that there is an issue with rising longevity and that we therefore need to push forward the retirement age of women such as myself?

Mr Byrne: Of course. The hon. Lady makes an extremely fair point, and that is why, after the Turner commission met and the Pensions Act 2007 went through this House, a clear timetable was set for how the state pension age should increase. *[Interruption.]* The Secretary of State is muttering from a sedentary position about how the longevity assumptions have now been increased. That is perfectly fair, and we should have a national debate about how the state pension age should be brought forward; indeed, the Pensions Minister has issued a consultation. It is just a shame that it closes on Friday, after this debate is concluded.

Richard Graham: The right hon. Gentleman made two comments about how the Bill treats women. He estimated that the cost of the changes to some women would be £10,000. Does he not recognise, however, that the change in the value of the basic state pension as a result of this Government's commitment to linking it back to earnings will be worth more than £15,000? Will he also acknowledge that, as a result of the new flat-rate basic state pension being applied, a lot of women who would previously have lost out because of their caring responsibilities will now benefit hugely? Does he not agree that women will benefit from the changes in the basic state pension in those two ways?

Mr Byrne: Let us take the hon. Gentleman's second point first. I understand that the proposal for a flat-rate pension is included in a Green Paper. It is therefore an early statement of the direction of Government policy. Given what the Government have managed to do to commitments in their coalition agreement, I am not sure how much water that proposal holds. The hon. Gentleman's first point was more interesting, because he was comparing the benefit for someone on a pension under the lock introduced by the Government with a pension that is linked to prices. Going into the election, no party proposed to keep the pension linked to prices, so his calculation is purely fanciful. Indeed, the Pensions Commission said that we should re-link pensions to earnings in 2012. That was in our manifesto, and that is what we would have done if and when we were returned to office. I am afraid that the hon. Gentleman cannot make up fantasy numbers comparing the reality—

Richard Graham: The right hon. Gentleman is generous to give way again but, with all due respect to him, I am comparing the fact of what was delivered by one Government over 13 years with the fact of what has been delivered by this new Government within one year. The Gloucestershire Pensioners Forum, which was created by members of his own party precisely to campaign against the de-linkage made by the late Mrs Thatcher when she was Prime Minister—[Hon. Members: "She is still alive."] Indeed she is. I meant to say "the former Prime Minister". The Gloucestershire Pensioners Forum has now fully recognised the value of re-linkage, which this Government will introduce. It is a shame that the right hon. Gentleman does not recognise these facts.

Mr Byrne: I am glad to hear that correction about Baroness Thatcher. I think that the hon. Gentleman would also accept his Government's own figures, which show that pensioner poverty is now at its lowest level for 30 years. I am sure that he would accept that pensioner incomes increased faster than gross domestic product and faster than earnings over the past 13 years. That is why we are proud of our record of delivering on pensions.

Ben Gummer: In response to an intervention by the hon. Member for Slough (Fiona Mactaggart), the right hon. Gentleman said that the legal advice was news to him. It was not news to the House of Lords, however, as it was debated there on 15 February, at which point this matter was raised. Surely the real news appeared in the weekend's newspapers, which have provided yet another bandwagon for the right hon. Member to jump on.

Mr Byrne: I do not know how much attention the hon. Gentleman has been paying to this debate, but we championed this issue before it came to the House of Lords and as it went through the other place. We will champion it through the House of Commons as well, until this bad Bill has been thrown out.

Mr Alan Reid (Argyll and Bute) (LD): I agree that, for a small group of women, the Bill is unfair. However, I was pleased that the Secretary of State said that he would be happy to look at transitional arrangements. The right hon. Gentleman has been very good at criticising the Government, but will he please tell the House what the Labour party's plans are?

Mr Byrne: I am grateful to the hon. Gentleman for decoding the Secretary of State's remarks and putting on record that there will be transitional arrangements. I heard about that only by looking this morning at certain blogs written by Liberal Democrat Members, who also expressed great confidence that there would be a compromise on this. We look forward to hearing a lot more about what that compromise will be. It is a shame that it is not in the Bill in time for this Second Reading debate. We would all understand the logic of this if we heard a little more from the Secretary of State about why the Government are introducing this measure.

The truth is that the Secretary of State used as a justification for his argument the idea that women in this position will somehow be living that much longer to enjoy their new pension. Well, they will draw cold comfort from that. The point is that it is simply not realistic for women in their late 50s, who are truly fearful about being given no time to adjust to their loss of income. Surely that is the critical point for us this afternoon. Women in their later 50s will have earned less over their lifetime; they have lower state pension and private savings than men; many have been unable to join a workplace pension and have interrupted their careers to look after their family; many will have stood down from jobs on the understanding that they would get that state pension early.

These are not simply my assertions; they are the Government's own facts. The Pensions Minister was forced to tell my hon. Friend the Member for Leeds West (Rachel Reeves) that 40% of women aged 56 have no private pension wealth:

"The proportion of women aged 56-years-old who have no private pension wealth",

he told the House on 10 March,

"is estimated to be 40%."—[*Official Report*, 10 March 2011; Vol. 524, c. 1266W.]

What on earth are those women supposed to do with the measures in the Bill? On 4 February he admitted that the median pension saving of a 56-year-old woman is six times lower than that of a man, yet he tells us not to worry because he has a plan. He has a word of reassurance—*[Interruption.]* The Secretary of State should listen to the plan of the Pensions Minister. I think he will be rather pleased with it, as we were offered words of reassurance and comfort. On 14 February, the Pensions Minister said:

"One reassurance I can offer is that those women...will be eligible to apply for jobseeker's allowance".—[*Official Report*, 14 February 2011; Vol. 523, c. 681-82.]

They might, I think, call that the final insult.

There is not much that unites the House these days, but concern about this Bill is fast becoming one of those causes. I understand that even the Department for Work and Pensions Whip, the hon. Member for Norwich North (Miss Smith), who is not in her place on the Treasury Bench has said:

"I'm pressing Ministers on this because a number of women have raised it with me, and it so happens that members of my own family are in this group. It's certainly an issue I sympathise with greatly."

Her concern is widespread. I believe that the hon. Member for Cardiff Central (Jenny Willott) has told no less than the Deputy Prime Minister:

"I agree with the Age UK protestors: these changes should be reconsidered."

Nearly half the Liberal Democrat MPs have signed an early-day motion that says that the Government should

"rethink its retirement timetable in the Bill so that these women have a fairer chance to plan and save for their retirement."

Tonight, there is a chance to put a vote behind those words.

Who will vote to support the Pensions Minister? Once, he never tired of telling the Tories about the error of their ways. He was the man who once said:

"Pension policy needs to be stable and predictable years ahead, not made up on the back of a cigarette packet."

That was still there on his website, www.stevewebb.org, on 6 October 2009. Alongside it, I found another rather apposite quote:

"It is typical of Tory policy to hit the poorest the hardest."

That is still there on his website. This is the Pensions Minister who said:

"As ever when it comes to pensions, it is as if women are an afterthought. That is clearly not the way in which to change state pension ages."—[*Official Report*, 9 March 2010; Vol. 507, c. 33WH.]

That was not on his website. That is what he said in the House of Commons in March last year. Tonight, we have the chance to help the Pensions Minister stand by his words and his record. I think that we should help him with his honour.

This is a Second Reading debate. We are supposed to be debating the principles of the Bill and we are then asked to vote on those principles. We are being asked to do this when it is perfectly clear that the Government no longer believe in the Bill. We are privy to reports in the newspapers that the Government might be working on another U-turn. I am not sure whether it is Conservative

or Liberal Democrat Members who are behind it, although I know who will claim the credit. The Secretary of State told the *Financial Times* today that there are "issues and concerns" that need sorting out, while senior Ministers, says the *Daily Mail*,

"are telling the Chancellor he must think again."

The Secretary of State, it says, is "sympathetic". I have to ask, then: why are we voting on a Bill that the Government do not believe in? The Chief Secretary does not believe in it; the Pensions Minister does not believe in it; half of the Liberal Democrat Members do not believe in it; the Tory Whips do not believe in it. What on earth are we doing going into the Division Lobbies to vote to punish half a million women through a Bill that no one believes in? Will the hon. Gentleman answer that question now?

The Minister of State, Department for Work and Pensions (Steve Webb): It is unclear whether the right hon. Gentleman is going to vote against Second Reading—he has not said so yet. On the assumption that he is, he would have to find not just the £10 billion that his hon. Friends want to raise, but the £30 billion that this Bill saves. Where will he find £30 billion when all the money is gone?

Mr Byrne: I am glad that the Minister has raised that point. His own consultation, which closes on Friday, is examining the question of how savings can be made through acceleration of the granting of the state pension age later in life. That is an issue that should have been brought to the House for debate before we were asked to debate egregious measures that will hit half a million women. We should re-examine the timetable for the raising of the retirement age to 67, but that must be done on the basis of equal treatment of the sexes, and the principle that people should be given time to prepare.

We are sick of this confusion. We are sick of this chaos. We say to the Government today, "No more: you need to get a grip. Take this Bill away, and bring us a plan that you have had the decency to half think through."

"The critical factor in pension arrangements is certainty. People need to be able to plan with certainty".—[*Official Report*, 11 January 2011; Vol. 342, c. 179.]

Those are not my words, but the words of the Pensions Minister who is responsible for the Bill. Tonight the House will be asked to vote on a broken promise. We urge the Government to think again. We shall vote to oppose the Bill, and I urge others to do the same.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Nigel Evans): Order. As Members can see, this is a popular debate. Although I am not introducing a time limit at this point, if Members do not exercise restraint themselves, one will be introduced.

5.36 pm

Jonathan Evans (Cardiff North) (Con): Let me begin by drawing the House's attention to the Register of Members' Financial Interests, which shows my connections with the pensions industry over many years.

As you know, Mr Deputy Speaker, you and I entered the House on the same day back in 1992, but this is the first opportunity that I have had to observe the right hon. Member for Birmingham, Hodge Hill (Mr Byrne) in full flow. I have often wondered how he managed to reach such an elevated position in Government in such a short time, and having listened to him today, I am still wondering.

I was staggered by the right hon. Gentleman's opening remarks, in which he said how proud he was of his Government's record on pensions. Is he utterly unaware of the destruction of the private pensions system in our country wrought by his former leader, and of the revelation that when the Labour Government were elected in 1997, the National Association of Pension Funds said that the end of dividend tax credit would mean the end of at least half the defined benefit schemes in our country? In fact, we have seen much more than that brought about as a direct result of the Labour Government's policy. I believe that it was forecast to cost our private pensions system at least £50 billion. Is the right hon. Gentleman proud of the fact that under a Labour Government a record number of pension funds closed to new business? Is he proud of the record of a Labour Government who gave pensioners an increase of merely pence? I can tell him that people in my constituency remember that event.

Sheila Gilmore: Will the hon. Gentleman give way?

Jonathan Evans: I will in a moment—unlike the right hon. Member for Birmingham, Hodge Hill, who was not prepared to hear these remarks from me.

Two years ago, the state earnings-related pension scheme was not increased by even one penny by the Labour Government. That is an illustration of how much we can trust Labour on pensions.

Sheila Gilmore: Government Members constantly raise the subject of the 75p pension increase. It is not necessarily a choice that I would have made, but it is the choice that the Labour Government made at the time. The hon. Gentleman should bear in mind that that increase was introduced during the first couple of years of that Labour Government, when they were following Conservative financial rules.

Jonathan Evans: I am trying to get my head around the idea of Tony Blair standing at the Dispatch Box and taking his instructions from my right hon. Friend the Member for Richmond (Yorks) (Mr Hague). It is a little bit too difficult for me to accept.

I think it important for us to recognise real concerns that have been raised throughout the country. All Members of Parliament have received many letters, e-mails and other representations relating specifically to the proposals to increase the age at which the state pension kicks in and the impact that that will have on a number of people, not least women.

Mrs Anne Main (St Albans) (Con): Before my hon. Friend moved on from his powerful previous argument, I wish he had remembered to add to his list the discreditable way Equitable Life victims were treated. Their pension shortfall dilemmas were kicked into the long grass for many years.

Jonathan Evans: I am grateful to my hon. Friend for making that observation, but I hope she will forgive me for not going down that road. If we were to do so there

[Jonathan Evans]

would be no time left for the debate in hand, because we would all be pointing out the many Labour shortcomings on pensions.

There has been a lot of misinformation about the proposals we are debating. I listened to a staggering example of that at 9.30 this morning on Sky News, when the otherwise excellent Charlotte Hawkins said that today we were going to vote on a proposal to make women work a further five years before receiving their pensions. It amazed me that that could be said; I am sure it must have been a slip of the tongue. Later, I opened my e-mails and came across a letter from a lady who will be required to wait a further two months as a result of these proposals, but who stated that she believed she will have to wait a further six years. That highlights the exaggerations, and in some cases the dishonesty, in the campaign that has been waged against the proposals.

Harriett Baldwin: Did my hon. Friend also see last week's Age UK survey, which found that 20% of the women affected by the previous Government's changes to equalise the pension ages of men and women had not realised what was going to happen to them?

Jonathan Evans: Indeed, and one of the difficulties in this regard is to do with the first change, to which almost all e-mails refer: that women were getting the pension at 60 and that that is now gradually being moved up to 65. The right hon. Member for Birmingham, Hodge Hill referred to his family being affected. Well, my wife is affected by these changes, but we in this House were aware of them because we legislated for them in 1995. *[Interruption.]* Yes, we have known about them, but we have known about them only here, because there has not been much dissemination of this information outside the Chamber to the rest of the public. *[Interruption.]* I am grateful to the hon. Member for Slough (Fiona Mactaggart) for indicating that that is so. The idea that the retirement age might then be moved up to 66 is not new. It was debated in this House back in 2007, and legislation was put on to the statute book. What we are doing now is moving the first of these dates forward, and in my view that is necessary. It is perfectly clear that a significant saving will be made.

The Secretary of State made a typically sensitive address, which was well received on both sides of the House, and not only because he said he was prepared to listen. I am staggered that any Minister who says they are prepared to listen to an argument is treated with contempt from the Opposition Benches. *[Interruption.]* Absolutely: it is an indication of what Labour Members were used to when their party was in government. I commend my right hon. Friend on his approach, however, and I am impressed by the sum of £30 billion.

The Opposition propose that we should not take these steps for a while, and that we should instead return to a 2020 or 2022 timetable. The argument that everything the Government do is being done too fast is a familiar Opposition refrain. It in effect suggests that we can somehow just pass the responsibility on to succeeding generations and not grasp it ourselves. I think we must grasp it ourselves, but that does not mean I am unsympathetic to the arguments about that specific cohort of women who are affected in a particularly negative way.

I know there were debates on these measures in the other place, but I am not persuaded that we must defer taking them to beyond 2020. I am not going to talk about the implications of the equality legislation so often supported by Opposition Members, even though that may have led to a situation whereby what was stated in the coalition agreement cannot now be put into effect. However, what I am certainly uncomfortable about is any woman having to wait more than an additional year. My right hon. Friend the Secretary of State will be aware that Sally Greengross—Baroness Greengross, a Cross Bencher widely respected in this area—put forward a compromise proposal that has much merit, based as it is on the idea that no woman waits for more than a year. The restriction was limited in that way, and the measure was exceptionally intelligently crafted.

I have read Lord Freud's responses to this debate. He said that the proposal would cost not £10 billion, as the Opposition suggest, but only £2 billion. Given that I want to husband public resources—and that we apparently have the Opposition's support for shifting retirement ages forward from 2034 and 2044 to dates that are significantly earlier, saving perhaps £2 billion—I am much more attracted to the idea of matching that saving and making far greater savings elsewhere.

Lord Freud responded to the debate by pointing out the gender equality legislation—the equality provisions of European law—that might make this a difficult proposition. However, I am not persuaded that my right hon. Friend the Secretary of State's Department lacks minds sufficiently sharp to overcome this difficulty. *[Interruption.]* Yes, I am absolutely sure that the Minister of State, Department for Work and Pensions, the hon. Member for Thornbury and Yate (Steve Webb), could draft the legislation required; but if not, he has all the necessary skill within his Department.

I am very happy to tell all of my constituents who have written to me on this issue that, because of what is happening with longevity, it is fair, if we are asking men to wait a further year, to ask women to wait another year. There are those who say it is a double whammy because we are also seeing equalisation from the age of 60, but that is already a part of the architecture and cannot be taken into account. I am certainly prepared to argue that case.

I want to make two final points that are connected not with this issue but with other aspects of the Bill. In it, adjustments are made to the financial assistance scheme. Many of my constituents have been affected by the collapse of Allied Steel and Wire. On the question of the general attitude of Labour toward pensioners, many of ASW's pensioners know the "assistance" they got from Labour: none whatsoever. That is the reality. However, the truth is that, under the financial assistance scheme, many people are not even going to get the 90% that was flagged up as their likely reimbursement. I hope we get opportunities to address that issue. I am looking across at my hon. Friend the Member for Arfon (Hywel Williams)—I do not know whether I should call him my hon. Friend; he might be offended by that. My hon. colleague and I have discussed this issue, and it is

important that we return to it to address some of the injustices in the operation of the financial assistance scheme as it affects ASW pensioners.

Malcolm Wicks: Will the hon. Gentleman give way?

Jonathan Evans: On that issue only, yes.

Malcolm Wicks: Will the hon. Gentleman at least acknowledge, in fairness, that it was the last Labour Government who set up both the financial assistance scheme and the pension protection fund, which, whatever the difficulties, have helped many tens of thousands of people who were going to lose their pensions?

Jonathan Evans: The right hon. Gentleman and I have known each other for many years and he knows I have the highest respect for him. I certainly accept that we eventually ended up with that legislation, but it took a long time to get there. However, he was material in trying to achieve that.

Let me also say a word about the effects of auto-enrolment. I was staggered to hear the right hon. Member for Birmingham, Hodge Hill tell us that he does not like the proposals on auto-enrolment. I have to say that I am concerned about the impact of our continually increasing the personal allowance—as I understand it, that is going to be part of our policy—if we are just going to link the personal allowance figure to the level at which auto-enrolment kicks in. I am reassured by what my right hon. Friend the Secretary of State says about keeping this under review, but the movement from £5,000 to £7,000 is not, as described by the right hon. Member for Birmingham, Hodge Hill, an attack on poorer workers. The reality, on the information that we have, is that those people would be worse off if they were within the scheme.

Mr Duncan Smith: May I tempt my hon. Friend with a thought about why the right hon. Member for Birmingham, Hodge Hill made such an issue of this? I wondered whether he was searching for a reason to vote against the very policy that his Government, when in power, wanted to bring in, because there is nothing else in it with which Labour disagree.

Jonathan Evans: I am aware that the Forum of Private Business does not like the fact that the Government have not made more adjustments in this area, and of course the Government would like to have a situation in which all parties were on board at the end of the review, but the proposal of the right hon. Member for Birmingham, Hodge Hill has virtually no supporters, save perhaps for those within the union movement—surprise, surprise. The reality is that the proposals we are taking forward are overdue, but there has been too much misinformation about this change. Ultimately, I want to see a situation in which no woman has to wait more than a year longer than she had expected to wait, but the linking of that issue with a 25-year lead-in to the equalisation of pensions at 65 by those engaged in this campaign has been deliberately misleading and has not served the interests of all the people who have written to us.

Mr Deputy Speaker (Mr Nigel Evans): Thank you for your time constraint.

5.51 pm

Dame Anne Begg (Aberdeen South) (Lab): It is a pleasure to follow the hon. Member for Cardiff North (Jonathan Evans), but I will disagree with quite a bit of what he said.

I am disappointed about the change in the financial assistance scheme from the retail prices index to the consumer prices index, particularly in relation to Richards Textile factory in Aberdeen, which went bust with the collapse of its pension scheme. Although the very hard work of many Labour Back Benchers ensured that those pensioners did not lose all their money, they still feel aggrieved that they do not have the same cover as those who subsequently entered the pension protection fund and that they do not get quite as much as those covered by it.

Let me start by saying which parts of the Bill I agree with to show that not everything in it is bad, although quite a lot is. I agree wholeheartedly with the lifting of the default retirement age and I only wish that my Government had done that. I have a friend who has been told by his employer that he has to retire at 65 and he does not want to, but unfortunately his birthday falls on the wrong side of the divide.

I am also very glad that the Government are going ahead with the national employment savings trust. There was a bit of worry at the time of the election that some people in business who were not too keen on it, particularly on auto-enrolment, might put pressure on the coalition Government, who I am glad resisted. NEST is certainly the way forward for occupational pensions, to ensure that there is pension cover for everyone and that most people will not have to depend on the basic state pension as their sole income in retirement. That is very important.

I also agree with the proposal to bring auto-enrolment forward to July 2012 for large companies. If they are ready to go, the sooner the scheme gets up and running the better and the sooner it is tested the better, because part of the reason for rolling out auto-enrolment is to test how it works in practice.

So those things are all good, but that is as far as that goes and there are issues of concern. Like my right hon. Friend the Member for Birmingham, Hodge Hill (Mr Byrne), I am concerned about the lifting of the auto-enrolment earnings threshold by £2,500. I tried to intervene about this early in the Secretary of State's speech, but lots of other people were jumping up and down at the time. The problem is that low earners might not always be low earners. Auto-enrolment is important in getting people into the scheme as soon as possible and in ensuring that even low earners are enrolled in a pension scheme. If those people continue to earn similar amounts for the rest of their working life, the scheme might not have the returns that they would expect, but no one knows, at the start of their working life, what their eventual earnings will be and we should always err on the side of caution in ensuring that people enrol. The raising of the threshold could result in about 600,000 people not being enrolled who otherwise would have been. It has been said that those people could opt in, but it is highly unlikely that many people on such low incomes would do so. If the Government introduced a foundation pension or a pension for the state, which the Secretary of State put into context, the scheme would make a difference for people making such low contributions.

[Dame Anne Begg]

Even someone earning just over £5,000 a year could make a valuable contribution to their eventual occupational pension.

I worry about that issue and I worry when I hear that the threshold might go up to £10,000 or more in future, because the whole point of auto-enrolment and of NEST was to make things easy, to make belonging to an occupational pension fund a no-brainer and to ensure that everyone who was in work would automatically pay into an occupational fund. People who are not auto-enrolled and who are not in the pension fund will lose out on the employers' contributions as well, so they will lose out not only on their potential pension earnings towards the end of their life but on what we often think of as deferred wages in the employers' contribution.

I am also concerned about the introduction of the three-month wait, for many of the same reasons I have just given. The shadow Secretary of State has already made the arguments, which are important to remember.

All those issues could probably have been swallowed if they had been the only things we were concerned about, but the big sticking point in the Bill, which I suspect most Members will be talking about this afternoon, is the acceleration of the state pension age, particularly the anomaly that hits the 500,000 women who at very short notice will have to wait more than a year for their pension. I wonder whether the Government have analysed exactly who will lose out as a result of the measures and which women will not be in work at the age of 66, when they get their state pension. The figure of £10 billion has been bandied around for how much it would cost not to go ahead with the proposal, but I suspect that is a gross figure. I do not know whether the Minister of State, Department for Work and Pensions, the hon. Member for Thornbury and Yate (Steve Webb), has any idea how much the welfare bill will go up as a result of people's falling out of work before they reach the age of 66.

I agree that it is right that the state pension age should rise and indeed inevitable that it will rise, and I accept that there are issues to do with longevity, but I am concerned that we are potentially creating not the pensioner poor but a group of people who become the new poor because they have fallen out of work in the last years of their working life and are struggling to get by on benefits. It is not good enough for the pensions Minister to say that for anyone who falls out of work before reaching the state pension age and who does not have a pension they can draw early, there is always jobseeker's allowance or employment and support allowance. The contributory element of JSA lasts only six months and the Government propose that the contributory element of ESA will last only a year. Nowadays, women expect to have their own wages, but their qualifying for income-related JSA or ESA will depend on the household income and whether they have a working partner. For many women, that misses the point. Quite a few women in my constituency say, "I've only got a pension of £1 a week." What they mean is that they have 60% of their husband's pension and £1 a week on top of that, but they still see that £1 a week as their pension and they feel very aggrieved about that.

Dr Whiteford: Does the hon. Lady share my concern that the healthy life expectancy for men in Scotland is currently 60 years and for women is 62 years? In that context, a dramatic increase in the pension age for those people is simply displacing on to the benefit system the burden that will have to be met.

Dame Anne Begg: Indeed. The hon. Lady says more eloquently what I was trying to say about displacing people out of pension age into the working age poor. There is nothing to be gained for those people if all we are doing is delaying when they get their state pension. There will be the odd situation that when people retire, their income will go up, rather than people being able to work until they reach retirement age.

Pamela Nash (Airdrie and Shotts) (Lab): Does my hon. Friend agree that, as we are coming out of carers week, the Government should remember the 37% of women affected by the state pension age increase who will not be in the work force in the last years of their working lives, as the Government call it, and who have responsibilities caring for an elderly or ill relative or for their own grandchildren? They will be among those who suffer most as a result of the increase.

Dame Anne Begg: There are much wider issues with raising the state pension age such as the fact that, towards the end of their working life, many people may start to take on less paid employment because they have taken on caring roles. My generation of women is often called the sandwich generation in as much as they are looking after elderly parents or other elderly relatives as well as looking after their own grandchildren, to allow their sons and daughters to go to work. That is the generation that is caught by the anomaly—a generation of women who, perhaps, were not able to work throughout their married life and have not necessarily built up the national insurance contributions that will give them a full state pension.

I am curious about the Government's argument that the flat rate pension will miraculously mean that all women will get a state pension, when my understanding is that that pension will still be based on the number of years of national insurance contributions. That was brought down to 30 years in the Pensions Act 2007, so women can already qualify. That Act also made it easier for carers to qualify for credits. I see the pensions Minister is about to jump up. Perhaps he can clarify whether the qualification for the flat rate pension will not be 30 years of national insurance credits.

Steve Webb: The hon. Lady raises serious points. She is absolutely right—for the basic pension, those credits are already in place. The problem is that many of the women we are discussing will have done their child rearing before credits for the state second pension came in, so they will still retire with inadequate state pensions, which would be corrected under our proposals.

Dame Anne Begg: So those women will still have to have the 30 years of credits, but in respect of the SERPS element they will be the winners. But for every winner in all these changes, there will inevitably be losers, and there will be those who have paid their SERPS all their working life, including women who have paid the big stamp but not the small stamp. They are the ones who often feel aggrieved. As the Minister knows, pensions

policy is a minefield covered in all those booby traps. As soon as one presses down on one thing, another pops up, making it all very difficult.

It is the group of women who were born in 1953 and 1954 who are being expected, at very, very short notice—five years' notice—somehow to change their whole financial planning for their retirement. As I pointed out to the Secretary of State in an intervention, when the equalisation came in the warning that people were given ranged from 15 to 25 years. The evidence that I received from Age UK showed that 20% of women still have not realised that they are not going to get the state pension at 60 but will have to wait until they are 64 or 65.

That proves not that we have been lax in trying to inform or educate women about what state pension they can expect, but that it takes a long time for such things to sink in and for people to make arrangements. In the case of the current proposal, the women who will be most affected have just over five years' notice. That is unfair and I hope the Government will look again.

Duncan Hames (Chippenham) (LD): In her intervention, the Chair of the Select Committee made the excellent point that some of the women we are talking about have already left the labour market, having taken early retirement. Does she agree that the Government have a special responsibility to those former Government employees who they persuaded to take early retirement instead of a redundancy option and who now find that they will not have access to a state pension as part of the plans that they would have made when deciding to leave their employment as civil servants?

Dame Anne Begg: I could not agree more. It is imperative that we get that sorted out now. I am sure that other local authorities will not be any different from my local authority, which knows that cuts are coming. My local authority managed to have a funding black hole of £25 million. Before there was any economic disaster in any other part of the world, it happened in Aberdeen. I will not talk about that being a Liberal Democrat council, but it was. That has resulted in large numbers of local authority employees—not only women, but predominantly women—being offered early retirement, which councils have been encouraging their employees to take because they do not want to go down the route of compulsory redundancies.

People have been signing up and are still signing up for early retirement without the full knowledge that what they are signing up for is a lower pension that will not be supplemented with the basic state pension when they reach the age of 63 or 64, as they thought it would be. In some cases, they may have to wait another two years. Their entire financial planning was based on the expectation that they would get whatever the basic state pension would be at that time. It is £105 now, so it will be more than that, and the flat rate pension may have come in. They were expecting at least another £100 a week in the income that they have worked out they will need to survive.

The short notice is the injustice. The Government must look at this again. They cannot leave out this group of women, who did not have the chance to build up their pension protection but who took on the burden of care in the community, saving the Government billions of pounds. The same group of women have had to fight many of the equality battles, yet it is being hardest hit, and it cannot be right that, because of the acceleration, the Government are making them pay the price not of deficit reduction—according to the coalition, the proposals will not apply until after the deficit is meant to have gone—but of the longevity of other groups.

I accept the Secretary of State's point that the coalition Government discovered that their proposed acceleration was illegal. It would probably be illegal under European law because the Government had already said that they would equalise the pension age of men and women. That makes me wonder what else in the coalition document might be illegal. Has someone been through it with a fine-toothed comb? If that was such a glaring error, have others sneaked into the coalition agreement, or was it just this issue where someone failed to notice that signing up for the equalisation of the state pension age might not be fulfilled by the words of the coalition document?

I will vote against the Bill because it fails on the basic principle of fairness, and in pensions policy fairness is all. When those now sitting on the Government Benches were in opposition, fairness was all they talked about. The previous Labour Government went a long way in introducing fairness into the pensions system. Pension credit was certainly a revolutionary policy that lifted many pensioners out of poverty and transformed the incomes of many pensioners, who saw their incomes double when Labour was in power. Fairness must be at the heart of pensions policy, but the Bill does not pass the fairness criterion.

6.10 pm

Jenny Willott (Cardiff Central) (LD): The Bill has been somewhat hijacked by the women's pension age issue, but as the hon. Member for Aberdeen South (Dame Anne Begg) has said, there is much in it that is very good and extremely uncontroversial. There are other proposals that are good, but which some people find controversial, such as those on judges' pensions. Funnily enough, a number of speakers in the other place became extremely worked up about that. As the Secretary of State said, judges currently make no contributions to their pensions. The only thing they contribute to is survivors' benefit, for which they pay the princely sum of 2.4% or 1.8% of their salary, depending on the scheme, but they get an extremely generous pension at the end of it. I understand that one in six judges draws a pension of more than £67,000 a year, which puts them in the top 0.01% of pensioners, as the employer contribution is around one third of the salaries. The hon. Lady has just said that fairness is all in pensions, but clearly that does not seem fair to an awful lot of people. At a time of great debate on public sector pensions, there is no reason for judges to be exempt from reform. There seems to be a clear consensus in this place, if not in the other place, that that needs to be tackled as soon as possible.

I also welcome much of the rest of the Bill. The introduction and simplification of many of the opt-out arrangements is really important. The hon. Member for Aberdeen South and I were members of the Work and Pensions Committee in the previous Parliament and did a lot of work on the arrangements for the National Employment Savings Trust and how to ensure that people on low incomes are encouraged and supported to save for retirement. Like her, I welcome many of the

[Jenny Willott]

Bill's proposals and think that it is really important that the measures are being introduced. Hopefully, the tweaks will overcome some of the problems identified during the passage of the Pensions Act 2007, which most people supported. Many of the concerns that were raised related primarily to small businesses and those on the lowest incomes and are covered by the Bill.

I am also glad that the Bill will set up a system that will make it easier for people on low incomes to save, because that has been a problem for far too long in this country and needs to be tackled. Although the level of means-testing is still an issue and therefore for some of those on the very lowest incomes, as employers will also contribute to pensions, it will be more worth while under the system in the Bill and the previous Act for more people to save.

However, like the hon. Member for Aberdeen South, I am afraid that I will do what I am sure everyone in the debate will do and raise the concerns about the proposals on the women's state pension age. I am sure that you, Madam Deputy Speaker, will be sick to the back teeth of people complaining about the women's state pension age by the end of the debate, as I am sure will the Minister. *[Interruption.]* You are far too charitable, Madam Deputy Speaker.

I agree with the Government that the state pension age needs to rise. In 1970, someone retiring at age 60 could expect to live a further 18 years. Last year, the figure was 28 years. There has clearly been a significant change in demographics in this country, which has to be reflected in our pensions system. We cannot expect people to work until they drop, but the more time they spend in retirement, the more strain that puts on the public purse.

That issue goes hand in hand with pensioner poverty. The right hon. Member for Birmingham, Hodge Hill (Mr Byrne), who is no longer in his place, talked about the progress he felt the previous Government had made on pensioner poverty. Progress was made, but last year there were still 2 million people of pension age living in poverty, which is unbelievably high for a rich country such as the UK and a disgrace. Unless we seriously overhaul the pensions system, pensioner poverty will continue to be a problem. The longer people live, the less an occupational pension is likely to pay out, for those who are lucky to have them, and the longer they will have to live in poverty after they retire.

We must invest in the state pension in order to tackle pensioner poverty, which is one reason that I welcome the steps that the Government have already taken to bring in the triple lock, which has been a Liberal Democrat policy for a number of years. By linking the basic state pension to earnings and instituting the triple lock, pensioners will hopefully take home £15,000 more over the course of their retirement than they would have done under the previous Government's policies. That will start to make a difference to levels of pensioner poverty.

What I think will really make a difference is the Pensions Minister's plan for a flat-rate pension, if and when he is able to introduce that and work it through the House. As has been announced, the plan is for all pensioners with contributions of more than 30 years to receive a flat-rate pension of around £140 a week, uprated by inflation, from 2016. For many people, particularly women in the cohort which has been referred to today, that would be a significantly higher basic state pension than they currently receive. There is particular concern about those women, many of whom do not have private savings and do not necessarily have a full contributions record, as we have discussed in relation to the state second pension. The people who are likely to be penalised by the rising state pension age will benefit significantly from the introduction of a flat-rate pension.

We should not be trying to tackle pensioner poverty simply by increasing the burden on those in society who are working. Wages are flat at the moment and prices are rising, and the Secretary of State has laid out the change in the ratio of pensioners to working people in the population. We need to do something more fundamental. We need to create a sustainable way of managing our ageing population, rather than continually increasing the demands on taxpayers. The Turner commission and the 2007 legislation accepted the premise that, as longevity increases, so the state pension age must rise, but we have now learned from the most recent figures that the situation has changed even more than was understood when the commission carried out its work. We need to take that into account if we are to have a sustainable pension scheme that people can trust for the long term. The Government are right to look at raising the state pension age, and if the flat-rate pension is introduced in 2016, although hundreds of thousands of women will have to work longer, they will get a better pension in the end, which is a trade-off that many will feel is worth it.

As many Members have mentioned today, it is the cohort of women born in 1953 and 1954 who will feel the greatest impact of the change, particularly the 33,000 born in March 1954, who will have to work two years longer. Like other Members, I do not believe that the plans currently laid out are fair for those women. People need time to plan for their retirement, as the hon. Lady for Aberdeen South said. A number of Members have said that those women will have five years' notice, but my understanding is that it will be seven years before facing the situation, so I would be grateful if the Minister clarified that. Seven years is not a very long time in which to plan whether to work for another two years. In order to keep the public support that we need for such long-term plans, pensions must have full support across this House and among the public as a whole.

Stephen Lloyd (Eastbourne) (LD): I concur with every single word that my hon. Friend says. Owing to the difficult decisions that the coalition Government are making on the economy, I am confident that, by 2018, 2019, 2020, the challenges will have been met and the Government will be able to listen to Back Benchers from all parts of the House and move the change back to 2020. The difficult decisions that will have been made by then will mean that the economy is ready and able to sustain such a move.

Jenny Willott: I thank my hon. Friend for his intervention, and it will be interesting to hear what the Minister says to that when he sums up the debate. I am sure that during the debate several suggestions will be made on how to tackle the issue, and that is one.

The changes have to feel fair, but the current proposals do not. The hon. Member for Aberdeen South said that fairness is extremely important, and as the Pensions Minister has said it is extremely important that the basic state pension, whatever its structure, has to feel fair, because it has to last a long time and be free from arbitrary political intervention. The current proposals, however, do not pass the fairness test.

Mrs Main: The hon. Lady, who is making a powerful speech, seems, like me, to agree with an awful lot of the very good that is in the Bill, and it would be a shame to ditch the baby with the bathwater, as Opposition Members plan to do tonight. My hon. Friend the Member for Cardiff North (Jonathan Evans) has come up with an interesting proposal, and her hon. Friend the Member for Eastbourne (Stephen Lloyd) has just come up with one as well. Does she agree that Second Reading is the time to do so and to take such ideas into Committee? Like me, the hon. Lady will, I hope, have been encouraged by the sympathetic noises from Government Front Benchers, who are listening to the sensitive arguments from Government Members.

Jenny Willott: I absolutely agree. As the hon. Lady says, the point of Second Reading is that we have the opportunity to air a whole load of different options and concerns about the Bill, and as she says also, there have already been a couple of proposals for tackling the issue. I am sure that we will hear more as the debate goes on.

I completely agree that the Bill contains a huge amount that is valuable and important, so I am concerned about the Opposition saying that they will vote against it as a whole. Our constituents, living in our local communities, will be disappointed that the Opposition have taken that approach to the legislation and are not prepared to give a Second Reading to its positive elements.

Dame Anne Begg: I am sure that the hon. Lady received a large number of e-mails and letters from her constituents who are affected by this particular anomaly. Did any one of them say that she should vote for the Bill, or did they all encourage her to vote against it?

Jenny Willott: To be honest, I cannot remember whether anybody asked me to vote against the Bill. Most writers of the letters and e-mails that I have received raised concerns about the particular proposal in the Bill, and I agree with them. As I have already said, I share their concerns and have issues with what is proposed, but the whole point of Second Reading is that we have the opportunity to raise our concerns and to send the Bill into Committee, where people will be able to go through it clause by clause, to debate what the alternative may be and to have a chance really to scrutinise it. Today's debate is not the time just to chuck it away.

Dame Anne Begg: If there are no changes in Committee and the Bill returns to the Floor of the House in the same position as it is in today, will the hon. Lady vote against it?

Jenny Willott: I cannot possibly say what I will do at that stage, because we do not know what shape the Bill will be in. I put the Bill in the safe hands—I am sure—of the Pensions Minister and of colleagues from all parts of the House, who will be able to look at it, try to refine it and send it back to us in the best possible shape. At that point, like all hon. Members, I will be able to decide whether to support it in its entirety.

Sheila Gilmore: If the hon. Lady or other Members table an amendment in Committee on the issues that she says she is concerned about, will she vote for them, as she did not when the Welfare Reform Bill was in Committee?

Jenny Willott: We have no idea who will be on the Committee for the Bill before us, so I cannot possibly comment on what amendments might or might not be tabled or on who might or might not support them.

The Government should, however, think again about these plans and find a way to make them fairer for the worst affected women. We have already heard a number of proposals, and I was pleased that the Secretary of State made it clear that he is open-minded and willing to listen to what options there are. It was important for us to hear that this afternoon.

Annette Brooke (Mid Dorset and North Poole) (LD): I concur with my hon. Friend. The importance of today is that the strength of feeling about this one aspect of the Bill is aired, that Ministers convey the feeling that there will be a response and, most importantly, that there is a response that makes this part of the Bill fair.

Jenny Willott: I agree. My hon. Friend has spoken in the House in recent weeks on the issue and on her concerns about its fairness, and I am sure that Ministers are listening and taking that message on board.

I appreciate that this is a difficult and costly area in which to make any changes. The figures are mind-boggling, and a few months here and there will make a significant difference to the cost, but it cannot be beyond the wit of man to find a way to smooth the process in order to ensure that that small group of women does not end up being so badly affected. I have every faith in the Government and, in particular, in the Pensions Minister, who is generally regarded as one of the UK's foremost experts on pensions. He has done a huge amount of work in the past on women's pensions, helping thousands of women to get the money to which they are entitled, so I put him on notice today that I trust him to resolve the issue. I am sure that, if he cannot do it, nobody can.

6.26 pm

Hywel Williams (Arfon) (PC): The upshot of the Bill is that many people will have to work longer than they expected, and at short notice. That is the point. People will have made their plans, but they will no doubt have to be changed if the Bill goes through.

I am sure the Minister knows better than I that pension planning is a long-term business, and that is why there is such value in cross-party consensus, in stability, in fairness and in any change being slow and clear. Those are, I think, the Pensions Minister's own views, and that is one reason why there have been constant problems since a previous Conservative Government broke the consensus on pensions almost 30 years ago—a consensus that the Turner changes in the 2007 Act re-established to an extent.

[Hywel Williams]

I, too, have received a lot of correspondence, with constituents and others expressing lots of concern at what they see arising from the Bill as a sudden change, which, they also contend, does not have broad support across the parties or among people throughout the UK. Some see the change as a fundamental break in the social contract between government and people, while others accept that as life expectancy lengthens so too must the length of the working life, but all object to the change in the implementation time scale that the Bill proposes.

Hon. Members have already said that an estimated 5 million people born between 1953 and 1960 will have to wait longer to reach state pension age. Although the wait for the majority of people will increase by less than one year, about 500,000 women born between October 1953 and April 1955 will have to wait more than an additional year and 126,000 women born between December 1953 and October 1954 will have to wait up to two years, losing about £10,000 in pension. Those are the facts as we understand them.

Men and women on low incomes who are reliant on pension credit and have no private pension savings will be most affected by the changes, and we have many such people in Wales. A great deal has been spoken about the gender effects of the potential changes, and women will be hit hardest, but there are also effects on disabled people and potential effects on ethnic groups.

We have also heard about class effects. I, too, have looked at the Age UK briefing, and it states for example that a higher percentage of people in social classes D and E are unable to work on, with one third of such women, at least, being in ill-health. Age UK also points out that awareness of the changes among people in classes D and E is very much lower.

There are also national and regional effects, which have had less attention. The changes will hit some sectors of society harder than others, and we in Wales, as in Scotland, have more people in those sectors than other parts of the UK. In Scotland, life expectancy is four years below the European average at 76 for men and 80 for women. Glasgow has the lowest life expectancy in the UK—71.1 years for men and 77.5 for women. These people will be severely hit.

Jonathan Evans: The hon. Gentleman is right about life expectancy numbers. Somebody with a fund who has a poor health record will get a bigger annuity than somebody who has a healthy record. How would he resolve that in terms of the state pension situation? He seems to be saying that he would not change the current arrangements.

Hywel Williams: A large number of people are unable to get an annuity in the first place because they do not have that sort of pension. Nobody is arguing against the fact that life expectancy is extending—of course, that should be welcomed. However, the fact that the change is being brought in quickly will particularly affect certain groups in relation to class, gender and where they come from.

The effects in Wales will be much more pronounced. That is demonstrated by figures for July 2009-10 on the composition of the work force taken from the ONS publication "Regional Trends". The average proportion of the population in the UK who are managers and senior officials is 15.6%, the figure for the south-east is 18.3%, and the figure for Wales is 13%. Managers and senior officials will not be hit as hard by the changes, because they have other sources of pension income and live longer. In Wales, we have fewer such people who are able to depend on a decent pension and expect to live longer; unsurprisingly, the south-east has many more. Likewise, in the case of process, plant and machine operatives, the UK average is 6.7%, the figure for the south-east is 5%, and the figure for Wales is 7.3%. As regards people in elementary occupations, the UK average is 11.1%, the figure for the south-east is 9.7%, and the figure for Wales is 11.8%. Workers and future pensioners will be disadvantaged in Wales, as in the rest of the UK, but the effects there and in Scotland will be more pronounced.

Plaid Cymru Members welcome the continuation of automatic enrolment in pension schemes. Given the increases in short-term employment, casualisation and multiple part-time jobs, we share Age UK's concern about the earnings threshold, particularly the possible negative impact of the three-month waiting period and its effect on staff who might not stay in the job for long enough. We have the same concern about those who have multiple low-paid jobs and therefore may not reach the threshold and be excluded.

In a speech I made some months ago, I expressed reservations about the indexation process, so I will not labour that aspect. My final point is about the Pension Protection Fund, which was raised by the hon. Member for Cardiff North (Jonathan Evans) and is referred to in part 3 of the Bill. The PPF came about partly as a result of pressure put on the former Labour Government by Members in all parts of the House arising out of the ASW steelworkers scandal: a very difficult situation in which the Government had to be persuaded—I use that word advisedly—to act. Unfortunately, the ASW campaign is still ongoing. I recently met some of the workers, and I have tabled early-day motions and attended meetings on the subject, as has the hon. Member for Cardiff North. In November 2010, the pensions specialist Dr Ros Altmann suggested possible ways in which the coalition Government could assist the ASW workers. Will the Minister tell us what progress is being made in that case? That would go a long way towards responding to the campaign by those workers.

6.35 pm

Ben Gummer (Ipswich) (Con): The salient fact of this debate is that by the time it finishes at 10 o'clock, the average age to which we and our constituents might expect to live will have increased by an hour and a half. If I were to speak for 10 minutes or a quarter of an hour, which I will not, then merely in the course of my speech average life expectancy would have increased by four minutes. I hope that that is compensation for what hon. Members are about to endure.

The simple fact of demography that for every hour that passes 15 minutes is added to the age to which we, as a population, can expect to live forces us to revisit the state retirement age—the age at which people stop paying taxes and start depending largely on the fruits of others' labours. It is a fact that is unlikely to change in the half century to come. In fact, if the experience of

the past few years is anything to go by, the acceleration of our expected mortality rates will only increase, rendering irrelevant and insufficient all the predictions on which we currently rely. There is near consensus that maintaining the existing pension age is unaffordable and that we should correct that by ratcheting up the state pension age year by year to reflect increasing life expectancy.

However, I am worried by the idea that by the mid part of this century, asking people to retire at 70—incidentally, the age intended by Lloyd George in his great Act of 1908—will be seen as the way to fix this problem, because we may not correct everything that we hope to correct just by increasing the state pension age and doing everything contained in this excellent Bill. Although I support the intention of the Bill and the immediate steps that it takes, the Government need rapidly to revisit the conventions and means by which successive Governments address the central problem of increasing life expectancy and the effect of that on the Exchequer and those working to fund it. Otherwise, we will again end up in a situation that is unsatisfactory and inadequate. It is unsatisfactory because with every increase in the state pension age, we inflict another set of injustices and unfairnesses on those who are approaching that moment in their lives. The predicament of the relatively small group of women we have been debating is a sure indication of far greater problems to come for Governments in future years.

Because we are facing this cross-generational challenge, it is incumbent on us to try to forge a consensus between the parties about the rules by which we deal with pensions policy. One of those rules is suggested by the example of the women who are particularly affected by the Government's proposed changes. When times are normal—these are not normal times—there might be a rule whereby people are given at least 10 years' notice before we change their pension entitlements or the age at which they can claim them. Perhaps the case of the class of '53, as they call themselves, is the test by which the Government will be measured in this respect.

Although I understand why the Government might fairly ask that people work an additional year to deal with the horrendous deficit and national debt we have been left, to ask a relatively small group of people to work an additional two years with six years' notice is a very big ask, not least because it calls into question other excellent parts of the Bill that are designed to encourage saving. We cannot ask people to save and then give them no time in which to do so. I hope that in considering a way to smooth the edge of this part of the legislation, the Government will not only fashion a compromise for the women who are being asked to work an additional 13 to 24 months, but thereby establish the first set of conventions by which successive Governments can deal with this issue.

Another unfairness in the Bill, which was not intended by the Government, results from the change from RPI to CPI for uprating. Many of my constituents who are on occupational schemes, mostly from British Telecom, have found that their pensions have been changed only two years after they were renegotiated between the trustee and the pensioners. The trustee claims that it has been forced to do that by the rules of the scheme. My constituents and I would be interested to know the degree of consideration the Minister gave to the effect that his changes to the uprating regulations would have on the occupational schemes of previously nationalised industries, because they have had a very adverse effect on people who thought that they had funded schemes.

Those are the unfair and unsatisfactory parts of the Bill, which I consider to be largely good. I understand that the Opposition supported the change from RPI to CPI, but on a temporary basis. With characteristic innumeracy, they therefore miss the central challenge that confronts us, which is not just the deficit that we must deal with between now and 2016, but the period after that. There is an idea that in 2016 the deficit will somehow come to an end, we will be finished with our problems, and we can then extract the cheque book from our pocket and go on another splurge. That will sadden people, because if we did that, we would find ourselves with one of the highest debt to GDP ratios in the developed world—higher than most of our developed competitors and significantly larger than almost all of our developing competitors, just at the point at which they move up the value chain to meet us on high-end manufacturing, learning-based skills and value-added services.

At that point, we will be faced with a demographic scene that is not much altered from the one the Government look at now. We need only look at the support ratio to tell us that. It currently sits at about four workers per pensioner—the lowest in the history of the state pension. Under the Pensions Act 2007, it would decrease by 2023 to 3.11 workers per pensioner. That figure will improve under the Bill to 3.35—a difference of 6%. At that point we will still be slipping down, and none of this changes the central projection to 2058—150 years after the introduction of the state pension—when there will be 2.74 workers per pensioner. There will then be fewer than three workers for every pensioner they must support.

Pensions are a double-sided promise. On the one hand, we, as parties engaging in government or opposition, must give people the security to know what they will receive in their retirement. That is why I urge the Government to look carefully at the women who will be particularly affected by this change, and at those who are coming to the end of their working life in the public sector. As many of their accrued rights as possible must be respected, because that is what was promised to them, whether or not it was prudent to do so at the time.

In understanding that, we have to be far more brutal with the younger generation, which has many more years to work. Frankly, younger people will not be able to have a pension of the size that their parents and grandparents have come to expect, because of the horrendous deficit and the enormous debt that we have been left by the previous Government—larger than those of almost all our competitors around the world. As a result of that debt, we will have less to spend on education, training and infrastructure improvement. *[Interruption.]* The hon. Member for Glasgow North East (Mr Bain) smiles, but it is true that as a result of the actions of his Government, we have less to spend on things that will grow the economy and there will be fewer tax receipts to pay for the welfare state that we have come to expect as a nation.

Jonathan Evans: I wonder whether my hon. Friend picked up on the remark from the right hon. Member for Birmingham, Hodge Hill (Mr Byrne), when challenged on the cost of his proposal, that money could be raised

[Jonathan Evans]

by bringing forward significantly the current programme for retirement at the ages of 67 and 68. Perhaps we should bank that promise from the Opposition before it evaporates like so many of their remarks.

Ben Gummer: What I found surprising about that comment from the right hon. Member for Birmingham, Hodge Hill (Mr Byrne) was that it completely ignored the sensible intervention by his colleague the right hon. Member for Birkenhead (Mr Field), who made quite plain the difficulty of bringing forward the state pension age rise too quickly because of its manifest unfairness on manual labourers, who have a much lower life expectancy than others. That is a central problem that we have to deal with and a reason why the state pension age will become inadequate. At some point, we have to address that unfairness, whether by measuring the length of period worked or by doing far more than has been done so far to improve the occupational health of large numbers of people in this country.

We come back to the essential problem: there is not only no money now, but there will be no money for many decades to come if we are to have the money to invest in growing our economy. Frankly, we will have no welfare state to pay for if we do not address these big issues now. We will be lying to future generations and forcing upon them a generational theft if we are not straight with them now about the reality that confronts them. That is my generation, as much as it is that of the hon. Member for Leeds West (Rachel Reeves). We will be expected to save considerably more and receive considerably less from the state. *[Interruption.]* The hon. Member for West Ham (Lyn Brown)—she is a Whip and I will not criticise her—is huffing and puffing away, but the fact is that between 2002 and 2006, the structural deficit was run up, inflicting this problem on generations of people to come. The worst affected will be those on low incomes and the unemployed—the very people her party was founded to protect.

We must be honest with future generations and correct the small inadequacies in this Bill. I urge the Minister to look carefully at the long-term reforms that are needed in our pensions system if we are not to come back here year after year to let down pensioners on the promises that were given to them in ages past.

6.48 pm

Malcolm Wicks (Croydon North) (Lab): Back in the 1940s, Aneurin Bevan referred to the ageing of our population as the "peculiar problem" of the era. When one thinks of the controversies just of the last few weeks over the national health service, the quality or lack of it in our care homes, and now the pension age, one can see how prescient the Bevanite analysis was.

I will argue that pensions policy is at its best when it has an understanding of the pace and grain of people's lives and of the society—an understanding of how people work, their employment patterns, care patterns and family patterns. Looking back, one can see examples of that. Lloyd George—a reminder that there were once great Liberal reformers—was urged to introduce the first old-age pension, albeit at a slightly measly 70 years old, because working people were, rather peculiarly and in a sense for the first time, outliving their working lives, so it was asked where their incomes would come from. Thus occurred the birth, more than 100 years ago in this Parliament, of the first old-age pension. Much more recently, around the 1970s, Barbara Castle and other Secretaries of State realised that the national insurance system was inadequate when it came to women's caring responsibilities, and credits started to be built into it.

My question is whether, by introducing uniform state pension ages—I listened with great care to what the hon. Member for Ipswich (Ben Gummer) said on the matter—we are now fashioning a policy that makes sense given the different life cycles of people in this country depending on their occupation and social class.

I think about my own family's experience. My dad and my mum left school at 14 to work, and my dad had jobs in the market in Islington long before that age. At that time, the vast majority of people left school at that type of age. If they worked through to 65 or so, they would have been working for half a century or more. I did not get my first proper job until I was 21. I remember my nan from Islington—*Hansard* must record "nan" not "nanny", because I do not want to excite Conservative Members—saying to me when I was 16, "Malcolm, why haven't you got a job yet?" She just could not understand why I was not yet working.

My own three children were fortunate enough to go to university and then do some postgraduate qualifications—one of them very ably taught, by the way, by a young lecturer at Bath university, whose name I temporarily forget. I often wonder what happened to him. I refer, of course, to the Minister of State, the hon. Member for Thornbury and Yate (Steve Webb). My children did not get their first proper jobs, rather than holiday jobs, until their early to mid-20s. That is a pattern among certain middle class and professional families.

Today, some people coming up to claiming their state pension will have left school at 15 or 16, but some will not have got their jobs until their late teens, early 20s or even mid-20s. Are we being sensible when we say that people who have worked in hard, tough manual jobs for a very long time should be able to claim their state pension only at the same time as those of us from cosier professional and middle-class backgrounds? That is the issue that I wish to explore today.

The proposals in the Bill are based on certain assumptions, and two in particular. One is that the generalisation about life expectancy is true for all social groups. Others have questioned that assumption. I had an opportunity to intervene on the Secretary of State about it earlier, and I want to question it in a little more detail. The Minister of State and the House have heard my argument before. Alongside the gender issue, which is hugely important, there is the social class dimension, which the data show mainly affects men. It needs some airing and some debate, and I would argue that it also needs some solution. There is the assumption about life expectancy, which is broadly true but with some important qualifications, and also the assumption that if we keep raising the state pension age—and occupational pension ages, by the way, although I know that is another debate—the market will respond and jobs will be available. I want to question that assumption, too.

Mr Denis MacShane (Rotherham) (Lab): I was shocked when a constituent of mine, Mrs G. E. Smith, came in to see my at my last surgery. She will be 60 next month, and she was hoping to retire. She works in an exhausting cleaning job in a sawmill. I think Ministers have no idea what life in hard manual work is. She is shattered and wants to retire, but she has been told that she now has to go on another year, which will be injurious to her health. The Government have no idea of how what we used to call the working class suffer.

Malcolm Wicks: I imagine that that woman might have been categorised by the Office for National Statistics, rather inelegantly, as being part of the social class of "routine occupations". That includes many women who are cleaners, and men who are manual labourers, van drivers or packers—heavily demanding work. Can they all look forward to living to 80 or, as the Minister likes to remind us periodically, to 100? Actually, they cannot.

The class differences are most pronounced for men, but they also exist for women. Here are the ONS statistics. Almost one fifth of men from the lowest social class—19%—die before reaching the existing pension age of 65. We talk about pension ages, but sadly a lot of these guys are already dead by that point. That 19% figure compares with just 7% from social class 1. For women, the respective figures are not so stark, but 10% in routine occupations die before the current pension age of 60—not like my right hon. Friend's constituent, I hope, but with that type of job—while the figure is just 4% for those from the professional classes.

Steve Webb: Will the right hon. Gentleman give way?

Malcolm Wicks: I am pleased that the Minister wants to intervene, but may I add another statistic? I have given him a lot of notice of this point, and a wonderful briefing paper has been presented, so I hope there might be some solutions. An additional pension penalty is paid by the poorest groups. Whereas the great majority survive to get the state pension, they then draw it for fewer years than people from the top social classes, because of earlier mortality. Life expectancy at 65 is 18.3 years for men from social class 1, which is professionals, but it is only 14.1 years for those from social class 5. That four-year difference is the same for women. A double pension whammy affects people from the poorest social classes, and that should at least raise a question in the Minister's mind about whether the general policy that he is pursuing—to be fair, it is the general policy that my party's Government were pursuing—is on the right track.

Steve Webb: The right hon. Gentleman is making a characteristically fascinating contribution. He is citing different social groups, but does he accept that the sizes of those groups are changing? His idea would have been brilliant in 1975, but in designing a pensions system for the 21st century and beyond, is he not trying to solve a problem that is diminishing with every passing year?

Malcolm Wicks: I was solving many other problems in 1975—they were so numerous that I cannot think of an example. I believe that there are solutions to the problems. They might be complex, but if the Minister will bear with me I will come on to them.

I first wish to make my other contrarian point about the general assumption that it will be all right if we keep raising the state pension age—and indeed the occupational pension age. It is about employment patterns. At the moment it is not the case that 90%-odd of men and women are working until they are 65 and 60 respectively, and that if we keep increasing the pension age by a year or two there will be jobs available. That is not the situation at all. Labour force survey data show that almost a quarter of men aged 50 to 64, and more than a quarter of women aged 50 to 59, are classed as economically inactive. Many of them are not working at the moment. Why do we assume that there will be jobs for them if they have to work for a few more years? More specifically, 39% of men aged 62 are currently not working. By the age of 64, the figure is 52%. Among women aged 58, two years before their current state pension age, 36% are not working. The assumption that general life expectancy increases will benefit everyone and the at least implicit assumption that jobs are available are at least partly illusory.

I am not challenging the demographic logic, or the fact the state pension ages—and, may I say in a reasoned way, occupational pension ages—have to increase. Of course they do. That is the logic of demography, and it helps us safeguard our welfare state system. I ask, however, whether the situation is right for a man or woman who left school at 15 or 16. They may have had caring responsibilities or periods of unemployment, but they will have essentially worked for 49 or so years. They currently get their pension at 65, in the case of men. Is it right that they should be on the same playing field as the professional person who left university and did not do the type of job that my right hon. Friend the Member for Rotherham (Mr MacShane) described, as a packer, cleaner, steelworker or miner, but who is from the professional classes, rather like many of us who are currently in this room? Is it right that the same state pension age should apply to both groups? I do not think that that is a state pension system that is in line with, or goes with the grain of, people's lives. It does not seem fair to many people.

I meet many people from professional classes—politicians, business people, think tankers and broadcasters—who dread retirement. They want to keep working. They are hale and hearty and often at the top of their game. They want to carry on working, and that is a good thing. *[Interruption.]* My right hon. Friend the Member for Rotherham gives an important example. In 10 years, he will constitute another important example.

That is right and proper, but people who have done physically demanding work are literally worn out in an old-fashioned sense. Some of the steelworkers I met when we set up the Pension Protection Fund were physically worn out. They do not want to keep working for another couple of years. They want to retire to have a well deserved rest.

What is the answer? I think that we should try to calculate the records of those who left school at 15 or 16. I know that it is a challenge for the civil service. I have not got the briefing paper—the Minister has it and I am sure that he has read it. Given national insurance records, employment records and perhaps income tax records, should not we be able to calculate that people who have worked for 49 years can retire at the age of 65—for men and women in due course—rather

[Malcolm Wicks]

than assume that they can carry on working? It is a big issue for social administration and it needs a bright Minister to tackle it. The Minister should give it rather more attention than I think he has given it so far.

7.1 pm

Richard Graham (Gloucester) (Con): Today's debate takes place more than 100 years after the Old Age Pensions Act 1908 was introduced by a slightly different coalition Government, led by Lloyd George, but including Churchill in his Liberal phase. The most important change since then is clearly in life expectancy. My hon. Friend the Member for Ipswich (Ben Gummer) and other speakers this evening have already tackled that in forensic detail.

I think it would be helpful if I detailed a couple of salient facts as an introduction to my views about Second Reading. A hundred years ago, life expectancy was slightly less than the pension age of 65. That would imply a pension age of about 87 today. To put it another way, 10 million people who are alive today will live to be 100. Clearly, something must be done, and I am afraid that it falls to this coalition Government to do it. The Labour party had its chance. In 2002, the Labour Green Paper fudged the issue and, two years later, the then Secretary of State for Work and Pensions clearly told the TUC that raising the pension age would not happen. The message today from the shadow Secretary of State and the shadow Minister, the hon. Member for Leeds West (Rachel Reeves), who is in her place, blithely recommending as an alternative to some aspects of the Bill a speeded-up increase in the pension age beyond 2020, can therefore be treated with a huge bucket of salt. Their paymasters, the trade unions, simply would not let it happen. As is so often the case, it falls to this Government to tackle the difficult questions and decide how to balance the interests of future pensioners with those who are earning, paying taxes and paying for those pensions.

The most critical issue of fairness that the Bill must tackle is intergenerational fairness. When my right hon. Friend the Secretary of State introduced the Bill, he highlighted several aspects that are worth mentioning. He referred to life expectancy, and I hope that I have covered that point. He also mentioned fairness between generations, which is the basis for the main provisions of the measure. He talked about the importance of savings and their not being frittered away through a means-tested system. I echo that strongly. Correspondence from my constituents in Gloucester constantly reflects the unfairness between people living next door to one another, some on means-tested pensions and others not, owing to their small amounts of hard-earned savings.

The other key aspect is auto-enrolment. I pay tribute to the Labour party for the previous Government's work on auto-enrolment, but once again this Government will have to implement the scheme. We have examined the details of simplifying the administrative aspects, ensuring an opt-out, not an opt-in, getting the self-certification from defined contribution schemes and so on. I welcome those aspects of the Bill as well as the changes to occupational schemes, in which I should declare an interest as chairman of the all-party parliamentary group on occupational pensions.

It is notable that no Labour Members referred to judges' pensions. An extraordinary silence has come upon my friends on the Opposition Benches. Several Government Members have pointed out that having zero contributions to the judges' pension scheme is surely a massively unfair anomaly, which Work and Pensions Ministers are quite correct to change. That should have been done years ago.

That brings us to the one aspect of the Bill that causes hon. Members of all parties some concern: the effect on women born between December 1953 and October 1954. I have written to the Secretary of State and the Chancellor, inquiring whether it would be possible to introduce some flexibility to tackle the specific problems of women in that age group. I received a letter from the Minister of State, Department for Work and Pensions, the hon. Member for Thornbury and Yate (Steve Webb), which tackles the question in some detail. He said that

> "implementation of the increase to 66 between December 2018 and April 2020 is the option that best balances sustainability with fairness in the face of demographic change."

I recognise that Ministers have a difficult task in trying to balance often conflicting aspects of dealing with pensions. I wondered—the Minister has agreed to consider the matter—whether the same argument could be made even more convincingly for stretching the period from December 2018 to the autumn of 2020 so that the increased period of waiting for their pension for those women would effectively be reduced from 24 to 18 months. I am confident, given everything that has been said today, that Ministers will consider that during the Bill's later stages. I await what happens on Report.

It is important that our constituents understand that today we are considering and debating the principles of the Bill. The detail will be examined in Committee and again in the Chamber. I believe that the principles for tackling critical issues such as savings, auto-enrolment, occupational pensions, judges' pensions and changes in life expectancy should occupy our time here today.

I was genuinely disappointed by the contribution of the right hon. Member for Birmingham, Hodge Hill (Mr Byrne), who gave a speech that contained a series of stories, rumours and quotes from newspaper articles—admirable soundbites in the absence of any policy. One must conclude that the shadow Secretary of State has no more policy on pensions than he had money left in the Treasury coffers a year ago. Although he said that he was proud of Labour's pensions record, and the right hon. Member for Croydon North (Malcolm Wicks) gave one or two examples, such as the creation of the PPF, which are to be commended, I wonder whether Labour Front Benchers' pride extends to the 75p increase in the state pension that was offered to my constituents so very recently. It is difficult to be proud of policy, but if Government Members are to be allowed some pride, it is in restoring the earnings link to the basic state pension, added to the triple guarantee that ensures that the basic state pension will always rise by at least 2.5% every year. That is a huge contrast to 75p.

I therefore believe that the Bill has a lot in it to commend to Members on both sides of the House. This issue should be non-partisan and non-tribal. We all want a good, affordable, sustainable pension for our constituents. I shall therefore support the Bill, which will make a significant difference to the 7 million people of

both sexes who are currently under-saving, resolve the scandal of judiciary pensions, and allow for sensible reflections on aspects for women born within a particular year.

7.10 pm

Julie Elliott (Sunderland Central) (Lab): This debate is incredibly important to Members on both sides of the House. Before I move on to what most concerns me about the Bill, which has been raised by most hon. Members today, I should like to comment on some of the things that my right hon. Friend the Member for Croydon North (Malcolm Wicks) mentioned. My constituency's past is in heavy industry, and it still has a huge element of industry. Both men and women work very hard in difficult, not-wonderful conditions. Many simply do not reach pensionable age. It is important to bear that in mind in our discussions. Nobody can argue with the statistics on the rate of increase of life expectancy, but in some areas of the country, especially in pockets within those areas, life expectancy is increasing much more slowly. That needs to be borne in mind in our considerations.

In my office, there are folders containing letters from many of my constituents who feel strongly about changes to their state pension age. Many have felt compelled to write to their MP for the first time. I want to speak on behalf of those people, who are predominantly women. They have told me what they think of the Government's plans, and I promised that I would represent their views to the Government. I shall take this opportunity to raise their objections on their behalf. Some have told me extraordinary things about their lives, the jobs they have done and how hard they have worked. It is my privilege to speak on their behalf. Likewise, I was pleased to take part in a debate on this issue in Westminster Hall recently.

What are my constituents so unhappy about? These women have worked hard their entire lives and done everything right. They have worked, saved and planned. Along the way, many have raised families, and many now have caring responsibilities for younger and older members of their families—I could add that, in that way, they are saving the taxpayer money. They have made their contribution to society. They paid their taxes and national insurance in the hope of a happy, relaxed, financially secure and worry-free retirement, yet the Government have moved the goalposts. My constituents feel angry and let down. Many are afraid and wonder how they will manage financially. Those who must continue to work are fearful of the long-term implications for their health.

Before I go any further, I should like to make something clear. My constituents do not disagree that the state pension age should increase. They recognise that average life expectancy in this country is increasing and they recognise the dangers that come with an ageing society, but the Turner commission recommended 15 years of preparation before implementation, as a swift alteration could cause financial hardship and unnecessary anxiety.

That is of great concern to my constituents, some of whom have already retired. Many who were seven or eight years from pensionable age calculated their savings, pension entitlements and income and retired so that they could take on caring responsibilities within their families. They simply cannot adjust their finances to cope with such sudden changes.

The issue that concerns them, and indeed me, is the sense of injustice, which has left them feeling betrayed. When they started work aged 15 or 16, they had an idea of what was expected of them and what they were signing up to—similar, perhaps, to signing a contract of employment—but that is being unjustly altered, retrospectively, leaving them with very little time to prepare. They thought they were contributing to one thing, but in fact they will get another. There is simply not enough time for them to plan and prepare financially for their retirement, which causes them a great deal of anxiety. Moving the goalposts at such short notice is not the correct way to go about this. My constituents feel penalised, despite, as I said earlier, doing everything right.

Retirement should be about choice. People should be able to assess the prevailing factors and decide when it is appropriate for them to retire. Some of my constituents affected by these changes have already made the decision to retire and are living off small private pensions. The Bill effectively removes that choice. Their carefully planned savings will not suffice for the two extra years they will be forced to wait before receiving their pension.

I worry about the wider implications of the plans. The Minister says that we need to encourage people to save for their pensions, but what message is the Government sending to the young women of today? Are they saying, "You may save and you may plan, but we'll make the changes anyway"?

I said that I would speak on behalf of my constituents, and I shall now directly quote just a couple of the letters I have received in the past few weeks. One constituent wrote:

> "I started work aged 16 with the expectation of receiving a full state pension at 60. 5 years was added. I am now outraged to find that this government has changed it again. Having paid full contributions I now find myself worse off compared to my colleagues and friends who are only a few years older".

As a result of the arbitrary way in which the Government have decided their dates, I am sure that some of that woman's better-off colleagues and friends are only a few months or days older than her.

Another constituent wrote:

> "I am currently in full time employment and have had 2 knee replacements and am about to have surgery on my back. I am in constant pain and find full-time work very difficult. However I was looking forward to my retirement. I had hoped not to have to claim for any benefits before my retirement but I can no longer see this being possible. I feel very let down and wonder why I have pushed myself to work so hard all these years".

Have the Government assessed the costs they will incur when people who physically cannot work extra years claim benefits? Has that been taken into account?

Finally, another constituent said:

> "I find that the goal posts are being moved and if these proposals go through I shall have to work for a further 91 weeks and £9,295 will be taken from my State Pension. I have worked hard all my life from the age of 15 and I have also brought up a family. I am looking forward to my retirement as the toll of all these years of working is starting to show and feel. This Coalition government is letting thousands of women down."

Jonathan Evans: Hon. Members on both sides of the House will have received similar letters. The Labour party's policy, as far as I understand it, is to begin the process in 2020. Therefore, those people would write similar letters—would they not?—if the policy adopted by the hon. Lady were pursued.

Julie Elliott: That is absolutely right. The Labour party set out a similar policy of raising the pension age, but we would have done it by 2020, which would have allowed a considerable time for people to plan and to take that into account. The problem with the Government's proposal is not raising the pensionable age, but doing so in such a short period. That is radically different from anything the Labour party proposed.

The coalition agreement said that the state pension age would not rise sooner than 2016 for men and 2020 for women. The Bill breaks that coalition commitment. My constituents feel very angry and misled about that. Like many of the coalition's ill-conceived policies, this is too much, too fast.

7.19 pm

John Glen (Salisbury) (Con): I would like to open my remarks by reflecting on a tale of two 64-year-olds. My great-grandfather died in Salisbury in 1944. In the words of my grandmother, who is now 90, he was seen at the time as an old man. Next week, my father will turn 64. He will retire having done a manual job for 48 years, and with the expectation of perhaps living, as his father did, to 90 or 92. But we do not know, which goes to the heart of the problem faced by the Government: changing expectations of how long we will live and what to do about it versus the reality that decisions will have to be made with finite resources.

I think that the Government have made an excellent start with this Bill, which addresses three interlocking issues. The first is our ageing population. Only a few weeks ago a lady came to my constituency surgery, sat down in front of me and asked whether I could help her. I said I would do what I could. I really thought it would be about an issue of care for herself or her aged husband, but in fact she wanted to talk about her 99-year-old mother. We have a ticking time bomb that, over the past two generations, Governments of all colours and parties and at all times failed properly to grasp. We cannot go on like that.

Sheila Gilmore: Will the hon. Gentleman accept that it is a gross generalisation to say that this problem has been ignored? The Bill makes a relatively minor change compared with the major changes proposed in the Turner report and the last Pensions Bill. It is wrong to suggest that this has not been looked at.

John Glen: I thank the hon. Lady for her intervention. I think I will address the thrust of her comments in a few minutes.

The second issue is our active ageing population. Notwithstanding the remarks of the right hon. Member for Croydon North (Malcolm Wicks), who pointed out the differences in life expectancy between regions and socio-economic backgrounds, many people expect to lead an active retirement, which is why I welcome the proposal to remove the default retirement age. That will be important in allowing people to do more and to continue working if they wish.

The third problem that the Bill addresses is the lack of saving. It has been said that 7 million people are not saving enough for retirement. The problem is the general sentiment that things will be all right on the night—people expect to be able to sell a property or make some money to put in a pension pot. The Government are facing up to these tough issues, and have realised that that is not a realistic proposition.

I recognise that there is a gap between the long-term solution and the needs of those currently near the pensionable age, and many have acute concerns about what will happen—many Members have referred to the cohort of women who face a particularly tough time. All the indications are that the Government are prepared to acknowledge and address those concerns, and I am sure that my hon. Friend the Pensions Minister will have an ingenious solution. However, I would like briefly to draw the House's attention to a few specific issues.

Despite the welcome introduction of the triple lock, it is clear that pensioners feel a great sense of vulnerability. They know that they have a reasonable expectation of living many years, and are anxious that at a time of low interest rates and little investment income their basic state pension should grow. I therefore welcome the Government's proposal. I recognise that it will cost a lot of money and will take time to work out, but its general thrust is the right one.

It has to be acknowledged that we have seen massive changes as a result of the increase in life expectancy over the past 50 or 60 years. Life expectancy at 65 has grown upwards of 10 to 15 years over the past two generations, and it would be helpful if the Government set out what we are aiming for. Notionally, we will have parity between genders over the next 10 years, but what are we aiming for? Are we saying that everyone should have a right to expect a fixed number of pensionable years? Are we seeking to address the statistical evidence on demographics and regional differences, or should we recognise, building on the comments of the right hon. Member for Croydon North about the level of complexity and a complexity deficit, that we will not be able to make the pensions system sufficiently complex to address every one of those factors?

We have to recognise that we need to do something, particularly about the 33,000 women who face this two-year delay, but it would help if we set out some broader principles. My generation—those under 40—will have to bear a much greater responsibility. I expect to work much longer, although I might have a different job from my father, who worked on the land. We need to send the message so that the next generation and those after know to put more into their pension pots and expect to retire later. My hon. Friend the Member for Gloucester (Richard Graham) has already mentioned the fact that 10 million people now living will live to 100. That is beyond the realistic expectations or assessments of most people today, but it will impose strains on public finances, health care costs and end-of-life care, which are the issues that we must address. We must not fail to consider my generation and those that come after because they do not seem to matter today.

I welcome the changes to auto-enrolment, but I ask the Government to avoid unnecessary and bureaucratic changes for small business people, especially those in the tourism or retail sectors, where staff turnover is high. Too often justice is not done in the detail to the

headlines of Government. We need to ensure that small employers do not bear a disproportionate cost.

The free eye tests, free prescriptions, free bus passes, free television licences for the over-75s and the free winter fuel payments, along with the Government's commitment to solidify the £25 payment in bad weather, are welcomed by many. Certainly, they are welcomed by the poorest members of my constituency—in Bemerton Heath and the Friary, for example—who rely on the payments year in, year out. I hesitate to say it, however, but is it really fair for those earning more than, say, £50,000 a year in retirement to have that extra money? There is usually a snigger, a gasp and a "Well, we don't really need it." However, in the assessment of true fairness, what value accrues to the public purse from expenditure on those people?

I welcome the Bill, which establishes the right direction, but there is still work to be done in certain areas, which I hope I have set out. No Government, past or present, will get everything right. I applaud the work of my hon. Friend the Pensions Minister and wish him well as he unravels these complex issues and develops a pensions system fit, in all respects, for the nation we live in and the number of years we can expect to live.

7.29 pm

Teresa Pearce (Erith and Thamesmead) (Lab): Like many Members, I have been inundated with e-mails and letters from women who will be affected by the acceleration in the state pension age. I declare an interest, in that I was born between 1953 and 1955, and will have to wait longer for my pension.

Last month I held a 90-minute Westminster Hall debate in which I outlined my opposition to the Government's plans. The arguments that I put forward then still hold. The Government's proposals are unfair, because they target a group of women based on when they were born and give them too little time to plan. These are women who have done the right thing—they have paid their national insurance contributions and planned for their retirement—and they should not be penalised by a Government who are moving the goalposts at the last minute. The Government are threatening to undermine confidence in the pensions system and some of the more positive proposals in the Pensions Bill, such as auto-enrolment, that are designed to improve pension coverage. However, people may think, "If the goalposts are moved at the last minute, why bother? We may make our contributions now, but who's to say that the money will be there at the end, when we expect it?" That is the opposite of the Government's intentions for pension reform, but it is a distinct possibility.

When I held my Adjournment debate, not a single Conservative MP spoke. I am encouraged that we have had such thoughtful and wide-ranging contributions from all parts of the House on this important issue today. I also hope that the opposition expressed in this debate will cause Ministers to pause and rethink their plans. My early-day motion on the issue has gathered 177 signatures from all political parties, so there is widespread support in the House for a rethink.

I would like to touch on the Secretary of State's comments in today's media. He said that it would cost in the region of £10 billion to drop the accelerated timetable, and that he would therefore stick to his plans. The Bill's regulatory impact assessment says that the proposal will save no money before 2016, by which time the Chancellor says that he will have balanced the books. I am therefore unsure what the Secretary of State means. Is this about deficit reduction, or is it about fairness and equality?

I would like to touch on some issues that have already been covered and put some further questions to the Minister. What assessment has his Department made of the proposal's effect on the number of unpaid carers and child minders in the UK? The accelerated timetable means that many people who would have taken up caring for relatives or provided child care when they retired, in order that the next generation could join the work force, will not be able to do so because they will be at work for another two years. That will have an important social policy impact. What assessment has the Department made of the proposal's effect on volunteering and the Government's big society agenda? People who have retired are not inactive; they volunteer at libraries, charity shops and lunch clubs. They also act as school governors and provide much needed care in our communities. If they are kept in the labour market for longer, they will be less able to volunteer in those ways.

I am also deeply concerned about unemployment among the over-50s. It is not easy for the women affected by the proposal to get another job or increase their hours to fill the two-year gap if they find themselves out of work, especially at such short notice. I receive many letters from constituents in their 50s who are willing to take any kind of work, but who are finding it impossible to get a job. It is not easy for people to return to the labour market once they have left. It is also becoming increasingly difficult to hang on to a job in later years. If women are expected to work longer, there needs to be work for them to do. That is particularly important given the current economic situation and the rise in unemployment. In looking for work, those women may well be competing against their own grandchildren in the labour market.

What projections and costings have the Government made for how many women affected by the proposal will have to claim employment-related benefits? Many women will not have enough savings to fall back on, particularly those who have been employed in low-paid work or who have taken time out to have children or act as carers. Will the Minister outline the measures that the Government plan to introduce to help them work longer? Will he comment on how women who are not in work are meant to balance their finances in the two-year gap, given that they will be eligible for jobseeker's allowance for only six months if they have savings or will not be eligible at all—this is my understanding—if they have a small occupational pension?

I was going to mention some of the class issues affecting people's life expectancy, but my right hon. Friend the Member for Croydon North (Malcolm Wicks), who is no longer in his place, went into that in great detail, and much better than I could. I would therefore like to end by asking the Minister about auto-enrolment and NEST—the national employment savings trust—which I broadly support. The three-month waiting period will mean that 500,000 fewer people will be automatically enrolled in a pension scheme. It is my understanding that workers will be able to opt in during that three-month period and receive the employer contribution, but people

[Teresa Pearce]

will do so only if they know that they have that right. Will the Minister assure the House that the regulations will require employers to explain that to jobholders from day one of their employment?

It is disappointing that NEST will not be allowed to deal with small transfers in and out, and sweep up small pensions from casual employment. Many people are employed dozens of times over their lives, many doing short-term jobs in, say, call centres. The reality is that we have a much more transient labour market. Provisions for transitions in and out of NEST should be included in the Bill, even if they cannot be implemented immediately. I very much look forward to the Minister's response on those two issues.

7.35 pm

Julian Sturdy (York Outer) (Con): It is a privilege to have the opportunity to contribute to such an important debate, and to follow some extremely thoughtful speeches from all parts of the House. Ensuring that Britain has a fair and financially sustainable pensions system must rank as one of the most important priorities on the coalition's ever growing "to do" list. After all, not only does this Bill shed light on a pensions system that is currently broken and unsustainable; it also touches on key issues of individual responsibility, a new savings culture and easing the administrative burdens on small businesses. All those factors make this Bill a significant piece of legislation. However, it is impossible to reflect fairly on the initiatives in the Bill without taking note of the current state of our pensions system.

Unfortunately, Britain's pensions system is dangerously creaking, with real doubts about its financial sustainability. The challenges that it faces are frankly enormous. Official projections of average life expectancy were once again revised upwards in 2009, indicating that men and women are expected to live an extra one and a half years longer than was thought at the time of the Pensions Act 2007. Although we must welcome increasing life expectancy rates, their impact on our pensions system cannot be ignored—a point already covered by a number of Members, including my hon. Friend the Member for Ipswich (Ben Gummer), who did so very eloquently. The impact will be huge.

Meanwhile, it is a sad reality that too few people have been saving enough for their retirement in recent years. Indeed, according to the Office for National Statistics, fewer than 9 million people in Britain now participate in an occupational scheme, with around 7 million people not saving enough for their retirement. Combined with increasing life expectancy, our poor savings culture is a potent time bomb beneath the surface of our pensions system. In addition, the Pensions Commission recently described the UK pensions system as one of the most complex in the world. A 2009 survey by the Department for Work and Pensions highlighted the fact that 71% of people did not understand the workings of modern-day pensions. To my mind that is a worrying statistic.

With increasing life expectancy, a poor savings culture and a complicated system, our pensions systems is not fit for the 21st century. The status quo will no longer suffice. We cannot pass this ticking time bomb to the next generation. Change is absolutely necessary. This Bill paves the way for such timely reform. As in other policy areas, such as health, higher education and welfare, the Government are absolutely right to tackle pensions with a long-term focus on ensuring sustainability. As in other areas of Government, the coalition cannot be accused of currying favour ahead of the next general election. By tackling big, sensitive issues head-on, we will restore confidence and fairness in such vital areas. The Government are therefore right to commit to increasing the state pension age in the Bill. As I have said, we are experiencing significant increases in life expectancy.

I had hoped that that part of the Bill would be welcomed across the House—it was, after all, Labour which committed to increasing the state pension age in the Pensions Act 2007—but, sadly, that does not appear likely. In the light of new evidence about the rate of increasing life expectancy, I firmly believe that it is right to review the original time scales set by the previous Government and to speed up the process. I admit that that is not an easy decision to take, but it is vital that we grasp the nettle on this specific aspect of the Bill. If we are to pursue a policy to bring about long-term, sustainable change, we should do so courageously and without compromise to the Bill's main principles.

I therefore urge the Government to resist calls from some to slow down their approach to increasing the state pension age, and I am pleased that the Secretary of State outlined his commitment in that regard earlier. Having said that, I acknowledge, as have many colleagues, that a sizeable group of individuals will now qualify for their state pension more than a year later than they would have qualified under the present arrangements, with more than 30,000 women qualifying more than two years later. Obviously, those affected will feel harshly treated, but it is encouraging to hear that the Secretary of State is willing to listen to the arguments put during the passage of the Bill. I very much welcome that; it is an important factor in the process. However, we must remember the previous Government's regrettable mismanagement of Britain's economy. Had we inherited a slightly more stable financial state of affairs, we might perhaps have been able to do more for those who now face a delay in their state pension entitlement.

The second part of the Bill deals with reforms relating to workplace pensions. I welcome the fact that the Government appear to be implementing the findings of "Making automatic enrolment work", an independent review of automatic enrolment into workplace pensions. Independent reviews tend to be rather more balanced than those carried out by Whitehall Departments. I largely support the deregulatory nature of many of the workplace pension reforms. Reducing the cost of bureaucracy to small and medium-sized businesses should always be a cause for celebration. Indeed, I am led to believe that even the TUC supports this aspect of the Bill. Perhaps Labour Members can confirm that. Such support is wholly justified, as these reforms will ensure that, from 2012, millions of people will be saving for a pension for the first time. I have always believed in encouraging a new savings culture, and auto-enrolment is a really positive step in the right direction.

In summary, the challenges facing our pensions system can fairly be described as a ticking time bomb. The measures in the Bill alone will not be enough to turn the tide and reform pensions as widely as is necessary. Reforms of the state pension are currently being consulted

on, and even at this stage I urge the Government to ensure a fair deal not just for future pensioners but for existing ones. Nevertheless, the Bill represents a good step forward in the attempt to tackle our out-of-date pensions system. The Government should again be congratulated on doing the right thing, even when it might not be the easiest of their duties. Good governance is about taking difficult decisions in the long-term interests of the country, which is what this coalition Government are doing. The Pensions Bill lays a solid foundation for a more sustainable and fairer pensions system, and I look forward to the Government building on it further in future.

7.44 pm

Cathy Jamieson (Kilmarnock and Loudoun) (Lab/Co-op): I welcome the opportunity to contribute to this important debate. Like many hon. Members on both sides of the House, I have been contacted by a huge number of constituents about the measures in the Bill. Indeed, I expect that the e-mails are continuing to flood in even as I speak.

The debate today has rightly focused on women's pensions, but it is important that we also remember the wider context. The majority of people want to plan ahead for their retirement, and they are happy to make their contributions during their working lives in the knowledge that they will reap the benefit when they retire. I am pleased that today's debate has not had more heat than light, and that we have heard thoughtful contributions. All too often, insulting comments are made to suggest that people who have a decent pension might be getting something for nothing, or getting more than they deserve. I am genuinely glad that we have not heard any of that today.

For many working people brought up to do the right thing, pensions are like deferred wages. They have carefully planned for their later years because they believe that it is right to avoid being a burden on the state or on their families. Unfortunately, however, it is those thrifty, careful planners who are being let down by this Government in the Bill. It is sad that the Government have broken their promise in the coalition agreement not to raise the women's state pension age to 66 before 2020. As we heard at the beginning of the debate, the coalition agreement clearly stated that the state pension age would rise to 66 but that this would

"not be sooner than 2016 for men and 2020 for women."

Ministers have performed dramatic U-turns on a whole range of issues, some of which have been welcome, but this one is most unwelcome. The legislation will now accelerate the equalisation for women to 2018, and then increase men's and women's state pension ages to 66 by 2020. Anyone reading the coalition agreement when it was published would not have expected that to happen.

Some 2.6 million women will be affected by the Government's proposals. The state pension age for women born between 6 December 1953 and 5 October 1954 will increase by more than 18 months. I should say that I do not have an interest to declare in that regard; the increase will not affect me, but it will affect many women in my constituency. The Government's own impact assessment estimates that the measure will affect about 330,000 women. In the most extreme cases, some 33,000 women born between 6 March and 5 April 1954 will see an increase of two years. Those are the points that constituents are contacting me about, because they are worried about the impact that the Bill will have on them.

To put this in context, a woman born in April 1953, as one of my good friends in my constituency was, will be able to get her pension at the age of 62 years 11 months. However, another friend who was born just a year later, in April 1954, will have to wait until she is 66 before she can draw her pension. It is completely understandable that people feel that the measures are unfair. We have heard that comment time and again this afternoon. They are certainly not fair to the 1,200 women in my constituency aged around 56 and 57 who are set to lose the most from these changes, and who will have very little time to prepare or to amend existing plans. Many of them have worked in a series of jobs, raised families and perhaps worked part-time over the years. It is difficult enough for those women on low pay to plan for their retirement without this additional burden being placed on them. I think the most significant part of the issue before us is allowing people time to plan adequately for retirement.

Age UK has highlighted a number of concerns, not simply about the plans, but about the fact that people are not necessarily aware of them. It estimated that about 32% of the women it polled said that, following the Government's proposals, they did not know when the state pension age would reach 65 for both women and men. Just one in 10 correctly said 2018. Almost half expected equalisation to happen before the planned date, while 9% thought it would be later than planned. As we can see, there is confusion.

In the last few months, despite the public outrage and a campaign supported by different charities and organisations, Members of all parties and affected individuals, it appears that, although Ministers might have begun to listen, they have certainly not come forward with any clear proposals on what they intend to do.

We all understand the simple truth that our society is ageing. The previous Labour Government recognised it and, as we have heard, established the independent Turner commission and built a consensus for change around a number of key areas: linking the basic state pension to earnings, raising the retirement age to 68 by 2046, starting the rise from 2024 and making private pensions opt out instead of opt in, with employers also making a contribution. After trying to build that kind of consensus, it is simply wrong to penalise women who have worked hard for their whole lives and now have no time to plan for their retirement.

As I have said, many women of this generation are already at a disadvantage when it comes to pensions. They have perhaps been denied access to private pension schemes and have had to take career breaks to bring up children. Raising the state pension age for women so rapidly could result in some women currently in their 50s having to work for two years more than they had previously thought. That might not seem a great deal if people are not at the stage of life when they are thinking about planning for retirement, but for people working in an arduous job with long hours or working very early in the morning, as many in the cleaning or hospitality sector have to do, or late at night, that means a lot. The women affected are being made to accommodate the

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changes within fewer than seven years and it will not be possible for them to make up the time and earnings that they would have wanted. They are at a significant disadvantage. We have also heard that the median pension saving for a 56-year-old woman is just £9,100—almost six times lower than that of a man, which stands at £52,800.

During our debate, we have also heard about the number of people eligible to be auto-enrolled in a pension scheme. I have concerns about that. I was a bit disappointed to hear some of the attacks on the shadow Secretary of State when he raised these issues. We all need to hear the Minister respond to the issues raised. I am concerned that limiting the coverage of the scheme could exclude women disproportionately. It has been estimated that 7 million people are not saving enough to ensure an adequate income for their retirement. We have heard genuine concern about that from Members of all parties. That is why there was cross-party consensus to introduce auto-enrolment.

Combined with a minimum employer contribution and the creation of a pension scheme that could be used by any employer, the principles behind the legislation could be expected to lead to a step change in the level of participation in pension saving. Concerns have been expressed today, however, that the Government are proceeding with the introduction of auto-enrolment in a way that will limit its scope, including raising the salary level at which someone is automatically enrolled from about £5,000 to about £7,500. The Government predict that up to 600,000 fewer people will be automatically enrolled in a pension scheme as a result—as I have said, disproportionately affecting women.

My concerns about that could be summed up briefly. I am worried that this will rise in line with the income tax threshold, and therefore looks set to increase to £10,000 over the next few years—excluding a considerable number of people who will be earning less. Compared to Labour's original plans, it will exclude in the region of 1.5 million to 2 million people, of whom 1 million to 1.5 million would be women. I hope that the Minister will respond to these points later. Having a three-month waiting period before auto-enrolment could mean 500,000 fewer people automatically enrolling in a pension scheme, which does not improve the position on encouraging people to save for the longer term.

As other Members have made clear, there are also concerns about people who work in call centres, and perhaps others in the retail and the hospitality sector, as they might work a relatively low number of hours at various points in their careers. Some people might have two or three different jobs to hold down, each of which might be under the threshold, but not when they are viewed cumulatively.

Sheila Gilmore: Has it occurred to my hon. Friend that there seems to be a mismatch here in respect of this Department's policies? Just last week and all through the Committee stage of the Welfare Reform Bill, we heard great things about the importance of mini-jobs and the people who undertake them. Such people sometimes have more than one mini-job. At the same time, however, that does not seem to have been read across into this Bill.

Cathy Jamieson: My hon. Friend makes exactly the point that I was about to make. There does indeed seem to be a mismatch. I have to say that I am not a great fan of the term "mini-job". Some people are getting up at 6 o'clock in the morning to work a shift as a cleaner, then have to take their kids to school and subsequently do perhaps four hours in a local retail establishment, after which they have to pick the kids up from school only to have to go out to another job in the evening. There is not much that is "mini" about that when all those jobs are put together. This is exactly the sort of issue that Ministers need to address if this Bill continues through its parliamentary stages.

I think the general public understand that as people live longer over the coming decades, the state pension age will need to rise to ensure that people who have longer retirements do not have them on much lower incomes leading to a lower quality of life.

I have heard many Members express concern this afternoon about the proposals in the Bill. We are being asked to vote on the Bill's principles, but I have heard many Members express real reservations about them. I believe that if we are not happy with the principles, it is our duty to represent our constituents by voting against the Bill. My constituents—not just those directly affected, but many others who also have concerns—are asking me to vote against it. If the Secretary of State had given us a firm commitment today that something would change and problems would be addressed, my constituents would have understood if I went back and told them about those assurances. In all honesty, I have to say that when I heard the Secretary of State outline right at the beginning of the debate that the Bill will go ahead as drafted, that was not the assurance I was seeking. That is not what my constituents want, so I will vote against the Bill tonight.

7.58 pm

Richard Drax (South Dorset) (Con): It is a pleasure to follow the hon. Member for Kilmarnock and Loudoun (Cathy Jamieson)—I hope I have pronounced that correctly—although I do not entirely agree with what she said.

I want to congratulate the Secretary of State and the Front-Bench team on this Bill. This is a time-bomb that has been waiting to go off for years. The Labour party looked at it, sniffed it and walked away because it stank. It does stink. It is going to require a huge effort by this Government, particularly from the Pensions Secretary, for whose diligence I have huge admiration.

It has been long apparent that something had to give. As has been mentioned many times in this debate, our longevity has increased nationally by an average of 10 years since the 1970s. Today's pensioner numbers have doubled since the 1950s and the increase is accelerating. The Office for Budget Responsibility has estimated that pensions will cost a stunning £32 billion by 2015—up by a third from today's figures in just four years.

The problem was not created by the coalition, and neither is it exclusively our responsibility. Having packed the public sector to the gunwales, the last Government were well aware of the oncoming crunch, and had legislated to raise the state pension age to 66. The old understanding that public sector employees could rely on secure jobs with more generous final salary pensions

as compensation for low pay is outmoded now. The pay gap has not only narrowed but reversed.

Figures from Policy Exchange for the past year show that the average public sector worker is now paid 35% an hour more than the average private sector worker, and Office for National Statistics figures tell us that in the year before that, the average public sector worker earned £2,000 more per annum than his or her private sector equivalent. Today private sector workers are worse paid, have less security of tenure, and have more fragile pensions than their public sector equivalents, but under the current arrangements they are expected to subsidise the more generous final salary pensions in the bloated public sector. They are understandably embittered, as, paradoxically, are the public sector workers, many of whose jobs were created by the last Government. They now feel threatened.

But deal with the pensions time bomb we must. The private sector has absorbed many shocks. So that we can survive the economic downturn, pensions, along with salaries and bonuses, have been hit hard. Final salary pensions are fast becoming a distant memory, even in larger firms, and new employer rules on automatic pensions enrolment which are due to come into force next year are likely to have further detrimental effects.

The public sector, however, needs a culture change. The current arrangements are simply unsustainable and unaffordable. The bottom line is that we all need to pay more into our pensions for longer, which means that the age at which we retire will be higher: it will be 66 by April 2020. The last Government legislated for that, but their legislation will be accelerated by this Bill. We will also need to supplement what we already pay with increased contributions.

We are told by Treasury Ministers that if we make these changes now, there is a chance of a decent and relatively generous pension for all entitled public sector workers. We are also assured that 750,000 of the lowest-paid public sector workers will not be asked to pay more, and that the extra contributions of another 500,000 will be capped. I am relieved to hear that the pensions of those who risk their lives serving their country—members of the police, fire service and military—will be protected.

Raising the state pension age to 66 and upwards will take years to implement, even on the revised timetable, and I am anxious to ensure that some worthy recipients do not slip through the net. Like others who have spoken today, I have received many letters and e-mails from people who are very concerned about the proposals. Mainly they are from women. The equalisation of the pension age, causing theirs to rise from 60 to 65, and the subsequent acceleration causing it to rise to 66 by 2020, appear to have left some unintended victims by the wayside. I ask the Secretary of State and the Treasury to think again about those cases.

In particular, women in their late 50s who were told to prepare for retirement at 65 have now seen the goalposts moved again. Overall, 5.5 million women now aged between 51 and 57 are affected to a greater or lesser degree, and 330,000 of them— those given less than two years' notice of the change—are particularly badly affected. There will not be enough time for the women caught up in the scheme to save enough to address their loss. Many are among the lower-paid, 40% have private pensions, and many part-timers were excluded from occupational pension schemes until the 1990s. Moreover, members of that age group are more likely to be economically inactive owing to caring responsibilities. Perhaps an interim measure can be introduced to ensure that they are paid what they have worked for, and that the longer gap before they reach the state pension age does not cause unnecessary hardship. After all, those women worked through the years of genuinely lower pay in the expectation of a comfortable retirement, only to see it evaporate.

What matters most in this debate is to find a way to make our pensions fairer, more affordable and as generous as possible, while taking into account the changes in life span and the sheer numbers involved. I know that that is the intention, but now, for all our sakes and those of our constituents, we must make it a reality.

8.5 pm

Debbie Abrahams (Oldham East and Saddleworth) (Lab): Like other Members, I am encouraged by the agreement across the Chamber, particularly on issues related to fairness that mostly affect women. We agree, for instance, that we are all living longer and therefore need to extend our working lives. Contrary to what the hon. Member for South Dorset (Richard Drax) said, the last Labour Government took that into account in the Pensions Act 2007, following the recommendations of the Turner commission.

My right hon. Friend the Member for Croydon North (Malcolm Wicks) made a relevant point about variations in life expectancy connected with socio-economic inequalities, and about the time for which people in a healthy condition can expect to live. I agree that more research should be done on that.

Harriett Baldwin: The hon. Lady mentioned the steps that the last Government took to deal with increasing longevity. Does she agree that the figures produced by the original Turner commission suggest that things are moving much faster than was anticipated even in 2004, and that since then longevity has increased by at least a year?

Debbie Abrahams: I think that the hon. Lady is referring to the average. It is important for us to consider not just the average, but how the figure is spread across different socio-economic groups. It does not explain or excuse the Government's failure to protect the women who are being detrimentally affected by the acceleration of the equalisation of the pension age.

As many people have pointed out, this is about fairness. We must focus on what is right, and the Bill fails the fairness test. Many figures have been cited in relation to what the Bill means nationally. Half a million women will have to wait more than a year longer to receive their state pensions, 300,000 will have to wait an additional 18 months, and an unfortunate 33,000 will have to wait a further two years. Moreover, the Government will increase the state pension age for both men and women to 66 in 2018.

I asked the House of Commons Library to conduct an analysis of the impact in my constituency. I discovered that 4,300 women and 3,800 men would be affected, and that approximately 200 women would experience a notional loss of income from their state pensions of up to £10,700. I have been contacted by dozens of women

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in my constituency who have been working since the age of 14 or 15, including one called Linda Murray. She gave me permission to use her name. She was born in 1954, and left school at 16 to start work. She wrote:

"I have never had a job that provided a pension or had the means to provide one for myself. I have worked full-time apart from a few years when I worked part-time while helping to look after my mother who needed 24-hour care. For most of my working life I expected to receive my pension at the age of 60. However when the age started to rise I accepted this, as did everyone else. My retirement date was set at 64. I now work 47 hours a week in a dry cleaners and it is hard manual work. Due to my personal circumstances, full retirement is not an option for me, at least for a few years, but I was planning to greatly reduce my hours. I know that I won't be able to continue working as I am now until I'm 66."

Many Members have mentioned that that is hard to do because of the physical wearing out of the body.

Linda continues:

"But my take-home pay is £267 a week—how am I going to be able to save enough from this to be able to work part-time when I'm 64?...This proposal is ill thought-out and cruel. It's unfair to move the goalposts for a second time. Women of my age have worked hard and honestly and don't deserve to be discriminated against in this way. We accept the need to equalise the retirement ages but it should be done in a fair way. I feel that this Act will create an underclass of women unable to continue in their present employment, unable to find another job and denied the pension to which they are entitled. In an interview in *The Daily Telegraph*...David Cameron said that a sudden rise in women's retirement age was out of the question."

So that is another broken promise. There are hundreds of women with similar stories, and there is considerable cross-party agreement that we need to do something about this. I therefore hope that Ministers are listening.

Another fairness issue is the switch from the retail prices index to the consumer prices index. The Department for Work and Pensions impact assessment produced figures that again suggest that the burden will shift from the Government and employers to the individual. Some £500 million will be taken from the Pension Protection Fund.

My final point is about the increase in income thresholds for automatic enrolment into occupational pensions and the delay in that regard. The former Labour Government introduced that measure in the Pensions Act 2008, but the current Government are restricting access to it by both increasing the threshold from £5,000 to almost £7,500 and introducing a three-month waiting period. Again, women and people in low-income jobs will be particularly affected. Indeed, the impact assessment suggests that those who will be most detrimentally affected will be women, people on low incomes, ethnic minority groups and people with disabilities.

We must not allow our pension system to be reformed in a way that pushes pensioners deeper into poverty. Labour did a lot to reduce inequalities—although I would have liked us to have done a lot more—but these reforms will make them worse.

8.13 pm

Nick Boles (Grantham and Stamford) (Con): First, I should tell Members that I am absolutely not a pensions expert; I have never spoken on the subject before in my life. I have therefore found this debate particularly enlightening, and I want to single out the speech of the right hon. Member for Croydon North (Malcolm Wicks) as it was extraordinarily illuminating and provoking. I hope Ministers will look at the issue he raised for the long term—after this Bill has been passed and changes have been made—and address the disparity between people who start work in their teens and those of us who are lucky enough to start work in our early to mid-20s.

I want to focus not so much on the detail of pensions, but rather on the context in which the Government are taking this Bill and its measures through Parliament. It is important to address that context because it explains so many of the difficult, controversial and even painful decisions the Government are making. It also informs and defines the approach taken by Her Majesty's Opposition, which can be summarised by the refrain we have heard so eloquently and passionately from so many Opposition Members' mouths tonight: it just is not fair.

Let us first consider the context from the Government's point of view. Our strategy is simple. It is based on our reluctantly coming to the understanding that everyone in this country will suffer more—will suffer most, indeed—if the Government do not quickly deal with our unsustainable public finances. I use the term "unsustainable public finances" rather than "deficit" because it is important to understand that this is not just about dealing with the current deficit; it is also about putting in place a long-term platform of sustainable public finances. It is not about what we need to do between now and 2015; rather, it is about what we need to put in place for our country for the next two, three and four decades. The insight that everything must serve this overall objective of putting our public finances on a sustainable footing—

Nicky Morgan (Loughborough) (Con): Will my hon. Friend give way?

Nick Boles: Yes, I am happy to give way to my hon. Friend—even in mid-sentence.

Nicky Morgan: I thank my hon. Friend for giving way. He might address my point later in his speech, but does he agree that this issue is about not just public sector finances but a pension system that all our constituents can understand? Pensions is a very complex subject, as the Secretary of State said in opening, and many people do not understand the current system. Constituents who are in great need approach us when they finally receive their pension calculations and realise they might not have enough for the retirement they had planned.

Nick Boles: I entirely agree. Indeed, clarity, simplicity and dependability are what we seek to achieve in all areas of public policy, and when we do not have that we end up with the public finances we inherited from the last Government.

We should not be shy about admitting that the state of the public finances is leading us to make a whole series of decisions that unquestionably have rough edges. Nobody on the Government Benches wants to withdraw child benefit from people paying the higher rate of income tax. Nobody on the Government Benches wants to withdraw education maintenance allowance from people hoping to stay on in education after the age of

16. Nobody on the Government Benches wants to charge students of the future the full cost—up to £9,000 per annum—of studying at university. Nobody on the Government Benches wants to put up VAT, which is paid by everybody in this country regardless of their income. We do not want to do any of those things, and not a single one of those decisions has no rough edges, not a single one of those decisions has no victims and not a single one of those decisions treats everybody in the country equally.

We have never claimed that these decisions have no rough edges—that they do not have victims, and that they treat everyone equally—but we have claimed, and do claim, that each of the decisions is an essential part of the overall objective of putting our public finances on a sustainable basis. If these decisions are not made and implemented in full, all the people affected by them—the very same young people who will not be getting EMA, the very same students who will be paying tuition fees, the very same pensioners who will be receiving their pensions a bit later—will suffer far more.

The Opposition's stance is very revealing. They could have decided to restrict their opposition over the past year and during the rest of this Parliament to those matters on which they have a profound ideological dispute with the Government. They could have decided to oppose the benefits cap, whereby in future nobody will get more than average income from benefits and which will make it clear to people that the only way to earn more than the average is to work for a living. They could have decided to oppose the universal credit, which demonstrates our view that we have to remove excessive means-testing from the benefits system in order to make work pay. They could have decided to oppose immigration controls, which illustrate our view that we need to restrict the entry of people into this country, so that it is British people who can go out and get the jobs that our recovery creates.

The Opposition could have decided to focus on and restrict their opposition to those matters, about which they have genuine ideological differences of opinion with us that I entirely respect. However, instead, they are choosing to oppose all the measures we are introducing—even those that are driven not by an ideological programme or by an attempt to reshape the way this country operates, but by a wish to rescue this country from a road to ruin.

Jacob Rees-Mogg (North East Somerset) (Con): May I declare an interest as a trustee of the Conservative agents' pension fund, and my other registered interests? Does my hon. Friend agree that Labour Members are opposing this because they are deeply embarrassed that they failed to increase the retirement age when they were in government? A much preferable approach is that followed by my right hon. Friend the Member for Hitchin and Harpenden (Mr Lilley), who gave very long notice of these programmes and really did fix the roof when the sun was shining.

Nick Boles: I thank my hon. Friend for his intervention and he is absolutely right: the contrast is stark and is not flattering to the Opposition. Indeed, I would go so far as to claim that the curious thing about the Labour Government is that they demonstrated the quality we would normally associate with Oppositions: total opportunism—the total failure to grapple with any difficult long-term issues, and instead doing just the easy things that win votes at the next election.

Debbie Abrahams: I refer the hon. Gentleman to the Pensions Acts 2007 and 2008.

Nick Boles: I thank the hon. Lady—and remind her that her Government had been in power for 10 and a half years by the time they introduced those Acts, even though it was clear long before they took office that such problems existed. However, I do not want to be too ungracious and I do accept that some things were done—but not enough and too late.

So why are the Opposition taking this approach of opposing everything under the general charge that it just is not fair? Is it really fair to tell people that a budget deficit on the scale that we face can be dealt with without pain; without some people being asked to sacrifice things that are important to them; and without everyone in the country experiencing a real material loss? Is it fair to tell young people that, actually, there is no reason to pull back on EMA; that there is no reason to restrict their income when they stay on in education; that there is no reason to change the basis of funding for universities?

Alex Cunningham (Stockton North) (Lab): You have gone on a lot about ideological things, but is it ideologically bonkers to fight for a fair deal for women who have made the sacrifices that you are talking about? They have sacrificed for their country, for their families—

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. Unfortunately, I am not responsible, so it is not "you". I am sure the hon. Gentleman did not mean that.

Alex Cunningham: I beg your pardon, Mr Deputy Speaker. Is it "ideological" for us to stick up for women who have had a raw deal through life looking after their families and doing a low-paid job, but who now find out they have to work even longer for a pittance of a pension?

Nick Boles: I thank the hon. Gentleman, but I fear he misunderstands me: I am not accusing him and his colleagues of being ideological, and that, in a sense, is my point. Actually, the Opposition are perpetrating a grand deceit on the British people, which is that there is anything fair about protecting all these things that we can no longer afford; that there is anything fair about arguing to the British people that we—

Dr Whiteford: Will the hon. Gentleman give way?

Nick Boles: No, I will not give way for the moment; I am in the middle of replying to the previous intervention. The Opposition are perpetrating the grand deceit that there is anything fair about pretending to the British people that this country is not poorer than it was; that it is not permanently poorer than we thought we would be in each of the next 20 years.

The point about what happened in the past three years is that the economy suffered a permanent drop. We can grow again from that drop—we can again achieve higher living standards—but we will never have back the growth that we lost in the past 10 years, and it is not fair to anyone to argue that this or any Government—

[Nick Boles]

can proceed as if no sacrifices need to be made, no losses need to be felt and there can be an entirely victimless process of recovering from the terrible economic situation that the Government of the hon. Member for Stockton North (Alex Cunningham) helped to create.

Sheila Gilmore: Is the hon. Gentleman not perpetrating the debating technique of erecting a straw man in order to knock him down? Perhaps he would like to consider the terms of the Bill that we are discussing.

Nick Boles: I thank the hon. Lady, but I fear that this man is a lot more substantial than just straw—even if the Leader of the Opposition sometimes appears to be exactly the straw man she refers to. The entire membership of the Labour party is signed up to the deceitful argument that we can correct this budget deficit, restore sustainability to our public finances and rescue this country from decline without taking painful decisions that cause people loss. That very same argument has been made in every single one of these debates—in the debates about education maintenance allowance, about tuition fees and about all the other benefit changes. We are hearing that argument here again tonight. This is not really an argument about pensions, but one about the future of this country, and the argument used by the Opposition is always exactly the same.

Dr Whiteford: The hon. Gentleman has been using a lot of rhetorical questions in this debate. For me, the key question, if we accept the premise of his argument, is: why should women born in 1953 and 1954 take a disproportionate amount of the pain and take all that pressure for everyone else?

Nick Boles: The hon. Lady is eloquent, as so many people have been, on behalf of a particular group, and I would accept and understand that were they not equally eloquent on behalf of every single other group that is being affected by the process of getting our public finances on to a stable footing. I would have some respect if an Opposition Member said to me, "I voted for EMA, I voted for tuition fees and I am voting for the benefits cap, but this one I cannot bear because it is egregious, outrageous and singles out this group in a way that no other group is being treated." But we do not hear that. All we hear is the same cry—"It isn't fair"—applied every day, every week, to a different group of people. Opposition Members need to understand that it is not fair to pretend to people that we can do this without pain or loss. It is not fair to perpetrate on the British people the deceit that we can somehow grow our way out of this deficit without cutting off some things that everybody appreciates.

Mr Watts: I thank the hon. Gentleman for giving way. No one is saying that. People are saying that the reductions in public expenditure can be done slower to cause less pain. No one denies that the deficit has to be dealt with; the issue is how we go about doing that. It is about the difference between tax increases and cuts in public expenditure. Perhaps he will address those issues.

Nick Boles: The hon. Gentleman would have more credibility if we had heard, at any point in the past 13 months, a single specific proposal for a painful cut with unpopular consequences for a defined group of constituents who would write to all of us, but we have heard none, although we might be about to hear from the hon. Member for Leeds West (Rachel Reeves), who gesticulates at me.

Rachel Reeves: I do not know whether the hon. Gentleman was here for the speech of my right hon. Friend the Member for Birmingham, Hodge Hill (Mr Byrne), in which my right hon. Friend set out Labour's proposals to increase the state pension age at a faster rate than in the previous Parliament while still giving people 10 years' notice. Our proposal would mean that no one would have to wait for more than a year and would not disproportionately affect women of 56 or 57. So although the hon. Gentleman is making a very nice speech, it is not based on facts.

Nick Boles: The hon. Lady's intervention betrays exactly what got her Government—or the Government whom she supported, because she was not in Parliament when they were in government—into such trouble. The only nettles that Labour is willing to grasp are those that will grow in 10 years' time. There are no nettles now being grasped and there are no decisions that Labour, were they in government, might have to explain to the British people—there are only bills being deferred for later generations. I am afraid that the hon. Lady has revealed the shallowness and hollowness of Labour's position by bringing forward one cut—one deprivation—that would come in only 10, 20 or 30 years' hence, when all of us will be pushing up daisies or collecting a somewhat deferred pension.

Let me round up by saying that I hope that people, including even some of the women who will be affected so directly by some of the proposals in the Bill, will have respect for hon. Members on the Government Benches because when we reply to letters from constituents complaining about the unfairness of any of the Government's individual proposals we are not going to take out the flannel and the soft soap—the first implements that Opposition Members reach for—but are going to explain the situation that the country faces. We are going to explain that, as before in our history, sacrifices are going to have to be made and everybody is going to suffer. Everybody will suffer some loss, but in doing so we will create a country and a public finance platform from which this country can grow again, from which we can make investments again and from which we can help those who need our help most. It is only with that honesty and that ability to admit the difficulty of our circumstances that we will earn the respect of the British people.

8.32 pm

Mr William Bain (Glasgow North East) (Lab): I would like to say that it is a pleasure to follow the hon. Member for Grantham and Stamford (Nick Boles), but that might be pushing it somewhat. He made a characteristically rumbustious and entertaining contribution and I would like to respond directly to some of the issues he raised. He spoke about rough edges, but the view that we have heard from Opposition Members and even from some Members on the Government Benches is not of rough edges but of rough justice for women aged 56 and 57. He spoke about the road to ruin, but we

see other countries engaged on a different path, as President Obama said when he spoke to us in Westminster Hall. Those countries are engaged in growing their economies more. The hon. Gentleman spoke about fairness, but may I say to him that fairness and restoring trust in politics are not about making a commitment in a coalition agreement 13 months ago and cynically breaking it in the way that this Bill will if it receives a Second Reading tonight.

Reform of the pensions system is best conducted with the agreement of as many shades of political and other opinion as possible. It is far too important for short-termism, and the principles and as much of the detail as possible should be above partisan politics. That is why there are some aspects of the Bill that Opposition Members could support, but the glaring unfairness at the heart of the Bill in its treatment of half a million women in the acceleration and equalisation of the state pension age in 2018 means that I will be opposing it tonight.

Rising life expectancy and other demographic changes mean that there is agreement across the House that the state pension age should change to reflect the longer period of retirement that people in younger age groups are likely to enjoy. There are currently 10.5 million people aged 65 and over, compared with just 5.5 million in the same age group in 1951. It was the previous Government who established the Turner commission to examine in detail on a non-partisan basis the necessary changes in the state pension age in a way that was fair to future taxpayers, just for people approaching retirement, and long term in its scope, to allow people to save for their retirement in the full knowledge and with sufficient notice of changes in the state pension age.

The Bill, particularly in part 1, breaks those three basic principles by adjusting the settlement in a way that hurts 500,000 women across the country who were born between December 1953 and October 1954, including 900 in my constituency. It fails in the aim of delivering an improved basic state pension. It also breaches the terms of the coalition agreement, which ruled out any equalisation of the state pension for women before 2020.

Nicky Morgan: On that point—I speak as a former lawyer—my understanding of the explanation given earlier this afternoon was that there was a legal reason that the coalition agreement could not be fulfilled as it was drafted. Is the hon. Gentleman honestly saying that his Government would have proceeded with something that is deemed to be illegal, however desirable?

Mr Bain: I am grateful for that intervention. The way to get round all the problems, legal or otherwise, is to follow the excellent suggestion that my hon. Friend the Member for Leeds West (Rachel Reeves) has already made in the debate and will restate in her winding-up speech: prevent this unfair change from going ahead and instead look at some of the accelerations in pension age that can be made, particularly in respect of people retiring at 66 or 67, which can also save money for the Exchequer.

The Minister and the Secretary of State did not spell out to the House what the legal problems were. Some Members have speculated that they relate to matters of European law. I hope that when the Pensions Minister winds up the debate, he can outline the legal issues. They certainly were not outlined to the country when the coalition agreement was signed, or during the press conference—the love-in—in the rose garden thereafter.

The Bill also fails the test of fairness, because it places too great a burden for savings on one group of the population when the Government should be looking elsewhere, such as at equalising state pension eligibility at 67. As my hon. Friend the Member for Kilmarnock and Loudoun (Cathy Jamieson) pointed out, even before these deeply unjust proposals were announced by the Government, women had been disadvantaged in pension provision for some time. As she said, median pension saving of a 56-year-old woman is just £9,100, almost six times lower than that of a man which, on average, is £52,800. Research by Prudential establishes that the average woman retiring this year can expect an annual income in retirement of £12,900 per annum, compared with an expected income of £19,400 for the average retiring male. Further, the same study found that 28% of women planning to retire this year have no savings in private or company pension schemes, compared with just 10% of men.

The previous Government's strategy of seeking to link the basic state pension to earnings and making private pensions opt out instead of opt in sought to redress the balance and would have been implemented if we were in government. More safeguards should have been established through the Bill, rather than entrenching inequity, as it appears to do. Following the Bill, women affected will have less than seven years to react to the changes, and may be less likely to be in a pension scheme at all, with less disposable income to supplement savings for retirement, and with greater care responsibilities. Women are also much more likely to wind down in later years of employment, be that to care for elderly relatives or for young grandchildren. Furthermore, it will be more difficult for women to move from part-time to full-time work, or indeed back into employment of any form, given current economic conditions. The Office for Budget Responsibility's projection of 310,000 public sector job losses in the coming years will disproportionately impact women, who make up 65% of that work force.

The Prime Minister said on Radio 2 today that retirement should be

"a process rather than a cliff edge"

and that

"many people, when they get to retirement, would like to go on doing some work or part-time work".

The reality is that the cliff edge imposed by the Bill is an unfair burden on 56 and 57-year-old women who have done the right thing and saved for retirement but are now being grievously abandoned by the Government.

Recent decades have seen a change in employment patterns among women. The dated notion that a woman's role is to stay at home and look after the children has been well and truly dispelled, but for women in their late 50s who are due to be affected by the proposals, such changes in social attitudes may not have been reflected in the earlier parts of their working lives. The Government's reckless haste in changing the state pension age for those women makes adapting to that change even more difficult.

As Carers UK indicated last month, these changes will have a disproportionate impact on other social groups. About 58% of carers—3.4 million people—are

[Mr Bain]

women, as are one in five carers aged between 54 and 60. Of the estimated 662,000 carers who combine part-time work with caring, 89% are female. For carers, there is little opportunity to make contributions to a private pension plan or savings, even if they are in part-time employment. For women who are carers, provisions in the Bill collude to put them at even greater disadvantage.

In responding to the comprehensive spending review last October, Joanne Segars, chief executive of the National Association of Pension Funds, noted that any changes must include an improved and secure basic state pension. Savings from the Bill's proposals on the state pension age will not even exceed £1 billion until 2018-19, which is well outwith the range of the Government's fiscal consolidation plan. The Bill does not spell out how they plan to increase the basic state pension for all. Again, there is little in the way of incentive and assistance for people who will now have to work longer. As the Equality and Human Rights Commission notes:

"Rather than focusing on increasing men's State Pension Age and perpetuating the gap between men and women, Government should focus on how to help women and men extend their working lives, if they wish to do so, and thus reduce the disadvantage that women face in the workplace by shortened working lives."

Women will also be penalised by the design of the Bill's provisions on auto-enrolment in pension schemes, which will reduce the number of people enrolled by almost 600,000.

This is a Bill of broken promises from a deeply dysfunctional Government. It changes the terms of the social contract between women, low-paid workers and the state, with insufficient notice and scant regard to the effects on rising inequality. They are unjust proposals that bear the imprint of the Chancellor, despite having nothing to contribute to his deficit reduction plan during this Parliament. They put the burden of further departmental savings on the shoulders of too few people, and those people have worked and saved for the pension contributions they have accrued. That is why the Bill deserves to be opposed in the Lobby tonight.

8.43 pm

Mike Crockart (Edinburgh West) (LD): I draw the House's attention to my entry in the Register of Members' Financial Interests, which details my paid employment in the pensions industry prior to my election last year.

I must admit to being a little confused by today's debate. As a new Member, I had been under the impression that Second Reading was an opportunity for debate on the general principles of a Bill. I am also somewhat confused by the Labour party's position. On the basis that some of the detail in the Bill is not yet right, it is prepared to throw the entire subject out and delay the reform that is necessary to move this country to a sustainable pensions system. It is worth spending some time looking at those general principles.

As has been noted, the present state pension age of 65 for men was set by the Widows', Orphans' and Old Age Contributory Pensions Act 1925, which was passed 86 years ago. That brought the pension age down from 70, which had been set in the excellent Old Age Pensions Act 1908. At that point, barely 40% of men lived long enough to claim it. The women's pension age of 60 was set 71 years ago by the Old Age and Widows' Pensions Act 1940, so change has not exactly been rushed into. As the hon. Member for Salisbury (John Glen) said earlier, this country's demographics have meant that for decades we have faced a ticking pensions time bomb, but we have unfortunately been very slow to deal with it. We may well have started to do so in the past 10 years, but countries such as Sweden grasped the problem 20 years ago and introduced auto-enrolment back then.

Life expectancy is far from static, having gone up for those aged 65 by five years between 1920 and 1990 and, crucially, by a further five years between 1990 and now. Men can now expect to live until 77 and a half years old and women for four years longer than that, but not only are we paying state pensions longer; we can expect to pay them to far more people. As the baby-boomer generation of 1946-47 reaches retirement in 2012, 800,000 people will celebrate their 65th birthday—150,000 more than did so this year. It is now abundantly clear that our current state pensions system and its funding are entirely unsuitable and unsustainable. That is why I welcome the general thrust of this Bill and, indeed, much of its detail, but as we go forward it is clear that we have to sort out four elements to ensure a sustainable system.

First, we must be certain of what the state will provide. I welcome the current consultation, looking at the possibility of a single-tier universal pension, because, although it is not in the Bill, it is clearly part of the solution to the puzzle. With certainty about what they can expect from the Government, people will be able to decide whether the basic provision on offer is sufficient, although it is more likely to make it easier for them to decide to top up what is on offer.

Secondly, we must establish a level of state pension provision that is sustainable in the longer term and is regularly reviewed to ensure that it matches life expectancy. We simply cannot afford to find ourselves in this position again, having ignored the warning signs that our state pension offering has become unaffordable.

The current acceleration timetable for the state pension age will unfortunately, I fear, almost certainly fail to deal with the funding gap that I have outlined, but that does not mean that I support the Government's current proposals, as it is quite clear that they will badly affect many women. It is simply wrong that those women, who are fast approaching their expected retirement age, will now be given as little as six years' notice in order to plan how to cope with a delayed state pension. Some are already unemployed, caring for older relatives or working substantially reduced hours due to ill health.

The proposal hits especially hard those women who had already been told that their planned retirement would be delayed by four years. They are now being hit with a second delay. It will cause many to suffer unexpected financial pressures with insufficient notice, and it seems inequitable given the different outcomes for them and women of similar ages. An age difference of days could result in a pension two years later.

Unlike the hon. Member for Kilmarnock and Loudoun (Cathy Jamieson), however, I believe that there are signs that the Government may be prepared to move on the issue, and I urge them strongly to do so. The current acceleration timetable will not deliver sufficient progress, but, as Members have already said, a fairer way might be to accelerate the progression of the pension age to

67 and/or 68 years old and, by doing so, at least to give people 10 or more years in which to plan how they deal with it. That idea could find a great deal of support, given that Saga and Age UK have already proposed it, but I suspect that my support may well ensure that I am not a member of the Public Bill Committee.

On the third part of the pensions puzzle, we must make it as simple as possible for people to contribute to their own pensions provision and to take ownership of funding their own retirement. As we have heard, 7 million of us are not saving enough for our own retirement and 44% of working-age employees are not contributing at all towards a private pension.

That brings me to the fourth element of the solution—employers' contributions. It is clear that to fill a funding gap of the size we are facing, we must strike a balance of responsibility between the state, the individual and employers. Mandatory auto-enrolment, as confirmed in the Bill, exemplifies that balance. The changes in the Bill will, I hope, do exactly what they aim to do in making automatic enrolment work, in the words of the title of the independent review. I hope that the provisions to raise the earnings threshold for auto-enrolment, to introduce the optional waiting period and to simplify the system of self-certification will increase employee and employer buy-in of the system.

Although raising the earnings threshold would certainly ease the financial difficulties of the lowest paid, it would effectively lock out of auto-enrolment those most in need of extra pension provision. Will the Minister reconsider that to see whether auto-enrolment could continue, merely delaying employment contributions until an earnings threshold is reached? Many examples of such graduated schemes already exist in the private sector. It is well known that even £1 invested earlier on for 40 years is likely to yield far greater returns than any amount invested 10 years later, once income has risen sufficiently to cross that threshold.

I agree with my hon. Friend the Member for Ipswich (Ben Gummer) that the proposals in the Bill are insufficient to deal with this immense problem. The auto-enrolment contribution level of 8% that is floated in the Bill is a start, especially from the low—indeed, at times non-existent—base that we have at present, but in many other countries the level is double that; in Sweden, for example, it stands at 18.5%. The proposed level is a good start, but only that.

More than five years ago, the Pensions Commission stated that

> "there is...general acceptance that future policy needs to be based both on significant reforms to the state system and on a new approach to private pension saving which goes beyond a wholly voluntary approach."

Having expressed my one concern about the Bill, I believe that it finally makes radical steps towards advancing that consensus, and I hope that the whole House will unite in supporting it.

8.52 pm

Alex Cunningham (Stockton North) (Lab): I am very keen to speak about this issue because it has resulted in my heaviest postbag for some time, with most of the correspondence coming from women. Some time ago, I was declared an honorary woman, which I took as a great compliment. I was in a discussion with half a dozen women who were talking about things of a feminine nature. One woman looked at another and said, "There's a man here", only to be told, "No, it's okay—Alex is an honorary woman."

I am very pleased that I am not a woman, because at my age I would be one of those losing out under the formula that the Government have put together. Only this afternoon, I received a phone call from one of my constituents, Fiona, who is a 56-year-old nurse. I wish that the Minister could have heard her voice and learned a little about the anguish and despair that was in it. She told me that she started work at the age of 17 and has worked in the health service for several decades, and that she now feels that the Government are slapping her in the face. She said that she had been aware for some time that her pension age would be going up from 60 to 65, and that she understood that and did not mind—she even thought it was fair—but that raising the age even further to 66 was going too far, too fast, and with very limited warning. In her own words—we have heard this cliché all day—"They keep moving the goalposts."

Fiona pointed out that older nurses and other health professionals, particularly those in their sixties, would struggle to lift and assist the most frail and elderly patients. Similar issues exist for manual workers, many of them women, who simply cannot do the job that they were originally employed to do. Surely we should value people such as Fiona, not force them to replan their future with such limited notice. It was on behalf of Fiona and many other women in my constituency that I wanted to speak.

It is great that most people are living longer—of course, many others are not—but it brings challenges. It is important that as politicians we confront the difficult issues raised by the ageing population, not just for pensions, but in health care, the quality of life we provide for older people and how society treats the retired population. Those are all important issues.

My hon. Friend the Member for Sunderland Central (Julie Elliott) and my right hon. Friend the Member for Croydon North (Malcolm Wicks) outlined inequality in a different way today, with regard to manual workers who will be lucky to reach retirement age and even luckier if they get to 70, let alone the grand old age of 100 that some Government Members think they and their relatives will reach. Those manual workers are the people who have created wealth in our country, and yet they have never had the advantages of that wealth and they get very limited benefit from their pensions.

Mr Watts: Does my hon. Friend agree that it is also unfair that many of the women we are talking about started work at the age of 15 and so will have worked for 10 years longer than many other people by the time they retire?

Alex Cunningham: Indeed, that is the case. Some of the women in these difficult jobs may not have their health in later years, so they will lose in all ways.

All too often, the elderly are ignored and not treated with the respect that they deserve. The Government should play a big role in ensuring that society takes care of people when they have retired and are not as independent as they once were. Family, friends and community all play a big role, but the Government can and should lead by example. Pensions, among other things, are a big part of that.

[Alex Cunningham]

I am proud of Labour's record in this field. We lifted a million pensioners out of poverty, and free bus passes, free TV licences and the winter fuel allowance all play their part in helping pensioners. In common with other hon. Members, I want to home in on two things.

Stephen Pound (Ealing North) (Lab): I apologise for interrupting my hon. Friend's fluent and fluid flow. Does he agree that it is insane, barking and bonkers to the ultimate degree to expect someone who has worked in a hard, physical job for most of their life to have the same longevity as someone who has luxuriated in the soporific circumstances of a stockbrokers' office? What will happen is that people will be signed off sick. It will cost the Government more money and treat women appallingly in the process. Does he agree?

Alex Cunningham: Could I disagree? I most certainly could not. People in my constituency used to build ships and it has one of the biggest chemical industries in the country. It has people who have worked in difficult circumstances in hard jobs. My hon. Friend is correct that such people cannot expect a longer life, so I think we should make it a little easier for them.

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): My hon. Friend is making a fantastic speech and it is great to listen to him. Does he agree that the issue is not just health and longevity, but that even people who are in very good health and will live longer simply cannot rearrange their economic affairs in the time that they have—six years' notice of two additional years in the case of some of our constituents—to cover the loss of pensionable income that they will sustain when this Bill goes through?

Alex Cunningham: That is very much the case. I suppose that there will be an additional few years of misery for some people because they will not have the income to enjoy the things that they see other people enjoying. It is therefore even more important that we raise these issues today.

It is the significant effect on women that worries me. The Bill makes it more likely that those on low incomes will not pay into a pension. Many women have contacted me, incensed that they are losing out thanks to the Government's changes. It is completely unfair. The Government Members who have talked about fairness need to think about women a little more. A total of 177 MPs signed early-day motion 1402 on the state pension age for women. It is time that the Government backed down on this issue. All afternoon and evening, Government Members have teased us by saying that the Government will change their mind. When the Secretary of State was here, he was shaking his head, but I have seen no such indication from the Minister as the teasing has continued.

Age UK's report "Not Enough Time" makes it clear that women are unhappy with the plans, and it is worth repeating some of the statistics that it gives. The 330,000 women born in Britain between December 1953 and October 1954 will have to wait 18 months or two years for their state pension, and 33,000 will see their state pension age increase by two years at a loss of £10,000.

I suppose I should declare an interest, because just as I would be caught out if I were a woman, my wife Evaline is one of the women affected. Like others, she has fewer than seven years to plan for the changes. People need sufficient time to plan for the increase in the state pension age, and the changes are happening too fast and causing a lot of worry and anger. It will be the poorest women who suffer the most as a result, those who do not have savings to fall back on and are in low-paid jobs.

Raising the state pension age is necessary, however, to reflect the fact that some people are living longer. We all recognise that, and we need cross-party consensus on it, but we simply cannot afford this unfair treatment of women. It is always worth repeating that the coalition agreement promised that the women's state pension age would not be raised to 66 before 2020. I do not care about the legal arguments and so on—if the Government are going to do that, they need to explain why. The Bill proposes equalisation of the age by 2018, and then increases to 66 for both men and women by 2020. Moving the goalposts—that cliché again—so late in the day has implications for public trust in the pensions system at a time when it is vital that we encourage more people to save for their retirement.

It is estimated that 7 million people are not saving enough for their retirement, but the Bill would raise the salary level at which someone is automatically enrolled in a pension scheme from about £5,000 to £7,500. That means that 600,000 fewer people will be automatically enrolled in a pension scheme, and again, women will be disproportionately affected. What long-term provision is there in the Bill for that group?

As I said at the start of my speech, I am glad that we are debating these issues today, but I believe that the Government have got the key elements of the Bill wrong. I cannot endorse the way in which a small but significant group of women, including my wife, are being hit by the accelerated pension age rise, nor can I support the changes to auto-enrolment given the problems that I have described. That is why I, too, will vote against the Bill today.

9.2 pm

Sheila Gilmore (Edinburgh East) (Lab): We often hear in pensions debates about the UK having very poor pension provision, but I suggest that one reason for that is that there has been a lack of consensus and consistency over the years. We have heard a great deal about the failure to tackle problems, but I would like to take Members back to the state earnings-related pension scheme, introduced by Barbara Castle in 1978. It meant that everyone who was paying national insurance contributions and was not already in an occupational pension scheme would be in a compulsory earnings-related scheme. The pension reached maturity in 20 years, so it was particularly attractive to women and to anyone with an interrupted career pattern. The problem was known about as long ago as then, so people who think that they have discovered it recently are wrong.

By the late 1990s there should have been many more people benefiting from that pension provision. To my mind it was one of the best things done by the Callaghan Government. They have been much maligned, but not only did they introduce that pension provision, but

income inequality was at its lowest in the whole post-war period during their years. Government Members who say that they are keen to reduce income inequalities might do well to take a history lesson from that Government.

What happened to SERPS? It was torn up by the Thatcher Government in the name of giving people choice. I appreciate that it is argued that SERPS would have proved increasingly expensive and that we would have had to amend it, but how much better to be in a position to amend something than to have to start again from scratch. That is what happened at the end of the previous Conservative Government's time in office.

When the Thatcher Government decided to tear up SERPS, the possibility of its proving too expensive was not given as a reason. They advanced the ideological reason of giving people the choice to opt out of state provision and take up some form of personal pension. Anyone who took up one of those personal pensions knows that the level of provision was extremely poor. We have heard a great deal about the mis-selling of pensions, but even if they were not mis-sold, the quality of those personal pensions was not good. I speak as someone who knows, not because I chose to opt out but because, as a partner in a legal firm, I was treated as self-employed and therefore could no longer be part of SERPS—I wish I could have been. Consequently, I took out a couple of personal pensions, and I can tell hon. Members that the provision is poor—almost to the point where I might as well have put the money under the bed. Certainly, I might as well have put it into a savings account.

Giving people that freedom of choice had other disadvantages. I well remember that my secretary at the time the change was made was of an age when she could opt out, and she did. I know that she did not opt into a personal pension scheme. Her rationale was, "I don't have a very high income. I've got two children in the early teenage years, who are becoming increasingly expensive. Extra money in my pocket now is valuable to me." I can understand her making that choice, but I am sure that, 20 years on, she now regrets it. I am therefore extremely supportive of enabling people to be included in pension schemes. It may be directive, bossy and even what the previous Conservative Government called the nanny state, but it ensures that people make provision for their retirement.

I am particularly disappointed that the Government have decided to change the income level at which auto-enrolment comes into force. They have increased it from the amount that was agreed through consensus to the level at which people begin to pay income tax. Ministers seemed to say during the debate that it is not inevitable that the level will continue to rise in line with whatever happens to income tax and income tax allowances. However, if that is the case, why tie it to income tax in the first place? It creates a suspicion that that will continue to happen. If that is not the case, we need to be clear about it.

We have heard a great deal in the debate about the long term. I started by talking about consensus and what went wrong when it was previously torn up. It is regrettable that the Bill risks tearing up another consensus—on the previous Government's work on the back of the Turner report and the pensions legislation that was then introduced—by including an extremely contentious provision, which did not need to be in the measure were it not for a desire to make savings as part of the comprehensive spending review. Government Members have asked us not to oppose Second Reading because we are dealing with generalities. If the provision on women's pension age had not been in the Bill, we would not have debated the measure for so long.

Despite what some Members have suggested, the Bill does not completely recast the pension system and provide for a solid and sustainable future. In many ways, it is a relatively minor amending measure, which alters some provisions from previous pensions legislation. Without the specific provision about women, we would largely be in agreement. I have already said why I am not entirely happy about the provisions on auto-enrolment, which change previous legislation, but nevertheless the particular provision on women's pension age has caused the difficulties about which we have heard. The Bill is objectionable not just because the pension age is increasing, but because a double change over a short period affects the same cohort of women.

The proposals have been under discussion and the subject of campaigning over at least the past six months—we are not debating recent proposals. Ministers have hinted today that they might be prepared to make changes in due course to take account of people's concerns, but those concerns have been raised ever since the proposals were made. The Bill has been through the House of Lords, when there was an opportunity to make the adjustments that Ministers have appeared to suggest today. Did that happen? No, it did not. There was no suggestion at that stage that the Government were willing to make any such changes.

We could have held today's debate knowing what changes the Government are considering. Perhaps in his closing speech the Minister will say what changes he is prepared to make to the part of the Bill dealing with pension age. He should show not just that the Government are making another attempt to ensure that the coalition partners go through the Division Lobby together, but that he has been listening, not only to his coalition partners and the Opposition, but more importantly to the many women who have campaigned and given clear reasons why they want the Government to change their mind. If the Minister is thinking of changing the proposals, he owes it to those women to tell them how. He has the opportunity to do so in his closing speech.

9.12 pm

Priti Patel (Witham) (Con): I am intrigued by the debate thus far. A range of hon. Members have followed a number of themes. The hon. Member for Edinburgh East (Sheila Gilmore) and others argued that the poorest will be affected by the changes that the Government are making, but they are already affected by the lack of good, sustainable state pension provision, which is one of the major issues that the Bill addresses.

I welcome the Bill and congratulate the Government on it. In my view, it will transform the pensions landscape. As we have heard, in recent years, there have been significant increases in longevity and changes in how we lead our lives. Things are changing at a dramatic pace. That will not stop, and nor should it; frankly, we should celebrate it. Not only are we living longer, but our expectations of quality of life in retirement are changing

[Priti Patel]

beyond all recognition compared with those of previous generations, as is how people spend their retirement. With increasing life expectancy, it is vital that our state pension age increases.

Susan Elan Jones (Clwyd South) (Lab): The hon. Lady rightly makes the point that we are living longer, which is of course something to celebrate. However, we are not living that much longer than we were when the coalition agreement was formed.

Priti Patel: I thank the hon. Lady for her remark. It is a fact of life that we are living longer. At the end of the day, there are serious pressures on public finances and on funding for our state pensions. The Government are seeking to address that serious issue. Ultimately, this is about the future of a sustainable state pension. The Bill is not about today or tomorrow, but about future generations. It is right that the Government tackle this fundamental, serious issue in the way that they are. Furthermore, we have all seen from Department for Work and Pensions figures that more than 10 million people in the UK can expect to live to see their 100th birthday. This reform is therefore clearly long overdue.

People are living longer and healthier lives, but we simply cannot ignore the pressure that this puts on the state pension system. In my view, increasing the state pension age is the only fair and sustainable option. We have heard a range of quotes in the Chamber today from various organisations. There are experts in our society who understand how our pensions are funded, and it is worth noting that the chief executive of the National Association of Pension Funds said:

"Our ageing population means increases in the State Pension Age are unavoidable. This rise in the State Pension Age to 66 from 2018 to 2020, as implemented in the...Bill, is a sensible move."

Mr Watts: We keep hearing the same arguments, as though Opposition Members have not taken on board the need for changes. Our issue is with the speed, and with the unfairness to a specific group. If the Government address this issue, we can have consensus, which surely is what we all want.

Priti Patel: The previous Labour Government had the perfect opportunity to address this issue. Opposition Members say that their issue is with the speed, but this is now about having a sustainable pensions system, as we simply cannot carry on as we are, so I do not think that the hon. Gentleman's remarks are plausible. The status quo is not an option.

Sheila Gilmore: Will the hon. Lady give way?

Priti Patel: I am going to close my remarks shortly, so I hope that the hon. Lady will forgive me if I do not take her intervention.

I want to touch briefly on auto-enrolment. We know that millions of people are not putting aside anywhere near enough money for their retirement. I was previously an employer, including of young graduates. On starting their working lives, they do not think about retirement, saving for their pensions or anything of that nature. Although auto-enrolment was started by the previous Government, it is a good thing, and we really have to get on with it. This is about a culture change to people's understanding of the need to save, and of how much they need to save, for their retirement. It is not about one lump sum. It is about what they expect to get out of retirement and their potential quality of life.

To conclude, I think that these reforms are welcome and long overdue. The changes to the state pension age and auto-enrolment will lead almost to a cultural revolution and a transformation of the pensions and savings culture in our society. That is a welcome step forward.

Mr Deputy Speaker (Mr Lindsay Hoyle): I remind the next speaker that she must finish by 9.30 pm.

9.18 pm

Yasmin Qureshi (Bolton South East) (Lab): I have been a little bemused by suggestions from Government Members that the previous Labour Government did nothing on pensions. When Labour came to power in 1997, one of the biggest challenges it faced was tackling pensioner poverty and improving the quality of life for older people. We must bear it in mind that the Tories had been in power for 18 years. Between 1979 and 1997, 29% of pensioners were living in poverty. Between 1997 and 2010, Labour made huge achievements, as a result of which average gross pensioner incomes increased by more than 40% in real terms, and more than 1 million pensioners were lifted out of poverty. No pensioner need now live on less than £130 per week, compared with £69 per week in 1997. The winter fuel allowance, free off-peak travel on local buses, free television licences and other benefits have helped to take 1 million pensioners out of poverty.

Government Members seem to suffer from collective amnesia. The previous Labour Government established the independent Turner commission because they recognised, as we all now do, that there was an ageing population and that the retirement age had to be changed. However as a result of the Turner commission a consensus was built on three things: linking the basic state pension to earnings; raising the retirement age to 68 by 2046, starting in 2024; and making private pensions opt-out instead of opt-in pensions, with employers also making a contribution. However, the Government's proposal goes back on that consensus, raising the state pension age for women so rapidly that some women in their 50s will have to work an extra two years that they have not planned for, and raising the pension credit age so rapidly that the poorest pensioners would lose around 10% of their lifetime retirement income. Reducing the number of people eligible for automatic enrolment in a pension scheme has also had an effect. Let me deal with each of those separately.

Labour's Pensions Act 2007, in which we accepted some of the things carried out by the Conservative Government in 1995, set out the timetable for equalising the state pension age for men and women, legislating to increase it to 65 for men by 2020, and then to 66 by 2027, 67 by 2036 and 68 by 2046. The coalition agreement stated that the parties had agreed to

"hold a review to set the date at which the state pension age starts to rise to 66, although it will not be sooner than 2016 for men and 2020 for women."

However, the Bill proposes to accelerate equalisation for women by 2018, and then to increase the state pension age for both men and women to 66 by 2020. As so many Members have mentioned today, this is a U-turn that hits women aged around 56 to 57 particularly hard. It means that 4.9 million people are affected, 2.6 million being women and 2.3 million men. Some 500,000 women born between 6 October 1953 and 5 March 1955 will have their state pension delayed by more than a year, with the 300,000 born between 6 December 1953 and 5 October 1954 waiting an extra 18 months or more. The 33,000 women facing a two-year delay will suffer a loss in income of £10,000, while for those in receipt of pension credit, the figure is closer to £15,000. Those women are being made to accommodate the changes within less than seven years.

Women are already at a significant disadvantage in pension provision. The median pension savings of a 56-year-old woman amount to just £9,100, which is almost a sixth of the same figure for a man, which stands at £52,800. That is why this is such an important issue and why so many Members have concentrated on it. It is not fair to speed up the equalisation timetable. We oppose any change before 2020. The Government must stick to their coalition agreement promise. However, we support an acceleration of the timetable for both men and women from 65 to 66 between 2020 and 2022. That would achieve the aim of reaching a state pension age of 66 more quickly, but would affect 1.2 million fewer people than under the current plans, and affect an equal number of men and women.

The reason given for the changes is that we cannot afford not to make them because of the budget deficit. With respect, that is just incorrect. When the coalition Government made their promise, they knew what the deficit was. This is another example of the coalition saying one thing to get into power and another thing in power. For example, during the election the Tories said that there would be no VAT rise. They knew the deficit then, so why did they promise no VAT rise? They also said that there would be no top-to-bottom review of the health service, which would cost £3 billion. The Lib Dems knew about the deficit, yet they still said that there would be no rise in tuition fees. The Tories said that Equitable Life people would get a fair share of remuneration, yet they have backtracked on that, too, even though, as some of us have suggested, if the deficit is the issue, those people can receive some payments now and some later—that is, after 2015. Further, we are told that the Government's measures will cut the deficit by 2015, yet the provisions in the Bill will come into play after 2015.

The Bill also deals with automatic enrolment. The Labour Government were legislating to introduce auto-enrolment into workplace pensions, which is a good thing because we estimated that 7 million people were not saving enough for their retirement. To ensure an adequate retirement income, we built cross-party consensus to introduce auto-enrolment. That meant that people would opt out of pension savings, rather than opting in. Combining a minimum employer contribution and the creation of a pension scheme that could be used by any employer, the measure was expected to lead to a change in the level of participation in pension savings.

The Government are proceeding with the introduction of auto-enrolment, which we welcome, but they are limiting its scope. They are raising the salary level at which someone will automatically be enrolled from £5,000 to £7,475, which will result in 600,000 fewer people being auto-enrolled in a pension scheme, a disproportionate number of whom will be women. The Government are also introducing a three-month waiting period before auto-enrolment, which they predict will mean that 500,000 fewer people will be automatically enrolled. Most people have an average of 11 different employers over their working lives, so this provision could lead to a loss of almost three years' pension for many people. I know that the Secretary of State has said that he will listen, and I ask the Government to reconsider these issues, which have been raised by Member after Member, certainly on this side of the House, today.

9.26 pm

Rachel Reeves (Leeds West) (Lab): Today's debate has shown the concern and anger that exists at the rapid rise in the state pension age. Members on both sides of the House have had the chance to show that they are listening to their constituents, and they now have the chance to assure the women who will be affected that they understand their plight and are willing to vote down these changes.

We have heard from 20 Back Benchers today, but only two—the hon. Members for Grantham and Stamford (Nick Boles) and for Witham (Priti Patel)—have spoken in defence of the policies as they stand. That was a brave decision to take, but I believe that it was ultimately the wrong one. The reasons for the concerns being expressed across the House are clear. As many hon. Members have said, under the proposals, 500,000 women will have to wait more than a year longer for their state pension, with 33,000 having to wait two years longer.

We all know that life expectancy is increasing, so the state pension age needs to rise. My hon. Friend the Member for Sunderland Central (Julie Elliott) pointed out that the women writing to her understand that, too. However, it cannot be right for a particular group of women to have their state pension age increased at a faster rate than anyone else's with such little notice. All hon. Members have emphasised that point today. My hon. Friend the Member for Erith and Thamesmead (Teresa Pearce) said that there was no evidence that life expectancy was increasing for 57-year-old women at a faster rate than for anyone else, so why are those women being asked to shoulder so much of the burden? My hon. Friend the Member for Aberdeen South (Dame Anne Begg) and my right hon. Friend the Member for Croydon North (Malcolm Wicks) said that the changes will start to kick in in just five years from now, in 2016, giving much less notice than the 10 years that Age UK, the Turner report and the Pensions Policy Institute recommend.

Let us think about the women who will be affected, as my hon. Friends the Members for Erith and Thamesmead, for Oldham East and Saddleworth (Debbie Abrahams) and for Sunderland Central did in their eloquent speeches. The women hit by these changes are the backbone of our families. They are the mums who took time off work to bring up their children, the daughters who are helping their parents as they get older, and the grans who are providing child care for their children's children, to help their children to balance work and family life. They are the women who have done the right thing. They have looked after their families, they have worked

[Rachel Reeves]

hard and they have played by the rules. They want to look forward to their retirement, not worry about how to make ends meet as they see the pension age being changed again. Moving the goalposts so near to retirement is unfair and unjust. A year ago, the Government seemed to get it. The coalition agreement said that women's state pension age would not start to rise to 66 before 2020. However, that promise has been breached, and women are being hit hard.

The last few weeks have been filled with speculation that the Government were about to perform a U-turn. We have heard rumours of numerous proposals and options. However, the Secretary of State told us this afternoon that he was going to stand by the proposed timetable, although only this morning the *Financial Times* reported him saying:

"I understand there are issues and problems and I'll constantly look at ways to see whether there's a way of doing"

something about that. What is the truth? Hon. Members who spoke today seemed to think that concessions will be forthcoming for the women most affected by the Bill, but what assurances can the Pensions Minister give to that effect, as we are none the wiser after today's debate?

Given the double-speak, it is no wonder that utter confusion reigns. The women affected and everyone else planning for retirement need time and they deserve certainty. Even the hon. Members for Grantham and Stamford and for Loughborough (Nicky Morgan) say they want certainty in policy, but these proposals are inducing the exact opposite—huge uncertainty. What the Government are offering is utter chaos. It is another example of the shambles at the heart of this Government and symptomatic of what is fundamentally wrong with their approach. Ministers should listen, consult, assess the impact and only then make policy. At the moment, things are happening the wrong way round. That is why the Government are in this mess.

Hon. Members have picked up on many clauses this afternoon—including my hon. Friend the Member for Aberdeen South and the hon. Member for Edinburgh West (Mike Crockart), who spoke thoughtfully about the benefits of automatic enrolment of workers into occupational pensions. Automatic enrolment was introduced by the last Labour Government and is set to mean an extra 7 million people saving towards their retirement. As my hon. Friends the Members for Kilmarnock and Loudoun (Cathy Jamieson) and for Edinburgh East (Sheila Gilmore) have said, we regret the watering down of auto-enrolment, as well as the waiting period and the increased threshold before people become enrolled automatically.

Of course, the issue we have heard most about today, on which I shall focus the rest of my comments, are the changes to the state pension age. I will build on the thoughtful speeches made by so many Members of all parties, including my hon. Friend the Member for Aberdeen South and my right hon. Friend the Member for Croydon North, but also the hon. Members for Arfon (Hywel Williams) and for Cardiff Central (Jenny Willott).

The plans we have debated today simply do not meet the test of fairness. These changes mean that half a million people will have to wait more than a year longer for their state pension. The hon. Member for Grantham and Stamford called these women "rough edges"; I call them 500,000 women and their families who have had their plans blown out of the water so close to their retirement date.

Nick Boles: Will the hon. Lady give way? This is outrageous—

Rachel Reeves: Yes, I look forward to hearing whether the hon. Gentleman really believes that 500,000 women are rough edges.

Nick Boles: I apologise, Mr Speaker, that in the heat of the moment I did not wait for the hon. Lady to give way. I thank her for that at least, but she has made the outrageous assertion that I referred to the women as "rough edges" when I was saying that the policies had some rough edges. I think she should withdraw that outrageous implication.

Rachel Reeves: I am sure the hon. Gentleman's constituents in Grantham and Stamford will feel very reassured that he does not regard them as rough edges, but speaks of the rough edges that have resulted from this Government's policies.

These changes mean a loss of income of up to £10,000 for these women. For those in receipt of pension credit, the loss is closer to £15,000. There is something particularly perverse about targeting this specific group of women. As my hon. Friends the Member for Kilmarnock and Loudoun and for Glasgow East (Margaret Curran) have said, the average 57-year-old woman has just £9,100-worth of pension savings compared to £52,800 for a man of the same age—a sixfold difference. About 40% of 57-year-old women have no private savings to fall back on, so how can these changes be fair?

As my right hon. Friend the Member for Birmingham, Hodge Hill (Mr Byrne) and my hon. Friends the Members for Aberdeen South, for Slough (Fiona Mactaggart) and for Kilmarnock and Loudoun have said, all this goes against the coalition agreement that stated that the changes would not start to kick in before 2020. The Secretary of State says that the breach reflects legal advice, but when I asked him to place it in the Library, he did not guarantee to do so. I do not think there is anything illegal about sticking to a commitment and I urge Ministers to publish that legal advice and explain the breach. No one in the country voted for these policies. It is not what coalition MPs signed up to, and there is absolutely no obligation on Government Members to support the breach when we vote this evening.

During this afternoon's debate, we have heard very few attempts to defend the proposals that we are now being asked to vote on—and I am not surprised. Time after time, Government Members have called for a rethink. Having heard the depth of anger up and down the country, the Government's excuse that women are living longer simply does not hold water. The hon. Member for Ipswich (Ben Gummer) raised the issue of increasing longevity, but he still concedes that these changes are unfair. After all, he will have to explain to the 1,000 women aged 56 and 57 in Ipswich why they will have to bear the brunt of increasing life expectancy for everybody. The same is true of the hon. Member for Cardiff North (Jonathan Evans), who pointed to increasing longevity but ultimately concluded that the Government's proposed changes are unfair on the 1,000 women aged

56 and 57 in his constituency. This applies to the hon. Member for Gloucester (Richard Graham), who has 1,100 such women in his constituency to answer to.

The hon. Member for Salisbury (John Glen) referred to the Government's introduction of a triple lock guarantee, but he too has serious problems with the Government's plans. After all, he will need to explain himself to the 1,200 women aged 56 and 57 in his constituency. The hon. Member for South Dorset (Richard Drax) referred to unintended victims of the proposals. There are 1,300 unintended victims in his constituency. The hon. Member for York Outer (Julian Sturdy) defended the broad direction of Government policy, but referred to the unfair treatment of the 1,200 women aged 56 and 57 in his constituency. The hon. Member for Cardiff Central spoke in support of pension reform, but was nevertheless vocal in her opposition to these particular proposals. Given that her constituency contains 700 women aged 56 and 57, no wonder she wrote on her website this morning that the Government needed to

"think again about these plans and find a way to make them fairer".

The hon. Member for Edinburgh West, whose constituency contains 1,100 women aged 56 and 57, thinks that the changes are too severe. The hon. Member for Grantham and Stamford talked of the 1,300 women aged 56 and 57 in his constituency. I wonder what he will say in reply to the letters from his constituents that I am sure are building up in his office. Will he say that the proposals are just the side effects of the rough edges of this policy? The hon. Member for Witham talked of people living longer, but expressed no understanding of the 1,000 women aged 56 and 57 in her constituency. I hope that they were listening to her remarks.

Nick Boles: Will the hon. Lady give way?

Rachel Reeves: I have already given way to the hon. Gentleman once, and I will not do so again.

All the Members who have spoken today—indeed, all Government Members—should think carefully about how they can consistently defend those women and vote for the Bill. In the absence of any concessions from the Minister, I urge Members who think that the changes are unfair and disproportionate to send a message to the Government and vote them down.

I have talked about the way in which the Bill will affect a great number of women and what that entails for them, but what we are really talking about are real lives. We have heard some powerful and moving stories in the Chamber today, particularly from my hon. Friends the Members for Houghton and Sunderland South (Bridget Phillipson) and for Stockton North (Alex Cunningham). However, I want to touch on the story that was shared with us by my hon. Friend the Member for Oldham East and Saddleworth, the story of her constituent Linda Murray. Linda started work at the age of 16. Although she has worked throughout her life, she has never had the benefit of a workplace pension, or had the means to provide one for herself. She works 47 hours a week for a dry cleaner, and it is hard manual work: the sort of work that was described by my right hon. Friend the Member for Croydon North. Linda is no longer with her husband, and full retirement is not an option for her, at least for a few years. Her take-home pay is £267 a week, and she faces the impossible task of having to save £1,200 just to be able to work part-time from the age of 64. She is extremely worried about her future. That is just one story from one woman, but each and every one of us in the Chamber will have heard countless more from women in our constituencies who are approaching retirement with fear and trepidation.

At the heart of the issue is fairness. It is not about increasing longevity: we know that people are living longer, and that is a good thing. It is not about the restoration of the earnings link. That is something for which we legislated, and it is a good thing that people will be better off. *[Interruption.]* We legislated for it, and we welcome it. It is not about the flat-rate pension that is at some point down the track, and may or may not benefit the women about whom we are talking today. No; today's debate is about half a million women who are being treated without fairness or justice by a Government who act first and think later.

We celebrate increasing longevity, we support the earnings link, and we welcome simplification of the pension system. We would work with the Government on all those things, but any changes in the state pension age must meet two tests. First, people must be given adequate notice and, secondly, there must not be a disproportionate impact on one group. We have set out an alternative that would equalise men's and women's state pension ages by 2020 and increase the state pension age for men and women to 66 by 2022.

We would work with the Government on proposals of their own as long as they met the two tests that we have set out. I think that that is what many Government Members seek from the Government. In that way we could save money, make pensions sustainable, show fairness, and treat people with dignity and respect. Right now, the policy is in a state of chaos. Ministers need to get a grip. We have heard many pleas for concessions, but none has been forthcoming. The mood in the House today has made it clear to the Minister that he must think again. I urge him, and his Government, to do so, and I urge hon. Members to vote down the Bill this evening.

9.40 pm

The Minister of State, Department for Work and Pensions (Steve Webb): We have spent a worthwhile six hours, and I enjoy nothing more than debating pension reform. There were 24 contributions, and I want to respond to as many of the points raised as possible in the time available to me. Not all Members will have been present at the start of the debate, so it might be worth reminding them that this Bill is about more than clause 1, although clause 1 does two important things: it treats men and women equally sooner, and it responds to rising longevity by 2020.

The Bill contains two further major measures, however, which Opposition Members who vote against it would take away from us. The first is reforming auto-enrolment to make it work. That was the subject of an independent review that we set up last summer, which was conducted by highly respected advisers who want to make auto-enrolment work and get it in place next year. We have heard that many women in their late 50s have no private pension savings. Well, why is that? Who was in charge for the past 13 years? We want to make auto-enrolment work, and to get on with that. Voting down this Bill would stop us in our tracks.

Dr Whiteford: Will the Minister give way?

Steve Webb: In a little while; I want to make some progress first.

The Bill's third key element—which, again, voting it down would stop—is making judges put some money into their pensions. I think that Members were rather shocked when they discovered that the taxpayer put 32% of a judge's salary into a judge's pension, and that the judge in respect of their own pension entitlements puts a big fat juicy zero. This Bill will correct that. If the Opposition succeed in voting it down, they will stop us doing so. We need to make progress with the Bill, therefore. Second Reading is about the principles, and we stand firmly behind them.

In the debate, the shadow Secretary of State, the right hon. Member for Birmingham, Hodge Hill (Mr Byrne)—who has rejoined us now—glossed over the auto-enrolment provisions and said the Labour party will vote against the Bill. That would leave £30 billion to be found, as that is what the Bill would put into the Exchequer. When asked where the money would come from, he replied, "Well, we'd move a bit faster on age 67" and then added, in brackets as it were, "in the 2030s." For a former Chief Secretary to the Treasury to tell us that the way to find money for a problem in the next Parliament is to look to somewhere in the 2030s sounds vaguely familiar. The answer is always, "Tomorrow, and tomorrow, and tomorrow"—

Mr Byrne: Will the hon. Gentleman give way?

Steve Webb: In a second. [HON. MEMBERS: "Give way."] I will give way. The reason there is no money, as the right hon. Gentleman said, is because difficult decisions were always deferred to tomorrow.

Mr Byrne: I am grateful to the Minister for giving way. He is making his remarks with his customary eloquence. As the following figure has not been presented this afternoon, will he remind the House precisely how much the acceleration of the state pension age for women before 2018 will save? Is the sum about £1.2 billion—yes or no?

Steve Webb: Interestingly, the right hon. Gentleman and his colleague the shadow Minister are saying two different things. The right hon. Gentleman knows that the sum for the changes up to 2020 is £10 billion. His shadow Minister, the hon. Member for Leeds West (Rachel Reeves), says we should delay to 2020 and find £10 billion while he wants to vote against the Bill and find £30 billion at some time in the 2030s. I think the House knows where we stand on that.

I am grateful to those Members who took the trouble to address auto-enrolment, but the shadow Secretary of State glossed over that issue. He said we ought to enrol at £5,000, which is not the right figure, but let us accept it for the sake of argument. He then said we should not put up the threshold. Therefore, under his scheme with the threshold at £5,000, someone who earned £5,100 would be auto-enrolled on that £100, and as we start at 1%, they would have to put in £1—not £1 a week, but £1 a year, or 2p a week. That is what will happen if we do not let this Bill make progress. We will be requiring employers and employees to put 2p per week into the employee's pension. Does the right hon. Gentleman think that might in any sense undermine the credibility of our proposals?

Dr Whiteford: I agree with the Minister that this issue has been glossed over in today's debate, but in our debate on welfare reform last week great store was set by so-called mini-jobs. It seems to me that those are exactly the jobs that will not be included in auto-enrolment. Can the Minister understand why that fuels concern that a mini-job is simply a euphemism for a low-paid, low-skilled job that keeps women trapped in poverty?

Steve Webb: The hon. Lady will be aware of the national insurance floor of roughly £100 a week. Many of these mini-jobs, as she describes them, will be below that and would not be covered by auto-enrolment anyway, but once such people are above the threshold for national insurance, they will be able to opt in should they want to. Moreover, if a mini-job occurs later in life and they have some track record of a connection with pensions, they might well have a conversation with their employer about opting in and triggering the employer contribution.

Several hon. Members *rose—*

Steve Webb: As there were 25 contributions to the debate, I want to try to respond to some of the points that were made, and then I will certainly give way some more.

My hon. Friend the Member for Cardiff North (Jonathan Evans)—indeed, Cardiff was well represented in the debate: by my hon. Friend the Member for Cardiff Central (Jenny Willott) and by the hon. Member for Arfon (Hywel Williams), who raised issues relating to Allied Steel and Wire—pointed out Labour's track record on pensions. He was right to do so, because although one or two Opposition Members glossed over history, he reminded us of the 75p pension increase—something that can never happen again under our triple lock. He reminded us of the failure of the previous Government to get to grips with Equitable Life and of the tax grab by the previous Chancellor and Prime Minister on company pensions. That is not a proud record.

The hon. Member for Aberdeen South (Dame Anne Begg), the Chair of the Work and Pensions Committee, made a characteristically thoughtful contribution and I am grateful for her support for our abolition of the default retirement age. The link to that issue has not often been made in today's debate. The previous Government were planning to raise the state pension age to 66, 67 or 68—but to leave it legal to sack people for turning 65. There is a logical flaw there, and I am sure the House is ahead of me on that. It is therefore right that we have taken away employers' ability to sack people for the "sin" of turning 65.

I am also grateful for the hon. Lady's support for our going ahead with the National Employment Savings Trust and the flexibility around auto-enrolment in 2012. She asked whether our £10 billion estimate of the cost of delay to 2020 was a gross or net figure. It is a net figure, taking account of benefit offsets. However, a lot of the points that she and a number of other Members made would apply whenever we raised state pension ages. For example, it was the hon. Member for Erith and Thamesmead (Teresa Pearce), I think, who asked,

"What will happen to volunteers? What will happen to carers?" Those are important questions, but they would of course arise whenever state pension ages are raised—and she supports a party that legislated to raise the pension age to 68. She is right that these issues need to be addressed, but they exist not specifically because of this Bill but because of legislation that is already in place.

Mr Watts: Is it not a fact that, if the Minister accepted the Opposition's proposals, they would deal with the short-term problem, the long-term problem and the unfairness, and he would probably get more support from his own party?

Steve Webb: I am grateful to the hon. Gentleman for recognising that there is a long-term problem, which not all his colleagues have done.

My hon. Friend the Member for Grantham and Stamford (Nick Boles) made the point that this is not about the deficit. That is quite true—these measures do not save us money in the current comprehensive spending review period. However, I have a figure to present to the House: £1.3 trillion. That is the national debt at the end of this Parliament, even after our austerity measures. That is the legacy; that is the reason we need to get a grip on these matters.

As well as the 25 Members who spoke today, there were two almost silent voices—especially silent in the Opposition's contributions. The first silent voice was tomorrow's taxpayer. Labour wants to put the Bill into the 2030s. If we delay the changes, all these things will have to be paid for by someone else. As long as it is not the people who write to us—somebody else will pay, and they do not write to us, so that is fine. That voice needs to be heard.

The second voice that was not really heard much in the debate—although a few coalition Members did raise it—was that of employers. Of course, many of the Bill's measures on auto-enrolment are about easing the burden it imposes, particularly on smaller firms, which are crucial to our recovery and the fundamental improvement of the economy. These measures strike a balance. The waiting period gives employers time to get people on the payroll. The threshold enables employers to take on people on a lower wage, with less bureaucratic burden. The voice of the employer and the costs and burdens on business were issues that the Opposition almost did not raise at all.

My hon. Friend the Member for Cardiff Central (Jenny Willott) was very generous in her remarks, supporting the measures on judges and on auto-enrolment. She quite properly raised concerns about the state pension age, but she made an important point about our state pension reform agenda generally. There are two sides to the state pension deal—when people get it and what they get. One Opposition Member this evening described the state pension as a pittance, but who oversaw it at that level for 13 years? We have brought forward, in our Green Paper, proposals for a single tier of state pensions set above the level of the means test. That is one of our reform options and that is the pension, if those proposals go ahead, that every one of the women we have been talking about today would get, so there is an issue about when they get the pension, but there is also, crucially, an issue about what they get. We are actively looking into that and I am grateful to my hon. Friend for raising it.

The hon. Member for Arfon asked about Allied Steel and Wire workers and the financial assistance scheme. I can confirm that I met them along with the Secretary of State for Wales and Dr Ros Altmann, who has done a huge amount of good work in this area, back in November and that I wrote to update the Secretary of State last week. We are aiming to provide forecasts for financial assistance scheme members once the wind-up process for schemes is completed. In the case of ASW, the scheme is still winding up, so the financial assistance scheme is not yet in a position to provide forecasts, but we hope to make progress later this year. The hon. Gentleman also asked about Dr Altmann's ideas for getting money into the scheme and we have looked at trying to release value from annuities. That is not looking as hopeful as we had hoped but we are working hard to see if that can be done and I am grateful to the hon. Gentleman for making the point.

My hon. Friend the Member for Ipswich (Ben Gummer) gets the prize for making the sharpest intervention. He pointed out to the shadow Secretary of State the legal advice and comments made by my noble Friend Lord Freud in the House of Lords on 30 March. I know that my hon. Friend reads little else and I am grateful to him for drawing those comments to our attention. *[Interruption.]* As the right hon. Member for Birmingham, Hodge Hill has asked the question, let me tell him the answer before he asks again. My noble Friend was responding to an amendment that would have slowed the process at which we equalise the men's and women's state pension age. The right hon. Gentleman will know that we are on a process of equalisation, and the legal issue is that we deviate from equalisation if at any point we widen the gap. The coalition reference to moving men in 2016 and women in 2020 would widen that gap. The issue is directive 79/7, which

> "deals with the progressive implementation of the principle of equal treatment for men and women in matters of social security…Any change we now wish to make needs to be considered in relation to the position left by the 1995 Act."—[*Official Report, House of Lords,* 30 March 2011; Vol. 726, c. 1279.]

That is on the record and has been for several months.

Mr Byrne: I am grateful to the Minister for finally setting out that legal advice to the House, but he must answer this question: why was the commitment in the coalition agreement if there was a law that made it impossible?

Steve Webb: If it had been self-evidently not possible, I think that the right hon. Gentleman would have pointed it out in the past 12 months, but I have not heard him do so.

The right hon. Member for Croydon North (Malcolm Wicks) made a characteristically thoughtful speech and I hope that he is on the Public Bill Committee. That would lengthen our proceedings, but in a very nice way. He raised the important issue of the entitlement of people with long years of national insurance payments to a national insurance pension. He generously referred to the fact that I taught his daughter at university; I hope that I contributed in some way to her social mobility as a result. He raised the serious issue of using long periods of national insurance records. As my right hon. Friend the Secretary of State pointed out, the records before 1975 are a mess, which the right hon. Gentleman will know as he is one of my many predecessors.

[Steve Webb]

Our ability to use those records is very limited and one of my concerns about his proposal, which I am happy to discuss with him in a genuinely open way, is the position of women, because they would have to be credited for times when they were not in paid work. Some of that paid work will have been before home responsibilities protection was introduced and so we simply would not know who to credit. That is only one of the issues, but as I have said, we are happy to engage with him in the spirit of openness.

Malcolm Wicks: I am grateful for that. My point was that those who have been working since the age of 15 or 16 in manual occupations are often physically worn out and need to retire earlier than Governments have proposed. If the objections or concerns are technical, that suggests that if there is a technical way forward, we could arrive at it—could we not?

Steve Webb: As I have said, I am happy to engage with the right hon. Gentleman in an open and constructive way. I suspect that wishing away the technical problems might be more difficult than he imagines, but I am happy to have that dialogue with him.

My hon. Friend the Member for Gloucester (Richard Graham) who chairs the all-party group on occupational pensions—

Sheila Gilmore: Will the Minister give way?

Steve Webb: As I have five minutes to respond, I had better not.

My hon. Friend the Member for Gloucester made a characteristically thoughtful contribution. I am grateful to him for that. He raised the issue of intergenerational fairness, which goes to the heart of the Bill. It is why we need to progress with it and debate it through the House. A number of our constituents who have written to us about the Bill imagine that this is the only chance we get to debate it. We will be in Committee right up to the final day before the summer recess, I am delighted to say, and we will return to it on Report, so there is ample opportunity to debate and discuss the Bill.

The hon. Member for Sunderland Central (Julie Elliott) raised the issue of manual labourers. I accept that that is an important point, which needs to be addressed. My hon. Friend the Member for Salisbury (John Glen) quite properly raised the issue of long-term principles. I hope he will respond to our Green Paper consultation, which looks specifically at age 67 and 68, mechanisms and processes. Those are the principal issues that we are trying to raise.

The hon. Member for Erith and Thamesmead, who tabled the relevant early-day motion, asked about transfers into NEST and so on. As she knows, the idea of NEST was to get the thing going and to cater particularly for people who might not otherwise have access to a pension. Once that roll-out is complete in 2017, the whole system will be reviewed and the issue of transfers-in will be looked at as part of that review, so I can give her that assurance.

My hon. Friend the Member for York Outer (Julian Sturdy) supported the Bill and said that good governance is about taking decisions in the long-term interests of our country, which is what the Bill does. I thank him for that. The hon. Member for Kilmarnock and Loudoun (Cathy Jamieson) raised issues about auto-enrolment. I have already pointed out why we are doing it and the balance that we are trying to strike. My hon. Friend the Member for South Dorset (Richard Drax) spoke about the fragility of private sector pensions. I agree with him. That is why it is vital that we move ahead with the Bill and make auto-enrolment work, rather than delaying it, as the Opposition want.

The hon. Member for Oldham East and Saddleworth (Debbie Abrahams) asked whether people will be able to work in their later years. I can tell her that women are already, on average, leaving the labour market after state pension age. In 2004 women on average left the labour market at 61.6 years. In the past six years that has gone up by more than a year, so there are already trends of longer working lives. We need to build on them.

The hon. Member for Glasgow North East (Mr Bain) said that other countries are following a different path. I can tell him that they are not. Other countries are raising their state pension ages and in some cases raising them faster than we are. My hon. Friend the Member for Edinburgh West (Mike Crockart) supported many aspects of the reforms. I congratulate him on a very well researched contribution. I am grateful to him for the principles that he set out—simplicity and making auto-enrolment work—and I note his comments about the state pension age changes.

On that issue, which has clearly been the focal point of the debate, let me sum up the position. We heard a number of hon. Members raise their concerns about the state pension age. The Government's position is clear. We are not simply living longer; we are living longer at a faster rate. The improvement of five years in life expectancy at pension age took 70 years between 1920 and 1990. The next similar improvement happened in 20 years. The improvement in longevity is like a runaway train. We must address that. Those who vote against Second Reading are not just deficit deniers, but longevity deniers. They need to recognise the real changes.

My right hon. Friend the Secretary of State, in his characteristically resolute way, confirmed that the Government believe that we need to equalise more rapidly and reach age 66 as the retirement age more rapidly, but he also said that he recognised that we need to implement that fairly and manage the transition smoothly. He went on to say that he heard the specific concerns about a relatively small number of women and that he was willing to work to get the transition right. I am committed to doing the same, together with him.

If the House were to reject the Bill tonight, those who vote against must tell us where £30 billion will come from, how they will make auto-enrolment work and why judges should not have to pay for their pensions. I commend the Bill to the House.

Question put, That the Bill be now read a Second time.

The House divided: Ayes 302, Noes 232.

Division No. 299] **[9.59 pm**

AYES

Adams, Nigel	Alexander, rh Danny
Afriyie, Adam	Amess, Mr David
Aldous, Peter	Andrew, Stuart

Arbuthnot, rh Mr James
Bacon, Mr Richard
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Barker, Gregory
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Beith, rh Sir Alan
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Bingham, Andrew
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bottomley, Sir Peter
Bradley, Karen
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burns, rh Mr Simon
Burrowes, Mr David
Burstow, Paul
Burt, Alistair
Burt, Lorely
Byles, Dan
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, rh Mr Alistair
Carmichael, Neil
Carswell, Mr Douglas
Cash, Mr William
Chishti, Rehman
Clark, rh Greg
Clarke, rh Mr Kenneth
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crabb, Stephen
Crockart, Mike
Crouch, Tracey
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
Davis, rh Mr David
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Dorries, Nadine
Doyle-Price, Jackie
Drax, Richard
Duddridge, James
Duncan Smith, rh Mr Iain
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Featherstone, Lynne
Field, Mr Mark
Foster, rh Mr Don
Fox, rh Dr Liam
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mr Edward
Garnier, Mark
Gauke, Mr David
George, Andrew
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Damian
Greening, Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gummer, Ben
Halfon, Robert
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Matthew
Hands, Greg
Harper, Mr Mark
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Hopkins, Kris
Horwood, Martin
Howarth, Mr Gerald
Howell, John
Hughes, rh Simon
Huppert, Dr Julian
Hurd, Mr Nick
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Jones, Andrew
Jones, Mr Marcus
Kelly, Chris
Kirby, Simon
Knight, rh Mr Greg
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lamb, Norman
Lancaster, Mark
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Leech, Mr John
Leigh, Mr Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Liddell-Grainger, Mr Ian
Lloyd, Stephen
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Lumley, Karen
Macleod, Mary
Main, Mrs Anne
Maude, rh Mr Francis
May, rh Mrs Theresa
Maynard, Paul
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McVey, Esther
Merrick, Mrs Louise
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Moore, rh Michael
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Mulholland, Greg
Mundell, rh David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Ottaway, Richard
Paice, rh Mr James
Parish, Neil
Patel, Priti
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pincher, Christopher
Poulter, Dr Daniel
Pritchard, Mark
Pugh, John
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reevell, Simon
Reid, Mr Alan
Rifkind, rh Sir Malcolm
Robathan, rh Mr Andrew
Robertson, Hugh
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Ruffley, Mr David
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Selous, Andrew
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Shepherd, Mr Richard
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soames, Nicholas
Soubry, Anna
Spencer, Mr Mark
Stanley, rh Sir John
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swayne, Mr Desmond
Syms, Mr Robert
Tapsell, Sir Peter
Teather, Sarah
Thurso, John
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Ward, Mr David
Watkinson, Angela
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
Whittaker, Craig
Whittingdale, Mr John

Wiggin, Bill
Williams, Mr Mark
Williamson, Gavin
Willott, Jenny
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Jeremy
Wright, Simon
Yeo, Mr Tim
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Ayes:
Mr Philip Dunne and Mark Hunter

NOES

Abbott, Ms Diane
Abrahams, Debbie
Ainsworth, rh Mr Bob
Alexander, rh Mr Douglas
Alexander, Heidi
Ali, Rushanara
Allen, Mr Graham
Anderson, Mr David
Ashworth, Jon
Austin, Ian
Bailey, Mr Adrian
Bain, Mr William
Balls, rh Ed
Banks, Gordon
Barron, rh Mr Kevin
Beckett, rh Margaret
Begg, Dame Anne
Bell, Sir Stuart
Benn, rh Hilary
Berger, Luciana
Betts, Mr Clive
Blears, rh Hazel
Blenkinsop, Tom
Blomfield, Paul
Blunkett, rh Mr David
Bradshaw, rh Mr Ben
Brown, Lyn
Brown, rh Mr Nicholas
Bryant, Chris
Buck, Ms Karen
Burnham, rh Andy
Byrne, rh Mr Liam
Campbell, Mr Alan
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clarke, rh Mr Tom
Clwyd, rh Ann
Coaker, Vernon
Colley, Ann
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Crausby, Mr David
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cryer, John
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Curran, Margaret
Dakin, Nic
Danczuk, Simon
Darling, rh Mr Alistair
David, Mr Wayne
Davies, Geraint
De Piero, Gloria
Denham, rh Mr John
Dobbin, Jim
Dobson, rh Frank
Docherty, Thomas
Donohoe, Mr Brian H.
Doran, Mr Frank
Dowd, Jim
Dromey, Jack
Dugher, Michael
Durkan, Mark
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Elliman, Mrs Louise
Engel, Natascha
Esterson, Bill
Evans, Chris
Farrelly, Paul
Field, rh Mr Frank
Fitzpatrick, Jim
Fiello, Robert
Flint, rh Caroline
Fovargue, Yvonne
Francis, Dr Hywel
Gapes, Mike
Gardiner, Barry
Gilmore, Sheila
Glass, Pat
Glindon, Mrs Mary
Godsiff, Mr Roger
Goggins, rh Paul
Goodman, Helen
Greatrex, Tom
Green, Kate
Greenwood, Lilian
Griffith, Nia
Gwynne, Andrew
Hain, rh Mr Peter
Hamilton, Mr David
Hamilton, Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Havard, Mr Dai
Healey, rh John
Hendrick, Mark
Heyes, David
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs Sharon
Hoey, Kate
Hopkins, Kelvin
Hosie, Stewart
Howarth, rh Mr George
Hunt, Tristram
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs Siân C.
Jamieson, Cathy
Jarvis, Dan
Johnson, rh Alan
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Jowell, rh Tessa
Joyce, Eric
Kaufman, rh Sir Gerald
Kendall, Liz
Khan, rh Sadiq
Lammy, rh Mr David
Lavery, Ian
Lazarowicz, Mark
Leslie, Chris
Lewis, Mr Ivan
Lloyd, Tony
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
MacNeil, Mr Angus Brendan
MacShane, rh Mr Denis
Mactaggart, Fiona
Mahmood, Mr Khalid
Mahmood, Shabana
Mann, John
Marsden, Mr Gordon
McCabe, Steve
McCarthy, Kerry
McClymont, Gregg
McCrea, Dr William
McDonagh, Siobhain
McDonnell, John
McFadden, rh Mr Pat
McGovern, Alison
McGuire, rh Mrs Anne
McKechin, Ann
McKinnell, Catherine
Meacher, rh Mr Michael
Mearns, Ian
Michael, rh Alun
Miliband, rh David
Miliband, rh Edward
Miller, Andrew
Mitchell, Austin
Moon, Mrs Madeleine
Morden, Jessica
Morrice, Graeme *(Livingston)*
Morris, Grahame M. *(Easington)*
Mudie, Mr George
Munn, Meg
Murphy, rh Paul
Nandy, Lisa
Nash, Pamela
Onwurah, Chi
Owen, Albert
Pearce, Teresa
Perkins, Toby
Phillipson, Bridget
Pound, Stephen
Qureshi, Yasmin
Raynsford, rh Mr Nick
Reeves, Rachel
Reynolds, Emma
Riordan, Mrs Linda
Robertson, Angus
Robertson, John
Robinson, Mr Geoffrey
Rotheram, Steve
Ruane, Chris
Ruddock, rh Joan
Seabeck, Alison
Sharma, Mr Virendra
Sheerman, Mr Barry
Sheridan, Jim
Shuker, Gavin
Simpson, David
Skinner, Mr Dennis
Slaughter, Mr Andy
Smith, rh Mr Andrew
Smith, Angela
Smith, Nick
Smith, Owen
Spellar, rh Mr John
Straw, rh Mr Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Tami, Mark
Thomas, Mr Gareth
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turner, Karl
Twigg, Stephen
Umunna, Mr Chuka
Vaz, Valerie
Walley, Joan
Watson, Mr Tom
Watts, Mr Dave
Weir, Mr Mike
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Wicks, rh Malcolm
Williams, Hywel
Williamson, Chris
Wilson, Phil
Winnick, Mr David
Winterton, rh Ms Rosie
Wishart, Pete
Wood, Mike
Woodcock, John
Woodward, rh Mr Shaun
Wright, David
Wright, Mr Iain

Tellers for the Noes:
Jonathan Reynolds and Graham Jones

Question accordingly agreed to.
Bill read a Second time.

PENSIONS BILL [*LORDS*] (PROGRAMME)

Motion made, and Question put forthwith (Standing Order No. 83A(7)),

That the following provisions shall apply to the Pensions Bill [*Lords*]:

Committal

1. The Bill shall be committed to a Public Bill Committee.

Proceedings in Public Bill Committee

2. Proceedings in the Public Bill Committee shall (so far as not previously concluded) be brought to a conclusion on Tuesday 19 July 2011.

3. The Public Bill Committee shall have leave to sit twice on the first day on which it meets.

Consideration and Third Reading

4. Proceedings on consideration shall (so far as not previously concluded) be brought to a conclusion one hour before the moment of interruption on the day on which those proceedings are commenced.

5. Proceedings on Third Reading shall (so far as not previously concluded) be brought to a conclusion at the moment of interruption on that day.

6. Standing Order No. 83B (Programming committees) shall not apply to proceedings on consideration and Third Reading.

Other proceedings

7. Any other proceedings on the Bill (including any proceedings on consideration of any message from the Lords) may be programmed.—*(Steve Webb.)*

Question agreed to.

PENSIONS BILL [*LORDS*] (MONEY)

Queen's Recommendation signified.

Motion made, and Question put forthwith (Standing Order No. 52(1)(a)),

That, for the purposes of any Act resulting from the Pensions Bill [*Lords*], it is expedient to authorise the payment out of money provided by Parliament of—

(1) any expenditure incurred in consequence of the Act by the Secretary of State, and

(2) any increase attributable to the Act in the sums payable under any other Act out of money so provided.—*(Steve Webb.)*

Question agreed to.

PENSIONS BILL [*LORDS*] (WAYS AND MEANS)

Motion made, and Question put forthwith (Standing Order No. 52(1)(a)),

That, for the purposes of any Act resulting from the Pensions Bill [*Lords*], it is expedient to authorise—

(1) the levying of charges under the Pension Schemes Act 1993 for the purpose of meeting expenditure of the Secretary of State in making grants under that Act, and

(2) the payment of sums into the Consolidated Fund.—*(Steve Webb.)*

Question agreed to.

Business without Debate

DELEGATED LEGISLATION

Mr Speaker: With the agreement of the House, we shall take motions 5 to 9 together.

Motion made, and Question put forthwith (Standing Order No. 118(6)),

TAXES

That the draft International Tax Enforcement (Belize) Order 2011, which was laid before this House on 4 April, be approved.

That the draft International Tax Enforcement (Dominica) Order 2011, which was laid before this House on 4 April, be approved.

That the draft International Tax Enforcement (Grenada) Order 2011, which was laid before this House on 4 April, be approved.

That the draft Double Taxation Relief (Qatar) Order 2011, which was laid before this House on 4 April, be approved.

That the draft International Tax Enforcement (San Marino) Order 2011, which was laid before this House on 4 April, be approved.—*(Stephen Crabb.)*

Question agreed to.

Motion made, and Question put forthwith (Standing Order No. 118(6)),

CONTRACTING OUT

That the draft Contracting Out (Local Authorities Social Services Functions) (England) Order 2011, which was laid before this House on 10 May, be approved.—*(Stephen Crabb.)*

Question agreed to.

BUSINESS OF THE HOUSE

Ordered,

That, at the sitting on Tuesday 21 June, notwithstanding the provisions of paragraph (7) of Standing Order No. 83A (Programme motions), proceedings on the Motion in the name of Mr Secretary Lansley relating to Health and Social Care Bill (Programme) (No. 2) shall be brought to a conclusion not later than one hour after the commencement of proceedings on the Motion, at which time the Speaker shall put the Question; and no amendments to the Motion shall be moved.—*(Sir George Young.)*

Mr Speaker: Before I invite the hon. Member for Broxbourne (Mr Walker) to present his petition, which I know Members will be eagerly anticipating, I appeal to right hon. and hon. Members who are leaving the Chamber to do so quickly and quietly, extending the same courtesy to the hon. Gentleman that they would want to be extended to them in such circumstances.

PETITION

Cheshunt Urgent Care Centre (Hertfordshire)

10.19 pm

Mr Charles Walker (Broxbourne) (Con): When coming here tonight, I received a text from Tony Siracusa, who said:

"Tonight, Charles, you're our voice. Please continue to ensure we are heard in the House of Commons."

I intend to do that this evening.

Before I present the petition I should like to thank Paul Mason, the leader of Broxbourne council, who organised an excellent march in support of the urgent care centre about which I am petitioning tonight. I also thank our campaigning newspaper, the *Mercury*, and in particular Gemma Gardner and the editor Gary Matthews.

The petition states:

The Petition of residents of Broxbourne Borough and surrounding areas,

Declares that the decision taken by Hertfordshire Primary Care Trust to close Cheshunt Urgent Care Centre (UCC) fails to recognise the importance and value of the UCC to the local community.

The Petitioners therefore request that the House of Commons urges the Secretary of State for Health to use his offices to intervene in the matter to require the PCT to revisit its decision in regards to the UCC, and keep GP-led services operating at the site.

And the Petitioners remain, etc.

[P000930]

Private Gary Barlow

Motion made, and Question proposed, That this House do now adjourn.—*(Stephen Crabb.)*

10.21 pm

Helen Jones (Warrington North) (Lab): I am grateful for this opportunity to raise the case of Private Gary Barlow, who served with the Queen's Lancashire Regiment, was shot in Northern Ireland on 4 March 1973 and died early the next morning. He was 19 years old.

There may be those who wonder why a case that is now nearly 40 years old should be debated on the Floor of the House. My answer is simple: it is about justice for Gary, for his family and for the people who tried to save him. Not only was Gary Barlow tragically killed, but his bravery was never properly recognised and his family suffered, and continue to suffer, both because of his death and because of what happened to them after it. It is in the hope that we can at least provide some recognition of Gary's bravery tonight, and at least some modicum of comfort to his family, that I have asked for this debate.

Gary's death was investigated by the Historical Enquiries Team set up by the Police Service of Northern Ireland in 2005 to investigate any deaths that were attributable to what we still call the troubles, and to try to bring some resolution to the families involved. It is, of course, very difficult to bring things to a conclusion after so much time has elapsed. Some witnesses are no longer available and some documents are no longer there. However, the inquiry team did a very thorough job, and the basic facts of what happened to Gary on that day are now clear. I want to summarise them, if I may—and it will be a summary, not a full account, because of the time available.

On 4 March Gary was part of a patrol that was sent to the Divis flats to carry out a search operation. A soldier had been shot and wounded there earlier in the day. The soldiers searched some premises, and then joined others in a Saracen armoured personnel carrier. At that point they heard a shot, and the men got out to deploy in defensive positions. Those at the Army observation post on the top of the Divis flats pinpointed where they thought the gunman was, and the soldiers were ordered to carry out a search. They encountered some difficulties in doing so, but they used the Saracen to ram the doors of the garage opposite, and Gary and another soldier were ordered to search that building.

Not surprisingly in the context of the time, a hostile crowd gathered. As the situation deteriorated and the light was fading, the lieutenant in charge ordered his men to withdraw. They all got back into the Saracen, except Gary. No roll-call was taken at the time. It appears from witness statements that the lieutenant asked the two corporals to account for all their men. Gary's corporal shouted to ask whether they were all back, and someone said yes. It was only when the patrol got back to base that Gary's room-mate realised that he was missing. At the same time, two young girls arrived, sent by a woman in the Divis flats, at some considerable risk to herself and to them, to tell the Army that a soldier had been left behind.

A patrol later found Gary, face down on the floor of that garage, shot and bleeding profusely from a head wound. He was given medical care by the Royal Army Medical Corps and taken to hospital, but tragically he died early the next morning. The Provisional IRA claimed responsibility for Gary's death, but no one was ever charged with his murder, although several people were investigated and a number of searches were carried out. Again, in the context of the time, when it was difficult to get people to co-operate with the police, that is entirely understandable.

However, in one raid, Gary's rifle was found. It had not been fired. When the inquiry team investigated the case, as well as looking at the facts, they considered concerns raised by Gary's family that his hearing had been damaged in an earlier incident. The team found in his service record a note of an incident on 5 February that year. They thought that that may have related to an earlier incident in the Divis flats, when soldiers were attacked by a blast bomb. They acknowledged that Gary's family received a call shortly afterwards from one of his friends who said that he could not speak on the phone because his hearing had been damaged. The inquiry team therefore concluded that it was likely that Gary did not hear the order to withdraw, either because of where he was in the building, or because his hearing had been damaged earlier.

The facts of Gary's death are tragic enough. However, I also believe that he and his family were let down by what happened on that day and by their treatment later. The first question of course is whether Gary was fit for duty that day. The inquiry team was not able to resolve that satisfactorily because his Army medical records were not available. However, I think that his family and others would want to know that lessons have been learnt and that no soldier will again be put in such a position when their hearing might be impaired.

There were also failures on the part of the lieutenant and the corporal in command of Gary's section that day. Even when due allowances are made for the stress that they were under at that time, and for the extremely difficult situation in which they found themselves, they should have made sure that all their men were accounted for. The British Army expects very high standards of its officers and non-commissioned officers. Those standards are generally met and even exceeded. However, on this occasion, they fell short and that mistake led to Gary's death.

The Ministry of Defence later wrote Gary's parents a very detailed letter. It put the failure down to the very difficult operational circumstances that prevailed at the time. However, the inquiry team pointed out that those circumstances prevailed throughout Northern Ireland and that they would nevertheless have expected what they called military discipline and training to kick in to ensure that a proper roll-call was taken.

It was not, and it appears from the evidence that Gary, left alone, was attacked by a group of youths. Some women in the area urged him to leave. He refused to leave his post. Remember that it seems that this young man was not aware that he had been ordered to withdraw. He stood his ground and fought back. He did not discharge his rifle. His family believes—and it seems reasonable—that he did not do so to avoid the possibility of injury to civilians. Eventually, he was shot in the head and neck. The inquiry team said that, in not firing his rifle and in standing his ground, he displayed courage and strength of character. I believe he did more than that: he acted in the finest tradition of the British Army,

both in refusing to leave his post and trying to stand his ground, and in trying to avoid injury to civilians. We should remember that this was a young man of only 19. Many who are older and more experienced would have done less, but he held out until the end.

Gary's bravery, however—this is the sad thing—was never properly recognised. His family have fought for a long time to find out the true circumstances of his death, and to ensure that he is recognised. I pay tribute to them this evening, especially to his parents and his sister, Tina. They did so even though they themselves suffered after his death. They were not notified of the inquest, for instance, even though his father had expressed a wish to attend. In fact, they read the inquest verdict in the *Daily Mirror*. I ask the House to try to comprehend how it must be to lose a son in such circumstances, and then for the family to read about an inquest that they did not know had taken place.

Gary's things were returned to his family in a slovenly way—in boxes, without even a note or covering letter—thus increasing their grief. Most of all, as well as letters of condolence, they received death threats. As a result, they were advised by the police to leave their home. They have only just returned to the Warrington area.

Nevertheless, they have sought recognition for the bravery of their son and brother. That bravery has been recognised elsewhere. The inquiry team discovered one of the young girls who was sent to the Army post on that day—of course, she is now a grown woman. She said that her mother was too frail to be interviewed by the team, but that she nevertheless prayed for Gary every day. She also said that once a year, the women in the area organised a mass for the repose of his soul. We should remember that those women were in a staunchly republican area of Belfast, yet they recognised the bravery of that young man.

We should do no less. I know that it is too late for Gary to receive a gallantry award. His mother received the Elizabeth cross last year—I am proud that Labour introduced that—but as the Minister and hon. Members will know, the Elizabeth cross recognises the sacrifice of the families of those who are killed on operations, and is not in itself a gallantry award for the person killed. However, that young man behaved admirably, and I hope that we can tonight finally put on the record our appreciation of his bravery.

Gary's family gave him to the Army and to his country. Let us be honest, even after all these years: he was let down, and they were let down. People who join the forces expect to put their lives on the line if necessary, but they also expect proper care to be taken of their welfare and, if they are killed, proper care to be taken of the welfare of their families. In that way, we failed, yet I have never once heard Gary's family complain. Their only concern is for him.

I once said to Gary's mother, "You must be very proud of him, Mrs Barlow." She replied, very simply, "Yes, I am." This young man was a fine British soldier and a very brave young man indeed. It is time that we recognised that. His mother is proud of him; we should be proud of him too. I hope the Minister can put on the record tonight how much we as a country appreciate the sacrifice that Gary made, and ensure that the lessons have been learned, so that never again will a family be put in this situation.

10.34 pm

The Parliamentary Under-Secretary of State for Defence (Mr Andrew Robathan): I pay tribute to the hon. Member for Warrington North (Helen Jones) for securing this debate on the very tragic death of Private Gary Barlow slightly over 38 years ago. As it happens, I know the Divis flats and the observation tower. I have served and seen the difficulties of operating there, as did the Queen's Lancashire Regiment in 1973.

Private Barlow joined the Army in 1970 and went into the Queen's Lancashire Regiment, and he deployed to Northern Ireland with his regiment in the early years of Operation Banner, at the end of 1972, when the violence in Northern Ireland was at its height. Tragically he was killed in Belfast on 5 March 1973 aged just 19. There was absolutely no doubt who killed him: responsibility for his death was admitted by the IRA and the murderous thugs who supported it in the Divis flats. He was part of a four-man patrol that had deployed to search an area following a series of shooting incidents. The patrol was forced to withdraw rapidly as a hostile crowd had gathered, and Private Barlow was in the process of searching a garage at the time and did not withdraw with the rest of his unit, as we have heard.

Unfortunately it was not until later that Private Barlow's patrol realised that he was missing—the hon. Lady brought out one or two very good points about that—and returned to retrieve him, by which time he had been shot and injured by the IRA. Tragically, he succumbed to his injuries in hospital later that night. Had he lived, Private Barlow would have seen his 58th birthday this week. He was one of more than 250,000 service personnel who saw service in Northern Ireland during the 38 years of Operation Banner, which was the longest single operation ever mounted by the British Army. The Army demonstrated a resolute, disciplined and flexible attitude towards adapting to a unique deployment of military forces on UK territory—it was never a happy occasion. The resilience that our soldiers displayed over such a long period and under extremely difficult circumstances greatly contributed to the peace that now exists. They and the community at large have suffered death and injury, and we should again take this opportunity to remember their commitment, bravery and sacrifice, and that of Private Barlow.

In recognition of the ultimate sacrifice paid by Private Barlow, his mother, Mrs Rona Barlow, has already been presented with the Elizabeth cross and the memorial scroll. The Elizabeth cross is awarded as a symbol of national recognition of the sacrifice and loss of those UK armed forces personnel who have died on operations or owing to acts of terrorism. It is a reminder of the contribution made by those who have paid the ultimate price for our freedom and our security, and of how highly their service is valued. Regrettably, however, it is not for me to recommend that Private Barlow be given a further award. Our honours and awards system relies on the bestowal of gallantry awards soon after the event for which it is believed an individual's actions should be recognised.

The convention adhered to is that no award can be made for an event that took place more than five years previously. To rely on incomplete and sometimes contradictory or anecdotal evidence so long after the event can be regarded as a slight to those commanders

[Mr Andrew Robathan]

at all levels whose task it was to reward the most deserving as they judged at the time. This system has been developed over many years, and is designed to ensure that the process by which awards are made is fair and consistent, and it has stood the test of time. Neither the present Government nor any previous Administration have departed from the strict rule that British gallantry awards are not granted retrospectively.

Recommendations for gallantry awards are generated by commanders in the field and scrutinised at a number of levels by military committees, the last of which is the Armed Forces Operational Awards Committee, which comprises five senior officers representing all three services, and which ultimately recommends to Her Majesty the Queen who should receive awards. This process is completely independent of political influence, and it would not be possible—nor would it be right—for me to seek to influence this process. On a personal note, however, I would like to take this opportunity to pass on my condolences to Mrs Barlow for the loss of her son, and to express my deep gratitude for his service to this country and her dignity in grief. I would also like to take this opportunity to put it on the record that we are fortunate to have individuals such as Gary Barlow, both then and now, who are willing to demonstrate their bravery by serving with our armed forces. In the words of his commanding officer while expressing his and his regiment's sadness and horror at Private Barlow's death:

"He was a fine boy and a good and brave soldier".

I am told—the hon. Lady mentioned this too—that the family were subjected to intense and often unwelcome media and public scrutiny, and to threats. I am sincerely sorry for the additional distress that this must have caused them. In the 1970s, when Private Barlow was killed, very little support was offered to bereaved families by the military, so I would also like to take this opportunity to reassure his family and the House that measures now exist to prevent other families from suffering the same experience.

Each death of a member of our armed forces is a tragedy—for their comrades and the country, but most especially for their family, such as Private Barlow's family. As the years have progressed, I believe that we have got better at learning the lessons from each death, both in the field and in how we help and support the families left behind. Gone now are the days when the first that a family heard about the death of their loved one was a tersely worded official telegram. Despite the challenges of 24-hour media, we are largely successful at ensuring that families hear from us before impromptu and unofficial sources when a tragedy occurs. Sadly, with the increasing operational tempo since 9/11, we have learned a lot about loss and grief, and so have steadily improved the support and help available to families who lose a loved one. Every effort is made to ensure that the next of kin are informed as soon as possible by those who are appropriately trained, and a period of grace is given before the official announcement is made. It grieves me to say that this is going on even this week, as we know.

Since 2005 we have appointed and trained both casualty notification officers and visiting officers, so that the support that we offer families is not provided by those associated with the delivery of the worst news. Our dedicated visiting officers are able to guide, support and assist families through the difficult times of the repatriation ceremony, funeral arrangements and the return of their loved one's effects. The hon. Lady was quite right to draw attention to the way in which this could sometimes be done in an arbitrary manner, with the arrival of some boxes containing a loved one's effects. Visiting officers can be assigned to a bereaved family for six to nine months, but support remains available through the Army's inquiries and aftercare support cell, right up to an inquest and beyond, unlike in 1973.

All families show different reactions to the loss of a loved one. Our visiting officers are trained to understand the differences and react accordingly, so that the level of support received is determined by the need of the family. The support is therefore enduring in nature and co-ordinated in provision. In addition to giving emotional support, the visiting officer can act as a conduit to practical support regarding pensions, counselling and financial matters. This includes access to public funds that are available to help families attend the significant events associated with their bereavement, helping with funeral expenses, travel to the repatriation, funeral and inquest, and accommodation. Public funds are also available to help families after their initial period of grief and mourning to move on with their lives, through the continuity of education allowance, the maintenance of the living overseas allowance, the ability to remain in service accommodation for up to two years and the transfer of the resettlement allowance. These are changes that have happened since 1973.

I referred earlier to the lessons that are now learned in the field. The Army keeps all its procedures under continuous review to ensure the safety of its personnel. Additionally, systems exist at various levels to identify lessons from incidents and make recommendations to take action to prevent similar circumstances from arising in future, including, where necessary, a statutory service inquiry and, when there is a death during operations, a service police investigation. We are not complacent. Despite the strides that have been made in recent years, we recognise that more can always be done. The armed forces covenant, which was published on 16 May, sets out what service personnel and their families can expect from the Government and the nation in recognition of what we ask them to do to keep us safe. The Government are determined to remove disadvantages encountered as a result of service, as well as ensuring that the armed forces community receives the recognition to which it is entitled. By publishing the covenant we have a clear sense of what we are trying to achieve and have established the right direction of travel that will allow us to do so.

As a nation, we have an obligation to our servicemen and women who, like Gary Barlow, commit themselves to the service of this country and risk paying the ultimate price to keep us safe, as well as to the families who support their loved ones in the armed forces through good times and bad. Our commitment to them should be just as enduring, and with the publication of the covenant, we believe that we have established a way of ensuring that this commitment does not waver. The nation will hold us to account.

I reiterate what I said to the hon. Lady earlier. This was an awful tragedy. As it happens, I also joined the Army in 1970, and to think of a young man of 19 being killed in that way in Northern Ireland must bring us all

grief. I hope that raising this matter in the House of Commons will lead the Barlow family, and Mrs Rona Barlow and the sister whom the hon. Lady mentioned in particular, to appreciate that Private Barlow's death is recognised and truly appreciated by the nation.

Question put and agreed to.

10.45 pm

House adjourned.

House of Commons

Tuesday 21 June 2011

The House met at half-past Two o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

TREASURY

The Chancellor of the Exchequer was asked—

Debt Level (GDP)

1. **Emily Thornberry** (Islington South and Finsbury) (Lab): What assessment he has made of potential trends in the level of debt as a proportion of gross domestic product to 2014-15. [60772]

6. **Mrs Linda Riordan** (Halifax) (Lab/Co-op): What assessment he has made of potential trends in the level of debt as a proportion of gross domestic product to 2014-15. [60777]

The Chancellor of the Exchequer (Mr George Osborne): This Government inherited plans that had Government debt rising as a share of GDP in 2014-15. Thanks to the credible plan that we have put in place, debt is now forecast to be falling in that year.

Emily Thornberry: Would the Chancellor of the Exchequer like to take this opportunity to explain why the Office for Budget Responsibility now says that the Government will need to borrow £46 billion more than was estimated a few months ago? Would he also like to take this opportunity to accept that, by cutting too far and too fast, we will fall into a vicious circle that will make it more difficult to pay off the deficit in the long term?

Mr Osborne: The public finance figures are out today, and they show that the British economy and the British Government are on track to reduce the budget deficit, as we forecast in the Budget. On a day like this, in a week like this, for the Opposition to suggest that we should abandon our credible deficit reduction plan shows how out of touch they are with what is going on in the world today.

Mrs Riordan: Will the Chancellor confirm that national debt as a proportion of GDP was 36.5% in 2007-08, before the global crisis, which was significantly lower than the 42.5% that we inherited from the previous Government, and lower than in America, France, Germany and Japan?

Mr Osborne: There is this myth on the Opposition Benches that we inherited a golden economic legacy. It is not a myth believed in by the International Monetary Fund, the OECD or the CBI, nor is it a view shared by Tony Blair or the former Chancellor of the Exchequer, the right hon. Member for Edinburgh South West (Mr Darling), both of whom have identified—since the general election, of course—the fact that Labour was running into spending problems in 2007 and that the structural deficit was starting to build before the global economic crisis that the hon. Lady mentioned.

Michael Fallon (Sevenoaks) (Con): How much greater would our public sector debt be if we adopted the completely unfunded and opportunistic proposal for a £13 billion VAT cut from the very people who racked up all the debt in the first place?

Mr Osborne: My hon. Friend draws attention to the completely ludicrous policy put forward by the shadow Chancellor last week—it was mentioned just on that Thursday, and has not been repeated by any Labour politician since—for a £13 billion unfunded tax change, or £51 billion over the Parliament. The policy is totally incredible, and was rejected by every serious economic commentator on the day. It just shows how far those on the shadow Front Bench have to go to make good for the mistakes that they made in office.

Mr John Redwood (Wokingham) (Con): Given the large amount of state bank debt still on the balance sheet, will my right hon. Friend consider a scheme to make an early transfer of shares in the state-owned banks to taxpayers for free, on condition that, as and when people sell, they send money back to the Treasury to represent the Treasury cost of those shares?

Mr Osborne: I am always happy to discuss the ideas of my right hon. Friend or other Members on how we dispose of those bank shares. The House will know that we announced last week that we are putting Northern Rock up for sale—the good bank in Northern Rock, of course; the state will hold on to the bad bank for many years to come. We want to exit from our shareholdings in RBS and Lloyds in due course, but we do not judge now to be the right time.

Ed Balls (Morley and Outwood) (Lab/Co-op): I am very much looking forward to our debate on the economy tomorrow, on the anniversary of the Government's first Budget. I do hope that the Chancellor is looking forward to the debate too, but today let me ask him about another matter of great importance to our economy, our national debt and our wider national interest. Three months ago the Chancellor told the House that the cost of the intervention in Libya, which the Opposition support, would be

"in the order of tens of millions of pounds, not hundreds of millions."—[*Official Report*, 22 March 2011; Vol. 525, c. 850.]

That was followed the next day by headlines—which would have been read by the Gaddafi regime—saying that the Chancellor and the Government thought that the campaign would be over in a month. Does the Chancellor now accept that that was a mistake? Will he tell the House how much has been spent so far? Will he

also give the House his latest estimate of what the full cost of the campaign is likely to be and what its impact on the national debt will be?

Mr Osborne *rose—*

Mr Speaker: Order. All with specific reference to the level of debt as a proportion of GDP.

Mr Osborne: I see that the shadow Chancellor is following his former master's habit of straying from the direct area of his brief, but there we go. Let me deal directly with Libya. What I told the House at the time was that the cost estimated at the time by the Ministry of Defence was in the tens of millions of pounds, and the Ministry of Defence is planning to provide an update to the House on the full costs, I think within the next week.

Ed Balls: This is a Treasury matter. It is about Treasury spending from the reserve, and it has a direct bearing on the national debt as well as on our national interests. It seems rather odd that, at the outset of the campaign, the Chancellor was happy to give a detailed answer, yet he now says that he cannot do so. Does he not know, or is he not prepared to do so? Just a few weeks ago, the White House provided the US Congress with a 34-page document giving details of the costs up to 3 June and the likely costs up to September. Will the Chancellor now agree to provide this House with similar information on the cost of Britain's involvement in Libya, and to make a full Treasury statement to the House?

Mr Osborne: If the right hon. Gentleman had been listening, he would have heard me say that the Ministry of Defence was going to provide an update on the costs within the next week. I know that, when he was in the Treasury, everything was a Treasury matter, but in this Government we let the Ministry of Defence talk about defence operations, just as we let the Department for Education talk about schools and the Department of Health talk about the NHS. The Ministry of Defence will provide an update on the costs within the next week. The costs come from the special reserve, as the right hon. Gentleman well knows, and I can tell him that they are very much lower than those of the ongoing operations in Afghanistan.

Growth Forecast

2. **Huw Irranca-Davies** (Ogmore) (Lab): What assessment he has made of the likelihood that the growth outturn will meet or exceed the forecast for 2011 made by the Office for Budget Responsibility in June 2010. [60773]

13. **Debbie Abrahams** (Oldham East and Saddleworth) (Lab): What assessment he has made of the likelihood that the growth outturn will meet or exceed the forecast for 2011 made by the Office for Budget Responsibility in June 2010. [60784]

The Chancellor of the Exchequer (Mr George Osborne): The Office for Budget Responsibility's latest economic forecasts were published in March. The whole purpose of creating the OBR was to have forecasts that were independent of the Chancellor, so for me to give a running forecast would completely undermine the institution. To strengthen its independence, I am today announcing the appointment of Lord Burns and Kate Barker as the new non-executive members of the OBR. They were posts that the Treasury Select Committee recommended that we create. I am also announcing today the new appointment of Michael Cohrs as a non-executive director of the Court of the Bank of England, along with the re-appointment of Sir Roger Carr, Lady Susan Rice and Harrison Young—

Mr Ronnie Campbell (Blyth Valley) (Lab): They are all Tory.

Mr Osborne: Well, the hon. Gentleman will like this bit, then. Recognising that we are all going to have to work a little longer, I am announcing the extension of Brendan Barber's term by a further year.

Huw Irranca-Davies: A year ago at the Dispatch Box, the Chancellor said that, in his judgment, we would have sustained economic growth, even in the face of the cuts agenda that he is pursuing. Does he now believe that the 1.7% economic growth that the OBR has forecast will be met, or will we face a fourth period of downgrading its growth forecasts?

Mr Osborne: The OBR is a new institution that I think we all agreed should be established and put on a statutory footing. It is independent, and it makes independent forecasts. If the Chancellor of the day started giving a running commentary on those forecasts or making his own forecasts, that would completely undermine the OBR. The institution was introduced in order to give more credible independent information to Parliament. It is interesting that, in the acceptance speech that the former Foreign Secretary would have given if he had become the Labour leader, one of his central points was that Labour should embrace the OBR as an idea that it should have had while in office and that it should support in opposition.

Debbie Abrahams: Over the past six months, we have seen the economy flatlining, whereas in the previous six months we saw growth of 1.8%. Can the Chancellor explain to the House exactly what has changed?

Chris Ruane (Vale of Clwyd) (Lab): The Government.

Mr Osborne: I think the hon. Gentleman will find that the Government changed a year ago. I would say to the hon. Lady that the economy is now growing, and that in the past year more than 500,000 private sector jobs net have been created, which the Opposition should welcome. Exports are up 13%, investment is up 5.8% and manufacturing is up 4.2%—*[Interruption.]* Well, we remember when that lot were in a couple of years ago and the economy was tanking. Now it is growing and, as the public finance figures show today, we are getting the budget deficit down, dealing with our borrowing problem and restoring stability to the British economy. That is why the plans that we have put in place have been welcomed by so many independent organisations.

Mr Andrew Tyrie (Chichester) (Con): The Office for Budget Responsibility is scoring the value of most asset sales other than banks at zero in the forecast, on the grounds that it cannot estimate their value. Will the Chancellor provide every assistance possible to the OBR, so that an estimate can be incorporated in its assessment of long-run sustainability, which it is due to publish in three weeks? Is that not an early issue for the newly appointed non-executives to take up?

Mr Osborne: I am certainly aware that the Treasury Committee and the Office for Budget Responsibility are in discussions over privatisation receipts and other asset sales, but I do not think that it would be right for me to intrude in that discussion. I can give my hon. Friend the commitment that we will certainly provide the OBR with any information it asks for.

Sajid Javid (Bromsgrove) (Con): Has the Chancellor considered what would happen to our growth rate if we followed the advice of the shadow Chancellor, which is opportunistically to oppose every spending cut and every tax increase proposed by the Government?

Mr Osborne *rose—*

Mr Speaker: Order. There is no requirement or need for the Chancellor to comment on Opposition policy. I would have thought that we had grasped that point by now.

Kerry McCarthy (Bristol East) (Lab): In reaction to this year's Budget, the Institute for Fiscal Studies said that, if the Chancellor is to meet his borrowing targets, he will be

"now even more dependent on a bounce back in the rate of economic growth from 2013".

Borrowing has already been £1.5 billion higher in the first two months of this financial year than it was in the same period last year, as the Chancellor's tax rises and spending cuts kick in. If growth outturns fail to meet the forecasts, will the Government change their plans on borrowing?

Mr Osborne: When the director of the IFS was asked this month:

"Have things changed so much in the past 12 months that you would expect the Government to change course now?"

he replied, "No". In fact, the advice of the IMF is also that now would be the wrong time to adjust macro-economic policies, while the Governor of the Bank of England at Mansion house said that we should not adjust the macro-economic mix. The truth is that the Labour Opposition, who got us into this mess, have absolutely no answers for getting us out of it. Is it not striking that the shadow Chancellor gave a speech last week with his big new economic policy, and not a single Labour MP has mentioned it yet?

UK Economic Policy (IMF)

3. **Mr David Amess** (Southend West) (Con): What recent representations he has received from the IMF on UK economic policy. [60774]

The Chancellor of the Exchequer (Mr George Osborne): The IMF completed its article IV assessment of the UK economy this month. Its recommendation could not have been clearer. When asked whether it was time to adjust macro-economic policies, its answer was no.

Mr Amess: I am delighted that the IMF has confirmed that the Chancellor is pursuing the right strategy to clear up the mess left by the last rotten Labour Government. Will he explain why the yield on UK Government bonds is only 0.25% higher than in Germany, whereas in Portugal it is 8.5% higher?

Mr Osborne: The simple reason is that we have a credible deficit reduction plan. Even though we inherited a deficit higher than Portugal's, our interest rates are closer to those of Germany. Indeed, the spread over Bunds—the difference between German and UK interest rates—has come down substantially over the last year, even though that gap has gone up in France, Spain and other European countries. The real monetary stimulus being provided to the economy by those low interest rates is anchored in the credible deficit reduction plan.

Mr Geoffrey Robinson (Coventry North West) (Lab): May I take up the point made by the Chancellor about the outstanding speech made by my right hon. Friend the shadow Chancellor? Why does the Chancellor have this touching, childlike faith in the views of the IMF when it got things dead wrong on the exchange rate mechanism, which it unfortunately imposed on this country the previous time it had the misfortune to have a Tory Government?

Mr Osborne: It is normal for Finance Ministers to pay some attention to what the IMF says, but there we go. The last time we had a Labour Government, we had to turn to the IMF for help; I am trying to avoid that.

George Freeman (Mid Norfolk) (Con): Is my right hon. Friend aware of the recent comments of the director general of the CBI? He said:

"Acting swiftly and decisively on the deficit has...laid a firm foundation for...growth."

Who does my right hon. Friend think is more plausible: the director general of the CBI or the lone voice opposite?

Mr Osborne: I think the CBI's view reflects those of almost the entire business community in Britain and almost all international commentators on the United Kingdom economy. When the CBI was asked explicitly what it thought of the Labour party's plans, its chief economic adviser said:

"The economy would be weaker because of the impact of a loss of confidence in the markets."

Mr David Hanson (Delyn) (Lab): Since the Government came to power, the growth forecast for this year has been downgraded by 1%. The IMF has also said that the speed of Government cuts poses a risk of higher inflation, lower growth and rising unemployment. Does the Chancellor agree with the IMF, which he is keen to support, that if

"a prolonged period of weak growth"

—which we have at present—

is in prospect, "temporary tax cuts" should be considered?

Mr Osborne: First, the right hon. Gentleman has misquoted the IMF. Perhaps he will give the House the full quotation. The IMF did not say "at present", which the right hon. Gentleman slipped into the quotation. *[Interruption.]* Perhaps he will take the opportunity to correct the record later. Secondly, the IMF said:

"Strong fiscal consolidation is underway and remains essential".

The managing director of the IMF could not have been stronger in his endorsement through article IV.

I note that three Opposition Front Benchers have asked questions, and that not one has mentioned the new policy of the shadow Chancellor.

Inflation Trends

4. **Angela Smith** (Penistone and Stocksbridge) (Lab): What recent assessment he has made of the effect on the economy of trends in the rate of inflation. [60775]

8. **Mr David Lammy** (Tottenham) (Lab): What recent assessment he has made of the effect on the economy of trends in the rate of inflation. [60779]

The Exchequer Secretary to the Treasury (Mr David Gauke): The Government consider a range of factors when making their assessment of the United Kingdom economy. The Office for Budget Responsibility is responsible for producing independent economic and fiscal forecasts. The OBR published a full analysis of recent developments and the prospects for growth and inflation in its forecast at the time of the Budget.

Angela Smith: Do the Minister and the rest of the Front-Bench team now regret raising VAT at a time of rising commodity prices, which has helped to push inflation up to double the Government's target rate and has added to the squeeze on pensioners and families?

Mr Gauke: First, the former Chancellor, the right hon. Member for Edinburgh South West (Mr Darling), said that he would have done the same. Secondly, a cut in VAT would do nothing to reverse the rise in global commodity prices, but would do a lot to reverse the Government's hard-won credibility for getting the deficit down.

Mr Lammy: In the light of what the Minister has said, may I invite him to Tesco's in Tottenham high road, where he will meet some of my constituents who must deal with higher food prices, rising electricity and gas prices and, now, redundancy and the loss of most of the services on which they rely?

Mr Gauke: I should be delighted to accept the right hon. Gentleman's invitation. However, he will be aware that VAT is not chargeable on food, and that we have not raised fuel duty as the last Government did. You do not have to be a mastermind to know that.

Elizabeth Truss (South West Norfolk) (Con): If the Government took longer to reduce the deficit and carried on spending, what would be the impact of that policy on inflation?

Mr Gauke: I certainly think that, if we put our credibility at risk, there would be considerable concern about, for example, the currency. The response to that would be higher interest rates, which would do nothing for the growth of the economy.

Nadhim Zahawi (Stratford-on-Avon) (Con): We are already spending £120 million a day on debt interest. What figure does the Minister think would be reached if we had not increased VAT?

Mr Speaker: Order. We should be focusing on inflation. I call the Minister to answer, very briefly.

Mr Gauke: I shall try to focus on inflation, Mr Speaker, but I think that it is important to the economy all round, in terms of inflation and of other factors, for us to maintain credibility. That is something that the Government have and the Opposition, I am afraid, do not.

Ms Angela Eagle (Wallasey) (Lab): How many of the 34 countries in the OECD have comparable inflation rates higher than the present rate in the United Kingdom?

Mr Gauke: The fact that global commodity prices are rising and that the UK experienced a significant devaluation under the last Government mean that we face an issue with inflation, but it is the Monetary Policy Committee of the Bank of England that has responsibility for that. It is one of the few policies of the last Government that still has any credibility. Is the Labour party distancing itself from that policy as well?

Ms Eagle: Obviously, the Minister did not know that the answer is only two: Estonia and Turkey. He can huff and puff and blame world commodity prices all he wants, but is it not obvious that the Chancellor's decision to put up VAT in January because he chose to cut too far too fast is causing real hardship to families throughout the country as they struggle to cope with the most vicious squeeze on living standards in generations? When is he going to realise that his economic policy is hurting and it is not working, and that the whole Treasury Front-Bench team is out of its depth?

Mr Gauke: For a moment, the hon. Lady got quite close to supporting the policy the shadow Chancellor announced last week, but she did not quite do so. The fact is that the Bank of England says the main causes of inflation are to do with the devaluation and rising global commodity prices. That is the truth; that is the reality—*[Interruption.]* Well, that is what the Bank of England says, and I suspect it has a bit more expertise than the hon. Lady.

Structural Deficit

5. **John Stevenson** (Carlisle) (Con): What recent estimate he has made of the size of the structural deficit. [60776]

The Chief Secretary to the Treasury (Danny Alexander): The independent Office for Budget Responsibility published its latest forecast on the structural deficit in the March

economic and fiscal outlook. The OBR forecast shows the structural deficit was 7.4% of GDP in 2010-11.

John Stevenson: I thank the Minister for that answer. Does he agree that one of the main reasons we are experiencing financial difficulties and the large budget deficit is the simply that for a number of years prior to the recession the Labour Government were borrowing money while other, prudent economies were repaying debt, and that has exacerbated our problems now?

Danny Alexander: I am grateful to my hon. Friend for that question, and he makes an important point. This country was running a structural deficit from 2002 onwards, so his analysis is exactly right. However, that was not the only problem with the previous Government's policy, of course; another was their abject failure to regulate the banks and deal with the financial system. That is a further major cause of the problems we face.

Geraint Davies (Swansea West) (Lab/Co-op): Does the Chief Secretary accept that his and his Government's macho approach of massive cuts and confronting the unions is reducing consumer confidence, which in turn is reducing investment, and that that is hindering growth and has led to the March deficit forecast being increased by £46 billion, which is almost £1,000 per person in Britain?

Danny Alexander: No, I do not. The decisions we have taken on reducing the enormous budget deficit we inherited from Labour were absolutely necessary to restore confidence in this country's ability to pay its way in the world, and that is helping to deliver the low interest rates that are delivering a significant benefit to our economy. The hon. Gentleman should recognise that, too.

Andrew Selous (South West Bedfordshire) (Con): Will the Chief Secretary reassure the House that he will never behave as irresponsibly as *The Daily Telegraph* has revealed the last Government did? When faced with a massive structural deficit before the recession, they increased spending by £90 billion between 2007 and 2010, even though the Treasury told them to increase spending only in line with inflation.

Danny Alexander: I can certainly confirm that we will not repeat that mistake. We have all seen the document entitled, "We've spent all this money, but what have we got for it?" It is very important that this country maintains the spending plans we set out in the spending review, in order to deliver the deficit reduction that this country needs to establish confidence in our economy.

Bank Lending (Small Businesses)

7. **Chris Evans** (Islwyn) (Lab/Co-op): What assessment he has made of trends in bank lending to small businesses in the first quarter of 2011. [60778]

The Financial Secretary to the Treasury (Mr Mark Hoban): Under Project Merlin, the banks loaned a total of £47.3 billion to UK businesses in the first quarter of 2011, including £16.8 billion to small and medium-sized enterprises. The Government are encouraged that banks are broadly on target to meet their overall commitments. However, it is disappointing that banks are behind schedule on SME loans, and they clearly need to do much more work to deliver on their commitments.

Chris Evans: A number of small businesses in Islwyn tell me they have experienced an increase in the overall interest rate charged by banks, despite the base rate being at an all-time low. What are the Government doing to address that?

Mr Hoban: We must ensure that banks signal to businesses that they are open for business and that they have the capacity to lend to businesses. That is why we work with the banks to deliver Project Merlin, but, as I have said, there is more work for the banks to do to ensure they lend to small businesses, and we will continue to hold them to account on that.

Laura Sandys (South Thanet) (Con): Did Project Merlin also cover transparency in respect of the covenants banks require small businesses to put forward, and has that increased over the last three or four years? I ask because this seems to be one of the big barriers to small businesses taking out loans.

Mr Hoban: My hon. Friend makes an important point about the relationship between banks and their customers and the transparency of that relationship. That is why the British Bankers Association business taskforce has introduced a range of measures to look at the relationship between banks and their customers and we will continue to monitor that work. It is important that banks are transparent with their customers about the terms on which loans are offered.

Dame Anne Begg (Aberdeen South) (Lab): My constituent Ashlea Hassan came to see me last week with her idea for setting up a small business. Despite having been told by every bank she has visited that she has an excellent business plan, a brilliant concept and enough equity in her house, not one of them is prepared to lend her the £40,000 she needs to set up her business. What advice does the Minister have for my constituent?

Mr Hoban: I would encourage the hon. Lady to suggest to her constituent that she pursue the appeal route that each bank has to enable businesses to appeal against lending decisions. That is a very transparent process that would, one hopes, reach the outcome that her constituent wants. The hon. Lady could also encourage her constituent to approach business angels for investment. We announced in the Budget a review of venture capital trusts and enterprise investment scheme reliefs to encourage more investors to commit more money to small and medium-sized enterprises.

Charity Bequests

9. **Tony Baldry** (Banbury) (Con): What fiscal measures he is taking to encourage bequests to charities. [60780]

The Economic Secretary to the Treasury (Justine Greening): At the Budget this year we announced the most radical and generous series of charity tax reforms for more than 20 years. The measures were not just

about improving support for gift aid and payroll giving—we also introduced new measures to improve the inheritance tax system so that we can encourage more bequests.

Tony Baldry: What estimate has my hon. Friend made of the number of charities that will benefit from the raising of the gift aid limits, the simplification of gift aid administration and the introduction of the gift aid small donation scheme?

Justine Greening: My hon. Friend is right to point out that we have taken a number of steps to improve the ability of gift aid to help charities. There are about 100,000 charities and community and amateur sports clubs currently registered for gift aid, all of which should be able to benefit in part or in entirety from these changes.

Ian Lucas (Wrexham) (Lab): The reality of the Government's approach to charities is that they have imposed a tax burden on charities by increasing VAT. If the Minister really wants to do something positive for charities, why does she not extend to them the same tax relief relating to VAT that is extended to local government?

Justine Greening: I emphasise to the hon. Gentleman that the measures we came up with for the Budget were ones that we talked to charities about in order to pull together. Over this Parliament, the measures will encourage approximately £600 million more going to charities from donations, and I think that all hon. Members across the House should welcome that.

Banks (Taxation)

10. **Paul Blomfield** (Sheffield Central) (Lab): What assessment he has made of the level of taxation of banks. [60781]

The Financial Secretary to the Treasury (Mr Mark Hoban): Banks operating in the UK make a significant contribution to the economy and public finances. However, as the financial crisis demonstrated, the sector also posed a potential risk to the wider economy and it is only fair for the banks to make an additional contribution to reflect that. That is why we have implemented a permanent levy on the balance sheet of banks, which will raise more than £2.5 billion each year.

Paul Blomfield: I thank the Minister for that reply, but will he recognise the enormous feeling throughout the country that the banks need to fulfil their responsibility for the challenges we face? Will he therefore explain the stubborn refusal of the Government to repeat last year's bonus tax, on top of the bank levy, which would generate the revenue to build 25,000 affordable homes and create 100,000 new jobs?

Mr Hoban: Perhaps the hon. Gentleman should speak to the right hon. Member for Edinburgh South West (Mr Darling), who said that imposing the bank levy again simply would not work.

Mr Peter Bone (Wellingborough) (Con): Are the losses on banks that accumulated because of their bad judgment being allowed to be set against future profits? In other words, are they avoiding future tax on future profits?

Mr Hoban: The corporation tax arrangements for banks are similar to those for other businesses. That is one reason why we have imposed the additional bank levy, which will raise more each year over this Parliament than the previous Government's bank payroll tax did. It is important that the banks make a contribution to reflect the risk that they pose to the wider economy.

Unemployment Trends

11. **Bill Esterson** (Sefton Central) (Lab): What recent assessment he has made of the effect on the economy of trends in the rate of unemployment. [60782]

15. **Steve Rotheram** (Liverpool, Walton) (Lab): What recent assessment he has made of the effect on the economy of trends in the rate of unemployment. [60786]

The Chief Secretary to the Treasury (Danny Alexander): The unemployment rate has fallen recently: in the latest data, it was 7.7%—down from 7.9% on the quarter. The Office for Budget Responsibility assumed at Budget 2011 that the structural rate of unemployment was unchanged from its previous trends at 5.25%. In the medium term, unemployment is expected to fall as the economy recovers, supported by the action taken by the Government, including measures published in the Budget and "The Plan for Growth."

Bill Esterson: Youth unemployment peaked in 1985 four years after the recession of 1981, with disastrous consequences for a generation of young people. When the Chancellor scrapped the future jobs fund he showed that he had not learned from what happened in the 1980s. Is not the truth that the Chancellor is out of touch with the realities of life for young people and is on course to repeat the same mistakes as the Tories made in the 1980s, with the same disastrous consequences?

Danny Alexander: If the hon. Gentleman was being fair, he would recognise that youth unemployment was growing substantially under the previous Government as well. The country has faced the problem for many years, which is why in the Budget we announced a £200 million package of support, including work experience placements for young people, skills training, guaranteed interviews and progression to apprenticeships. Including the measures in the Budget and the spending review, we will deliver at least 250,000 more apprenticeships over the next four years, compared with the previous Government's plans.

Steve Rotheram: Since this nightmare coalition came to power, the number of people out of work in my constituency has increased, and that is even before the cuts really start to bite. Is it not a fact that the Chancellor, like many Members on the Government Benches, still believes that unemployment is a price worth paying?

Danny Alexander: Certainly not. That is why in Merseyside, we have announced a new enterprise zone that will encompass the Liverpool Waters and Mersey

Waters regeneration projects. The regional growth fund has announced several projects in Merseyside, and the Work programme in Merseyside will help to deliver support for people to get off benefits and into work; the second contractor got under way yesterday. I hope the hon. Gentleman agrees that is a serious programme to help people off benefit and into work in Merseyside.

Charlie Elphicke (Dover) (Con): Will the Minister confirm that the recent announcement of the sharpest fall in unemployment in a decade and the creation of 500,000 jobs in the private sector over the past year shows hope that things are going in the right direction for unemployment?

Danny Alexander: We always said that the economic recovery would be choppy, but it is none the less welcome that we have seen significant job creation in the private sector over the past year. That offsets some of the job reductions in the public sector that are necessary as part of our deficit reduction programme.

Mr Rob Wilson (Reading East) (Con): May I tell my right hon. Friend that since May last year unemployment in my constituency has fallen by 11%? That is due to fast-growing private companies, such as Pegasystems. Is not the key to reducing high unemployment sticking to the deficit reduction programme and removing barriers to growth?

Danny Alexander: My hon. Friend is absolutely right. We have to stick to the deficit reduction programme, which is the essential underpinning for future economic growth in this country. We also need to take steps to ensure that that economic growth is balanced across the country, and the regional growth fund and the local enterprise partnership programme are an important part of ensuring that we have growth across the entire United Kingdom.

Job Creation (Private Sector)

12. **Eric Ollerenshaw** (Lancaster and Fleetwood) (Con): What recent assessment he has made of the rate of job creation in the private sector. [60783]

The Financial Secretary to the Treasury (Mr Mark Hoban): Last week, the Office for National Statistics published private sector employment numbers for the first quarter of 2011. They showed that private sector employment has risen for five consecutive quarters by 560,000 in total. That is the largest increase recorded over five consecutive quarters since the ONS started to publish the quarterly series of private sector employment in 1999.

Eric Ollerenshaw: I welcome those figures, but—like other Members—I constantly meet in Lancaster and Fleetwood small and medium-sized enterprises that have orders and could take on new staff and deal with the unemployment situation, but are being frustrated by the banks. What further support can the Minister offer to those much-needed engines of private sector growth?

Mr Hoban: That is why we introduced Project Merlin. We have also taken other measures to encourage funding for small businesses. The banks have set up the business growth fund, which can invest capital in medium-sized businesses to help them grow. We have approved arrangements for business angels to invest more in small and medium-sized businesses. These are the measures we need to take to introduce a range of available finance so that small businesses and private sector employment can continue to grow.

Mr Brian H. Donohoe (Central Ayrshire) (Lab): When a constituent comes to my constituency surgery or writes to me, and I write to the Treasury because that is where their question should be answered, why, after a long process, is the Treasury now saying that I will not get a letter in reply because a circular was sent some months ago? The Minister now answering is the one who is responsible. Why is that practice happening in the Treasury?

Mr Hoban *rose—*

Mr Speaker: Order. The hon. Gentleman refers to letters but the question is about the rate of job creation in the private sector; I think the hon. Gentleman meant to say that.

Mr Hoban: Indeed. If the hon. Gentleman will let me have details, I will look into the matter for him.

Mr Donohoe: On a point of order, Mr Speaker. In view of the unsatisfactory nature of the reply I have just received, I will seek a debate on the Adjournment.

Mr Speaker: I am extremely grateful. Under the procedures of the House, as colleagues are aware, we must proceed to the next question.

Budget (June 2010)

14. **Andrew Gwynne** (Denton and Reddish) (Lab): What assessment he has made of the progressive effects of the measures in the June 2010 Budget which have been implemented to date. [60785]

The Economic Secretary to the Treasury (Justine Greening): As the House knows, the Government published huge amounts of analysis of the impact of the measures announced in the Budget of June 2010. The majority of the measures have now been implemented. The charts in the Budget book show that the most well-off households make the largest contribution to the fiscal consolidation, both in cash terms and as a proportion of their net income.

Andrew Gwynne: I am grateful to the Minister for that reply, but has she seen the analysis produced by the House of Commons Library and my right hon. Friend the Member for Normanton, Pontefract and Castleford (Yvette Cooper) showing that the measures in the last Budget hit women three times as hard as they hit men? Why is that?

Justine Greening: I do not accept the premise of the hon. Gentleman's question at all. As ever, what we have heard from the Opposition is a cheap political point-scoring jibe. They might be better advised to come up with an alternative plan for tackling the fiscal deficit. The hon. Gentleman had nothing to say to my response to him,

which implied that it is the most well-off households in the country that are bearing the brunt of the fiscal consolidation.

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): A year ago, when the Institute for Fiscal Studies analysis found that the Budget was a regressive one, the Treasury objected to that analysis on the basis that the IFS had not properly considered the incentives to economic growth that the Budget contained, but given that growth is now flatlining and seems to be frequently downgraded, is the Treasury willing to accept that the IFS analysis last year was entirely correct?

Justine Greening: The IFS analysis was very clear-cut that it was indeed the most well-off people in our country who were bearing the brunt of the fiscal consolidation measures. I draw the House's attention to the need to look at the overall impact of not just the Budget 2010, but the spending review and the Budget this year. They show that the most well-off people in our country are bearing the brunt of the fiscal consolidation, whether that is measured in terms of their income or of their expenditure.

Mr Philip Hollobone (Kettering) (Con): The incentives for job creation in the June 2010 and subsequent Budgets are to be welcomed, but given that for every 10 new jobs eight go to foreign-born workers, what more can be done to encourage the employment of the indigenous work force?

Justine Greening: As my hon. Friend knows, one of the key aspects of the Budget this year was to launch "The Plan for Growth". A key part of that was to provide for more apprenticeships and more work experience so that we can make sure that people have the right skills that companies in this country need.

Growth Forecast

18. **Alison McGovern** (Wirral South) (Lab): What assessment he has made of the most recent growth forecast by the Office for Budget Responsibility. [60790]

The Chief Secretary to the Treasury (Danny Alexander): Growth forecasts are for the independent Office for Budget Responsibility. In March it forecast the economy to grow by 1.7% in 2011, 2.5% in 2012 and 2.9% in 2013.

Alison McGovern: If the OBR embarrasses the Treasury again by downgrading growth forecasts yet again, how will the Government respond?

Danny Alexander: As I say, growth forecasts are a matter for the independent Office for Budget Responsibility. I am clear that the deficit reduction programme is essential to ensure that we have confidence in the UK economy. Given that the Opposition caused the mess we are trying to clear up, I hoped the hon. Lady would support that.

Stephen Hammond (Wimbledon) (Con): Does the Chief Secretary agree that one of the assessments that we can make on growth is that encouraging job creation in the private sector will see a reversal of the decline in the productivity experienced when the Labour party was in power, and is likely to see growth forecasts continue to rise?

Danny Alexander: The hon. Gentleman is right that we need to see the private sector lead the economic recovery. Many of the measures that we announced in "The Plan for Growth", such as reforms to the planning system, the measures on regulation and some of the tax measures that we announced to support investment, will all help to encourage and support private sector businesses to lead the recovery that we all want to see.

Banks (Regulation)

19. **Glyn Davies** (Montgomeryshire) (Con): What steps he is taking to reform the regulation of banks and financial institutions. [60791]

The Financial Secretary to the Treasury (Mr Mark Hoban): Last Thursday we published "A new approach to financial regulation: the blueprint for reform", which sets out the Government's proposals to reform financial regulation in the UK.

Glyn Davies: With a permanent annual levy worth £2.5 billion, tough rules on bonuses, a new deal on lending and regulatory responsibility returned to the Bank of England and handed to a new Financial Conduct Authority, is not the coalition making good progress in creating a sustainable banking system?

Mr Hoban: My hon. Friend is absolutely right that we have made significant progress over the past year in getting the financial regulatory system back in good shape. Of course, the Opposition should remember that it was the shadow Chancellor who spent his time in office trumpeting the value of light-touch regulation across the world.

Mark Durkan (Foyle) (SDLP): Will the Minister assure us that, in the context of his current work on regulation, the anomalous position of credit unions in Northern Ireland, which have much bigger memberships and funds than those in the rest of the UK but cannot offer the same range of services, will be addressed, along with industrial and provident societies in Northern Ireland, which are also in something of a regulatory black hole?

Mr Hoban: The hon. Gentleman makes an important point. Work is under way to look at the regulatory position of Northern Ireland credit unions.

Topical Questions

T1. [60797] **Mr Gareth Thomas** (Harrow West) (Lab/Co-op): If he will make a statement on his departmental responsibilities.

The Chancellor of the Exchequer (Mr George Osborne): As set out before, the core purpose of the Treasury is to ensure the stability of the economy, promote growth and jobs, reform banking and clear up the mess in the public finances that we inherited.

Mr Thomas: In Harrow, five police sergeant posts have been axed and Wealdstone police station is being closed. Is that the Chancellor's fault for cutting public services too far and too fast, or should I blame Boris?

Mr Osborne: I blame the Labour Government. During the election campaign, the Labour Home Secretary said publicly on television that police numbers would have to be cut if Labour was re-elected.

T3. [60799] **Stephen Barclay** (North East Cambridgeshire) (Con): What assessment has my right hon. Friend made of the cost to the public finances of an emergency cut in VAT and the disastrous impact that would have on debt interest?

Mr Osborne: The estimate is £51 billion over this Parliament, which I guess is just another nail in the coffin of the shadow Chancellor's economic credibility.

T2. [60798] **Mr Denis MacShane** (Rotherham) (Lab): Has the Chancellor by chance seen the interesting analysis by the House of Commons Library showing that the measures in his Budget will affect women three times as adversely as they will affect men? Is he a misogynist?

The Economic Secretary to the Treasury (Justine Greening) *rose—[Interruption.]*

Mr Speaker: Order. Mr Ruane, I want to hear the Minister's answer.

Justine Greening: The right hon. Gentleman's hearing must be suffering, because he obviously did not hear my earlier answer to the hon. Member for Denton and Reddish (Andrew Gwynne).

T4. [60800] **Mr Aidan Burley** (Cannock Chase) (Con): Dr Adrian Steele, the managing director of Mercian Labels in Cannock, has just been named as one of the midlands' most promising entrepreneurs. His company supplies labels and barcodes to the medical industry and employs 32 people. Does the Chancellor agree that it is small business entrepreneurs such as Dr Steele who will grow our economy back to strength, and will he continue to support manufacturers, who were shamefully neglected by the Labour party?

Mr George Osborne: My hon. Friend is right. Manufacturing halved as a share of our economy under the Labour Government and financial services grew dramatically over that period. Since the last election, manufacturing output is up 4.2% and the private sector has created more than 500,000 new jobs net, which is all good news. The example he brings to the Chamber is just one of many companies that are investing and employing people, and despite a choppy recovery we should celebrate that.

T7. [60803] **Alison McGovern** (Wirral South) (Lab): On 14 February the Governor of the Bank of England told the Chancellor that his VAT rise had caused inflation. On 16 May the Governor again told him that his VAT rise had caused inflation. Will he tell me how he is measuring the impact of his VAT rise on the rest of our economy and whether it was a rise too far, too fast?

Mr Osborne: The Governor of the Bank of England had his opportunity at the Mansion House to comment on the macro-economic policies pursued by the Government, and he said that

"to change the broad policy mix would make little sense."

That is the judgment of the Governor of the Bank of England, and the hon. Lady may now find herself, like the shadow Chancellor, against the IMF, against the IFS, against the Governor of the Bank of England and against the CBI. It leaves the right hon. Gentleman completely alone, and it leaves the Labour party's economic policy absolutely isolated in the world. Now, she is a new Member, and I know that she has been saddled with being the former Prime Minister's private secretary, but she can break away from the nonsense being spouted by Opposition Members.

T5. [60801] **Oliver Colvile** (Plymouth, Sutton and Devonport) (Con): Does my right hon. Friend agree that the shortest suicide note in history consists of just five letters—plan B?

Mr Osborne: My hon. Friend is right, and, in the case of the Opposition, their plan is plan B for bankruptcy.

T9. [60806] **Mr Russell Brown** (Dumfries and Galloway) (Lab): About 20,000 UK citizens, including some of my constituents, have lost their savings by investing in the fund management company, Arch Cru. Will the Chancellor step in and investigate the role of the Financial Services Authority in the failure of that company?

The Financial Secretary to the Treasury (Mr Mark Hoban): The hon. Gentleman may well be aware that today an announcement was made of a voluntary scheme that we have put together to make available £54 million of compensation to Arch Cru investors. That, together with a previous payment to consumers, means that they will have recovered about 70% of the value of their holdings in Arch Cru funds as of the date when the funds' trading was suspended. That is a welcome move for Arch Cru investors, the FSA is continuing to look at the matter, and it would be inappropriate to make any further comment on it.

T6. [60802] **Andrew Jones** (Harrogate and Knaresborough) (Con): Has the Chancellor had cause to regret a decision, made by one of his predecessors, to sell the UK gold reserves a decade ago at the bottom of the market, a decision that has cost this country just under £10 billion?

Mr George Osborne: My hon. Friend is right: it is a decision of great regret. The gold was sold at £2.3 billion, and it would now be worth £12 billion, which as he says is a £10 billion loss. The Labour party, on the advice of the shadow Chancellor, managed to sell gold at its record low price. Indeed, gold traders now call it the Brown bottom. That is how they know the number, and it is yet another disastrous decision after which we are having to clean up.

Caroline Lucas (Brighton, Pavilion) (Green): The Chancellor will be aware of the recent Office for National Statistics finding that the regressive nature of VAT means that the UK tax system is doing almost nothing

to prevent income inequality. In that context, will he pay particular attention to a Fawcett Society report, to be launched tomorrow, which shows that his fiscal policies, such as increasing VAT, cause particular harm to lone parents, 92% of whom are women?

The Exchequer Secretary to the Treasury (Mr David Gauke): May I also point out that our tax policies include taking hundreds of thousands of people out of income tax altogether? On the particular subject that the hon. Lady raises, of those taken out of income tax following the announcement in the Budget earlier this year, 56% will be women.

T8. [60804] **Mr Robin Walker** (Worcester) (Con): Which does the Chancellor think is better for low-paid workers in Worcester: the Government taking 1 million of the lowest paid out of tax altogether; or the previous Government's move to double their tax by scrapping the 10p tax rate?

Mr George Osborne: As my hon. Friend points out, we have taken more than 1 million low-paid people out of income tax. We are committed to further such moves through this Parliament, and that is in stark contrast to the 10p tax raid in the previous Parliament. Of course, we now discover that, before the decision was made, the shadow Chancellor knew all about its impact on the poorest fifth in our society.

Mr George Mudie (Leeds East) (Lab): The Chancellor thought it proper in his Mansion House speech to give the bankers of the City first go on his views about the ring-fencing of banks. Apart from that being discourteous to the banking commission, which he set up, does he not think it discourteous to this House that he is prepared to give bankers that information but not to come and explain it to the House and take questions?

Mr Osborne: First, the announcement was made with the consent of the Independent Commission on Banking. Secondly, it is established that the Chancellor is able to give the Mansion House speech each year. I seem to remember that the last-but-one Chancellor announced the renewal of the nuclear deterrent at the Mansion House without coming to the House of Commons to do so. If the hon. Gentleman will allow me to say something about banking reform at the Mansion House in the years to come, I will therefore be grateful.

Stephen Williams (Bristol West) (LD): The spending review said that employee contributions to public sector pensions would need to increase in order to make the funds sustainable for the future. Does my right hon. Friend agree that that rate should not be applied uniformly in order to protect the lowest-paid public sector workers and encourage them to stay within public sector pension schemes?

The Chief Secretary to the Treasury (Danny Alexander): I am grateful for the question. I agree with my hon. Friend. In fact, a similar point has been made by several trade union representatives in the very constructive talks that we are having at the moment, which will be going on over the next few weeks. In applying the increase in pension contributions, it is very important to protect the low-paid so as to minimise the risk of opt-out.

Alison Seabeck (Plymouth, Moor View) (Lab): Repossessions are rising and are up by 17% on the last quarter. That is very reminiscent, sadly, of the conditions under the Conservative Government in the 1990s and the cost and misery caused to families. Will the Chancellor, and perhaps the housing Minister, tell us what direct action he is going to take to support those affected and to restore confidence to the housing market?

Mr Hoban: The hon. Lady is right to highlight the increased number of repossessions. We want to see a strong and stable housing market. The Government have taken action to support those who wish to stay in their homes through an extension of the scheme for mortgage interest support. We are continuing to make sure that advice is available to people who are facing difficulties in meeting their mortgage payments. The important thing, however, is to keep interest rates as low as possible for as long as possible so that families are not faced with an increase in their mortgage payments.

Mr John Redwood (Wokingham) (Con): Given the lack of growth in money and credit, is there anything else that the Government can do to promote the growth in the economy that is so crucial to their plans?

Mr George Osborne: As my right hon. Friend will know, the supply-side reforms that were set out in the growth review, including the reduction in corporate tax rates, are key. At the same time, as banks' balance sheets inevitably contract after the credit crunch and after the dramatic increase in the size of balance sheets over recent years, we need to ensure that we try to protect small and medium-sized businesses from the effects of that. That is why we concluded the Merlin deal with the banks.

Jon Ashworth (Leicester South) (Lab): The Minister will be aware that the claimant count has continued to rise in the past three months and that unemployment in many inner-city constituencies such as mine remains stubbornly high. Why will he not consider taxing the banks sufficiently to fund an inner-city youth jobs programme to help the young people on the estates in my constituency?

Mr Osborne: We have introduced a permanent bank levy that applies each and every year. There was a bank bonus tax for one year of the 13 years of the Labour Government; other than that, there were no charges on the banks. The former Chancellor of the Exchequer—my immediate predecessor—said that we could not repeat that because the bankers would find a way round it. We therefore looked to the advice of international bodies such as the IMF, and we introduced a bank levy that will raise more each and every year, net, than the Labour Government raised from the banks in any one year. That shows that we are asking the banks to make a decent contribution to the economy.

Henry Smith (Crawley) (Con): Last week, a consortium of regional airports called for a congestion tax on London airports such as Gatwick in my constituency. Will the Treasury rule out such an absurd and, frankly, anti-free trade measure?

Justine Greening: My hon. Friend is right to refer to the importance of the aviation sector. As he will know, the consultation on reform of air passenger duty closed last Friday, and we have received a number of different representations from stakeholders. He will be aware that this is partly about looking at what we can do to support regional airports, but we certainly do not want to do that at the expense of our other key airports in the south-east.

Mr Chuka Umunna (Streatham) (Lab): Several figures have been cited about the number of jobs created over the past 12 months. What percentage of those jobs were created before the spending review and are arguably attributable to the last Government, and what percentage have been created since?

Mr Osborne: I am happy to provide the hon. Gentleman with an exact breakdown based around the date of the spending review. What is clear, however, is that we said that we wanted the private sector to lead the recovery and that that was absolutely essential. That is the view of virtually every credible economist and business organisation in the country. He should be celebrating the fact that over 500,000 net new jobs have been created by the private sector in the past year.

Duncan Hames (Chippenham) (LD): Last week, I met development campaigners from Bradford-on-Avon at the "Tea time for change" rally. They welcome the Chancellor's support for transparency in companies operating in developing countries. Will he press for effective legislation internationally, and for country-by-country, project-by-project financial reporting for companies in the resource extractive industries?

Mr Osborne: My hon. Friend raises a good point, which commands the support of MPs from all parts of the House. We want to see greater transparency in the extractive industries. I raised the matter at the G20 meeting in Paris earlier this year. We want measures to be introduced at a European level and shortly after that at a G20 level to ensure that they have the maximum possible impact around the world.

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): Diolch yn fawr, Mr Speaker. The Governments of Northern Ireland and Scotland will soon have greater financial autonomy. What requests has the Chancellor received from the new Welsh Assembly Government for similar job-creating levers?

Mr Osborne: The hon. Gentleman knows that we made a clear commitment that if the outcome of the referendum in Wales was a yes, we would set up a Calman-like process that would come to an agreed set of proposals—I hope they will be agreed across many parties, as was the case with Calman in Scotland—on greater financial responsibility for the Welsh Assembly. We are engaging in that process now. One reason why Calman has worked well—I know that we will come on to discuss the Scotland Bill later—is that at least three parties in the House of Commons, Labour, the Liberal Democrats and the Conservatives, were able to agree on a set of proposals. I hope that we can achieve similar agreement in Wales.

Stephen Metcalfe (South Basildon and East Thurrock) (Con): I am sure my right hon. Friend is aware that if every small and medium-sized enterprise in the UK employed one additional person, we would have an employment surplus. What plans does he have directly to incentivise SMEs to take on additional staff?

Mr Osborne: First, we offer a national insurance tax break for new employees in new companies. We have cut the small companies tax rate, which was due to go up when I came to office. We are also cutting the headline rate of corporation tax by 2% this year and then by a further 3%, making it a 5% reduction over the course of the Parliament.

Ian Austin (Dudley North) (Lab): Is the Chancellor who now complains about a decade of over-investment by the previous Government related to the George Osborne who wrote an article in *The Times* in 2008 not just praising that Government's spending plans, but promising to stick to them?

Mr Osborne: I think the hon. Gentleman has his years wrong, for a start. We fought the 2005 general election warning that Labour was spending too much and we fought the 2010 general election giving that warning. The British people listened to us, and realised that people like him had been supporting a Government who had brought our country to the brink of bankruptcy.

Sentencing Reform/Legal Aid

3.32 pm

The Lord Chancellor and Secretary of State for Justice (Mr Kenneth Clarke): With permission, Mr Speaker, and further to the written ministerial statement I laid in the House earlier today, I would like to make a statement.

Last autumn, the Government launched two consultations on far-reaching plans to reform punishment, rehabilitation and sentencing of offenders, and on legal aid in England and Wales. Today I have laid before Parliament the government's responses to those consultations. I will also introduce the Legal Aid, Sentencing and Punishment of Offenders Bill to give effect to the measures we are taking forward that require primary legislation.

Protecting the public from crime and punishing lawbreakers are the most fundamental responsibilities of the state towards its citizens. The sad truth is that after 13 years of government, over 20 criminal justice Bills, more than 3,000 new criminal offences and an explosion in the prison population, Labour left the system in crisis. Most of our prisoners spend their time behind bars idling in their cells, with ready access to drugs. A bigger scandal still is our reoffending rates, which are straightforwardly dreadful. Within a year of leaving jail, half of offenders will have been reconvicted of further offences. The same people cycle round the system endlessly, committing more crimes against more victims. The best way to reduce crime is to reduce reoffending, and that remains the central feature of our programme of radical reforms.

Prisons must be places of both punishment and reform. Today I can confirm that we plan to deliver a full working week across the prison estate. We will legislate to extend powers to use money earned by prisoners to support victims. We have never proposed that community sentences should replace prison sentences, but we will introduce tougher, properly enforced community punishments whereby offenders work longer hours, unpaid, at least four days a week.

Drug abuse lies behind much, if not most, criminality in this country. It is not acceptable that drugs are too readily available in prison. We are taking forward plans to reduce addiction across the prison estate by improving security and introducing drug-free wings in jails. We must tackle other root causes of criminality, particularly alcohol addiction, mental illness and a lack of skills, but we will ensure that we put taxpayers' money only into rehabilitation programmes that actually work.

Public confidence in the criminal justice system is unacceptably low. That is why we want to take forward plans for a new offence, with a mandatory minimum prison sentence of six months, for adults who use a knife to threaten and endanger. We will also consult on proposals to criminalise squatting, and we will bring forward legislation to clarify the law on self-defence. In addition, I can confirm our intention to improve the use of remand and reduce the number of foreign national prisoners in our jails.

Discounts for early guilty pleas have been part of the criminal justice system for decades, for good reason, and we consulted on changes to that system. Personally, I was particularly impressed by the representations of the senior judiciary and other criminal justice experts who said that increasing the maximum discount on offer for a guilty plea at the earliest possible stage might result in the sentence served being too short in some serious cases. I was hoping to address that problem, and I considered doing so by introducing a greater degree of judicial discretion, but we could not make that work. We have therefore decided to retain the present system.

The consultation also produced strong opposition to the indeterminate sentencing framework. It was introduced by the last Government and sold as a way of protecting the public from a small number of the most dangerous offenders, but it has never worked as Parliament intended. It has created a flawed system in which thousands of offenders have already served their normal sentence or tariff, but no one can predict when or if they might ever be released. That is why, as the Prime Minister confirmed this morning, we are reviewing so-called indeterminate sentences of imprisonment for public protection, with a view to replacing them with a more sensible, tough system of long, determinate sentences. That will see judges handing down life sentences in a greater number of very serious cases, including mandatory life sentences for the most serious repeat offenders. Serious sexual and violent offenders will spend at least two thirds of their sentence in prison, rather than being released halfway through. We intend to return to the best aspects of the system before IPPs were introduced in 2005 by new Labour.

I turn to legal aid reform. We have much the most expensive system in the world, except for Northern Ireland, costing £39 per head of population. That compares with, for example, £8 per head in New Zealand, a country with a broadly similar legal system. The last Government consulted on the subject more than 30 times since 2006, and still left us with the mess that we now have to tackle. In some cases the system encourages people to bring issues before the courts when other solutions might be better. In others it enables people to pursue litigation that they would not contemplate were they paying for it out of their own pocket.

Following careful consideration of more than 5,000 responses, I am bringing forward proposals that I believe will ensure access to public funding in the cases that most require it, encourage early resolution of disputes instead of unnecessary conflict and ensure much better value for money for the taxpayer.

I can announce that we will retain legal aid in cases where people's life or liberty is at stake, where they are at risk of serious physical harm or immediate loss of their home, or where their children may be taken into care. In response to consultation, that will include strengthened provision for victims of domestic violence and for children at risk of abuse or abduction, and the retention of legal aid for special educational needs cases.

Legal aid will no longer be routinely available for most private family law cases, clinical negligence, employment, immigration, some debt and housing issues, some education cases, and welfare benefits. It will also no longer be available for squatters resisting eviction.

We have also decided not to abolish, as we originally proposed, the current capital disregards for pensioners and for equity in the main home in assessing an applicant's eligibility for legal aid. We will not now introduce a £100 contribution from capital for those assessed as having £1,000 or more disposable capital.

All that amounts to a balanced and sensible package of reforms of the kind that the Government were determined to achieve when we published our proposals and started to consult on them. Our plans mean a return to common sense in the justice system. On legal aid, the overall effect will be to achieve significant savings while protecting fundamental rights of access to justice. On sentencing, we will deliver punishment, protection and a renewed focus on breaking the cycle of crime and reoffending. I look forward to debating the proposals on Second Reading and during the Bill's subsequent stages.

Sadiq Khan (Tooting) (Lab): I thank the Justice Secretary for advance sight of his statement.

Our justice policy should be about protecting the public, punishing and reforming offenders, being on the side of the victim and bringing crime down. That underpinned our record in government, which led to a 43% fall in crime, reductions in reoffending and serious improvements in youth offending rates. However, the Government demonstrate that that is not what matters in their approach to crime and justice. Instead, it is about cutting cost, despite the impact it could have on communities across the country.

The Government have seen sense and taken heed of opposition to cost-driven proposals to reduce sentences by 50% on early guilty pleas. A coalition of victims, the judiciary, justice groups, the Sentencing Council and victims groups rightly questioned the motivation and effectiveness of that policy. Let us be clear: the policy had been agreed by the Cabinet. I asked the Justice Secretary during the Opposition day debate on sentencing whether the Prime Minister agreed with him. His response was:

"This was an entirely collectively agreed policy".—[*Official Report*, 23 May 2011; Vol. 528, c. 672.]

It is therefore no good No. 10's distancing itself from it. In oral questions last month, the Justice Secretary said that the policy would survive the consultation. Of course, some Government Members voted against our motion—although some had the sense not to—which opposed the proposal on 23 May.

Will the Justice Secretary outline why the Prime Minister ditched the proposal when the Government were so wedded to it only a matter of weeks ago? When was the decision made to change the Bill's title from the Legal Aid and Sentencing Bill, as it was called up until late last week, to the Legal Aid, Sentencing and—I like this—Punishment of Offenders Bill? What did he hope to achieve by tinkering with the title?

We know from the impact assessment that was provided with the Green Paper that removing the option of remanding offenders in custody for certain cases could save £50 million and 1,300 prison places. I note that that proposal remains. Will the Justice Secretary outline the view of the Magistrates Association on the proposal and say whether he believes that the Police Federation and the Association of Chief Police Officers support the policy?

In the past 13 months, we have seen broken promises on minimum and maximum sentencing, prison building and knife crime. Today the Justice Secretary proposes a new offence of a mandatory custodial sentence for knife possession in aggravated circumstances, with a minimum sentence of six months. Even that proposal is less than that promised to the electorate in the Conservative manifesto, which stated that

"we will make it clear that anyone convicted of a knife crime can expect to face a prison sentence".

That is still a broken promise, and tinkering with the Bill's title will not change that.

On indeterminate sentences for public protection, I have consistently questioned the Justice Secretary on how he will ensure the safety of our communities when considering which offenders should be released and when. Again, the impact assessment helpfully tells us that financial savings will be "sizeable". From that, it is obvious that the focus is saving money, not what is in the public's best interests. Today we find that the Justice Secretary is to undertake an "urgent review" of IPPs with a view to replacing them. Will he explain to the House why he needs another review when he has had 13 months, a Green Paper and a consultation that he has consistently described as an opportunity to review IPPs?

How does the Justice Secretary reconcile losing thousands of front-line, experienced prison and probation staff with the desire to increase the numbers of offenders diverted into specialist drug, alcohol and mental health facilities, and how does he reconcile that with more prisoners working, because they will clearly need more supervision?

The legal aid proposals have been roundly criticised across the board as devastating social welfare law—*[Interruption.]* Has the Justice Secretary—*[Interruption.]*

Mr Speaker: Order. There was too much noise when the Secretary of State and Lord Chancellor addressed the House, and once again there is too much noise. Let me just say this to those who are making a persistent noise: stop it, or leave the Chamber, but do not for one moment suppose that making that noise you have the foggiest chance of being called to ask a question.

Sadiq Khan: I am grateful, Mr Speaker.

As I was saying a moment ago, the proposals on legal aid have been roundly criticised across the board as devastating social welfare law. Has the Justice Secretary seriously considered the alternative funding options proposed by, for example, Justice for All? Does he accept that his changes will have a huge impact on the viability of many law centres, citizens advice bureaux and high street practices up and down the country that do an enormous amount to provide access to justice for some of our most deprived citizens? The Prime Minister claims that the whole point of a Green Paper is to listen and to be ready to change one's mind, so why have the Government made no substantive changes to their proposals on social welfare legal aid?

This morning the Prime Minister said that savings that would have been made by the 50% sentence proposals will be found elsewhere in the Ministry of Justice budget. Can the Justice Secretary explain exactly where those savings will be made and when?

We are seeing cuts to the police and cuts to prison staff and probation trusts, but where is the strategy to cut crime? The Government's policies on crime and

[Sadiq Khan]

justice are a shambles. We have always known that we cannot trust the Tories on the NHS, but now it seems that we cannot trust the Tories on law and order either.

Mr Clarke: Well, first of all I can confirm what the right hon. Gentleman says: the proposals that I presented for consultation and the Green Paper were the proposals of the Prime Minister, the whole Cabinet and I, and the proposals that I am putting forward today in response to the consultation and the comments that we invited are the responses of the Prime Minister, the whole Cabinet and I. Indeed, we had a discussion at Cabinet this morning. We run a collective Government.

I remind the right hon. Gentleman that we carried him with us on our Green Paper. His reaction to what the Prime Minister and I said at the time—it is all accessible in *Hansard*—was that this was a

"perfectly sensible vision for a sentencing policy, entirely in keeping with the emphasis on punishment and reform that Labour followed in government".—[*Official Report*, 7 December 2010; Vol. 520, c. 171.]

We carried him with us then, and I have hopes that if he looks at the consultation and listens to the arguments, we will carry him with us again. If he wants to turn and change his mind, he is free to do so.

Early guilty pleas were a genuine attempt to help victims and witnesses, who are mightily relieved if they hear that the accused decides to plead guilty. Had they worked, they would have saved a very great deal of money and time for the police service and Crown Prosecution Service, as well as for prisons. I do not know quite what the right hon. Gentleman's view on this is, but I paid particular regard to the legal opinions that I was getting from serious members of the judiciary and others. The arithmetic just went too far in some serious cases. A week or two ago, I said that I thought the proposal would survive, because I thought that by introducing some judicial discretion, I could solve the problem, but I could not. For that reason, the Government are sticking with the present system. That is what consultation is all about.

We have consulted on our remand proposals, and we are pushing on with them. Carrying on with a system whereby people are refused bail when everybody knows they will not be sent for a custodial sentence if they are convicted at their final appearance is simply not the best use of a very expensive place in our prison system. It is cheaper to put our prisoners in the Ritz—and many of them would like to be there—but while the public prefer them to be in prison, we will keep them in prison. Nevertheless, the remand proposals are, I think, extremely sensible.

The proposal on knife possession has been made to send a message about its seriousness. I do not think that the right hon. Gentleman expressed an opinion on it, but I would advise him to support this perfectly sensible measure. On IPPs, which I have said we are minded to repeal and replace with a better version of what preceded them, I refer him to the consultation and the attacks on IPPs from sensible people. David Thomas QC, who writes the bible on sentencing so far as criminal law practitioners are concerned—his book on sentencing is the book for those practicing in the courts—described IPPs as an "unmitigated disaster". We are carrying out a review to decide what will replace them by way of a strong system of determinate sentences that protects the public.

On legal aid, I could rapidly find a quotation from the right hon. Gentleman saying that if the Labour party was in government, it would be cutting legal aid. He has nothing to say on legal aid that challenges the case I made a moment ago. On citizens advice bureaux and other forms of general advice, I hope to be able to say something on Second Reading—I am making advances, but we will see how much we can come forward with. We think there are better ways of resolving problems, and I agree that CABs and other voluntary bodies sometimes provide better advice than adversarial lawyers.

In commenting on the probation service and other matters, the right hon. Gentleman asked where the savings are coming from. I have held protracted negotiations with the Chief Secretary to sort out my Department's finances, in the light of some of the problems left behind. We have now resolved all those problems. Over this period we will be making £2 billion of savings a year on the total expenditure of my department, and we are looking elsewhere for another £100 million. We are not cutting any particular area but achieving efficiency, and half of that will come from administrative savings. If we have further policies to find the money we are not saving, I will come forward with them. I prefer to proceed with proper policies in joined-up writing upon which I have consulted, and got the approval of, my colleagues, and after that to come to the House. I am now considering how to ensure that the final touches to the major savings we are making in my Department can be achieved in the light of this consultation.

Sir Alan Beith (Berwick-upon-Tweed) (LD): Although the Justice Committee will continue to have concerns about the extent of the legal aid changes, may I press the Justice Secretary on sentencing? Do his Cabinet colleagues recognise that we will protect our citizens from crime not by tough talk or favourable headlines, but by appropriate sentences geared to making offenders face up to what they have done and changing their behaviour? Sometimes resources are required to do that and should not be commandeered by the prison system.

Mr Clarke: I agree with the right hon. Gentleman. Talking tough is easy and most politicians do it; delivering tough is rather difficult, as the Labour party discovered only too often. I will not use the quotes I have used before—the right hon. Gentleman knows them perfectly well. I agree that prison is of course the right punishment for serious and violent offenders, who will keep being sent there for long sentences whenever that punishment is justified, so that they can make reparation. However, we also tackle crime by trying to reform them, getting more of them to go straight, reducing reoffending and finding other ways of stopping the accumulation of more victims and more crimes committed by people coming through the system. I think that that is accepted by my colleagues. We are giving up the remorseless and hugely expensive increases in the prison population, and looking for a more intelligent way of protecting the public, which is our principal priority.

Sir Gerald Kaufman (Manchester, Gorton) (Lab): Is the right hon. and learned Gentleman aware—he certainly should be because I have told him a number of times—of

the dire effect upon my constituents of the action he has taken already in attacking citizens advice bureaux, undermining legal aid and taking the wrecking ball to the South Manchester law centre? Is he further aware that what he has announced today will complete the process of making access to justice a prerogative of the rich?

Mr Clarke: I could answer each of those three things. Most of the cuts being made to citizens advice bureaux and so on are being made by local government; we are not the principal—*[Interruption.]* The Ministry of Justice is not the principal contributor to citizens advice bureaux. However, as I have already said, the Government as a whole will assist those who give quality, worthwhile advice of the kind required by the very many people who do not need legal aid and an adversarial lawyer, which is not the best way of proceeding.

We have debated court closures before. We inherited more than 100 underused buildings, which I am afraid we had to tackle and rationalise. Our package of legal aid reforms is tackling a system that has become bloated in recent years—a system that the right hon. Gentleman's Government kept talking about reforming but never did, because an inability to take decisions about exactly what to do about an out-of-control Government was rather typical under the last Prime Minister. When we have finished what the right hon. Gentleman says are draconian reforms, we will still have by far the most expensive legal aid system in the world after I have made our so-called cuts.

Several hon. Members *rose—*

Mr Speaker: Order. In the interests of maximising the number of contributors, I appeal to hon. and right hon. Members for short questions and short answers.

Anna Soubry (Broxtowe) (Con): Does the Lord Chancellor agree that it was the last Labour Government who, having introduced IPPs, then changed the law for no other reason than to reduce the prison population? As for the thoroughly good idea that we now scrap IPPs, would we not thereby ensure that the public—the victims and, indeed, the offenders—were better protected and had greater justice?

Mr Clarke: I agree with my hon. Friend. I think that the reason the last Government introduced IPPs was that they were reducing the time of a sentence automatically served from three quarters to a half. They introduced what sounded like a tough measure, with these new indeterminate sentences. However, it immediately went wrong, and they introduced more legislation after two years to try to reduce the numbers. I regret to say that my first effort was to go in the same direction and reduce them even more. I hope that I have my hon. Friend's support in saying that the best thing is to get rid of them and return to a sensible system of long, determinate sentencing.

Mr George Howarth (Knowsley) (Lab): The right hon. and learned Gentleman should be aware that part of the problem with his original proposals was his failure to establish the case for community sentences as an alternative to prison. In his statement he refers to new, tough community sentences. Can he describe what the characteristics of a tough community sentence might be?

Mr Clarke: I never advocated—nor did the Government—the replacement, as it were, of short prison sentences with community sentences. I have some very curious opponents in sections of the media, and this was one of the bees they got in their bonnet almost as soon as we started, but we never proposed that. Community sentences need to carry public confidence so that magistrates can consider them properly as an alternative to prison in suitable cases—they do now, but more would. What I have in mind with tougher sentences is better organised sentences, so that, for example, unpaid work—which is one of the best community-based punishments that one can impose—doing genuinely worthwhile things for the community should be better organised and better disciplined. It should not have to be fitted in on the odd day over several years; it should be better organised on the day and based round a pretty normal working pattern of so many hours each week when it is under way. There are plenty of things that we can do—that and making more use of curfews and tagging—to build up public confidence in community sentences, which I am sure the right hon. Gentleman and I both agree would be a good thing to do, but which we would also agree is lacking at the moment.

Mr Edward Leigh (Gainsborough) (Con): What on earth did my right hon. and learned Friend mean when he said that he would introduce drug-free wings in jails? Does he not understand that, for the public, that is an extraordinary statement? They believe that all parts of all jails should be drug-free. To them, this sums up the irretrievably soft attitude of our entire prison system. In particular, will he protect our people—vulnerable old people—from burglars, and promise the House today that all burglars of private dwelling houses will be put in prison?

Mr Clarke: On the first point, I share my hon. Friend's amazement, as I am sure anyone would on their first introduction to the criminal justice system. The fact is, however, that drugs are very widely available in our prisons, and 9% of people who have taken heroin say that they first did so in prison, where they were introduced to the drug. I am sorry that I have had to refer to "introducing drug-free wings", but that is what we are proposing to do, and we are going to address the problems of security and rehabilitation in order to do it.

Of course burglary is always a serious offence. It is actually one of those that are rising at the moment, although that has nothing to do with the sentence level. It is going up rather alarmingly compared with a year ago. I regard all burglary, but particularly household burglary, as a very serious offence. In the end, however, the punishment has to fit the particular crime. I shall consider what my hon. Friend has said, but I think that there should be a limit to the number of automatic sentences according to what it says on the label. Proper sentencing should be directed towards what we both agree is the first priority—namely, the proper protection of the public.

Fiona Mactaggart (Slough) (Lab): In view of the mistakes that the right hon. and learned Gentleman's team have made in their policies relating to women, what risks does he see in making domestic violence a gateway to access to legal aid? Does he think that that will make people sceptical about victims' claims of domestic violence?

Mr Clarke: We have defined domestic violence, and we are not sceptical at all. Indeed, I hope that the hon. Lady will be pleased that we have looked again at this matter and extended legal aid to cases of domestic violence more than we had originally proposed. I think that our policies towards women probably have her fairly wholehearted support. We have a particular policy towards women in prisons; indeed, we are following the policy of the previous Government and the recommendations of Lady Corston. At the moment, the number of women prisoners is going down; it is the number of adult males that is still rising slightly.

Andrea Leadsom (South Northamptonshire) (Con): Will my right hon. and learned Friend assure the House that, in spite of the proposed changes, support for children will remain, and that legal aid will be available in cases of domestic violence, child abuse, child abduction and enforced child adoption, to ensure that children do not suffer?

Mr Clarke: To give a short answer, I agree with my hon. Friend that all of those are an important priority.

Mr David Hanson (Delyn) (Lab): Just so that we can judge the Lord Chancellor's performance, will he tell us how many fewer foreign national prisoners there will be in our jails in June 2012? Perhaps he could also tell us which new countries he expects to sign agreements with over the next 12 months. From experience, I think that he will find that that is not as easy as he thinks.

Mr Clarke: The right hon. Gentleman will be surprised to learn that there are 1,000 fewer foreign national prisoners now than there were when the previous Government left office. I agree with him that this is very difficult to achieve, although we are pursuing transfer of prisoner agreements, and the new transfer arrangements with the EU are coming into effect. We are also working with the UK Border Agency to try to improve its effectiveness in moving people promptly. We are working at this, and so far, we are doing 1,000 better than he did.

Robert Halfon (Harlow) (Con): Harlow Welfare Rights and Advice and the citizens advice bureau are deeply concerned about the proposed centralised telephone service for all but emergency cases. Will my right hon. and learned Friend assure us that that will not add an unnecessary level of impersonal bureaucracy or prevent advice from reaching vulnerable people? Will he also look into the availability of legal aid in cases of criminal negligence, so that those who have been harmed can have access to justice?

Mr Clarke: I had better refer my hon. Friend to the consultation document. He has taken up this matter in the past, and we have readdressed the question after listening to his and other people's recommendations. We have defined much more closely the use of the telephone advice system and concentrated on those areas in which we think that it is of value. When he looks at our response to the consultation in detail, I think he will find that we have gone in the direction that he would have wished.

Grahame M. Morris (Easington) (Lab): I note that the Justice Secretary has said that legal aid will no longer be routinely available in clinical negligence cases. That will cause a huge problem: people will be denied justice and compensation after suffering injury or worse as a result of malpractice or clinical negligence. Will he explain his justification for that decision?

Mr Clarke: Well, 80% of clinical negligence cases are already undertaken on a no win, no fee basis. Only 20% by number are done using legal aid. That is why we think that no win, no fee is probably the better way forward, and also why we will implement Sir Rupert Jackson's recommendations to ensure that the costs to all parties are kept down and in proportion. Far too often under the pre-Jackson rules, the health service has found itself paying out at least as much in legal costs as in compensation to victims. On the whole, negligence cases have moved steadily towards no win, no fee arrangements for those who cannot afford the fees. That gives wider access, because legal aid is restricted through a very tight means test.

Mr David Ruffley (Bury St Edmunds) (Con): Longer sentences on their own have clearly failed to cap reoffending. May I therefore urge the Lord Chancellor to press ahead with his radical and right-wing plan to get private companies into prisons to deliver serious rehabilitation that actually works?

Mr Clarke: I am grateful to my hon. Friend, with whom I agree. Of course one of the things that we should address is the cost of running prisons. We all want to address the efficiency with which prisons are run, just as much as we wish to address who is sent there and how many we can accommodate. I am glad to say that we have carried out a very successful tendering exercise and saved a lot of money, and I hope also potentially improved the regimes in those prisons. We intend to do the same thing again. Personally, I have no ideological hang-up about whether the successful bidder is a public sector or private sector bidder: we want the best bidder and the best quality regime at the lowest cost. That has to go hand in hand with sentencing reform. This is exciting, but it is also a much better way of running a prison system.

Mr Speaker: Order. May I gently and in a jocular fashion say to the Secretary of State that he should not be like a cruise ship in rotation? The House wishes to hear him. He swivels around, but it is helpful if he faces the House; I would be obliged to him if he did so.

Sheila Gilmore (Edinburgh East) (Lab): The Secretary of State has made much of his desire to have alternative dispute resolution, which he considers to be better—in family law, for example. Presumably, he is thinking of mediation. Has he made any realistic assessment of the costs and of on whom those costs would fall? Will they

fall on individuals or will there be some cost to his Department, which might undermine the reductions he hopes to achieve in legal aid?

Mr Clarke: My apologies, Mr Speaker. Probably the problem with my political career is that I have not swivelled enough on occasions.

I believe mediation is a much better way of resolving all kinds of family and other disputes. The taxpayer will continue to pay for mediation; indeed, the mediators will be trained lawyers. Many people will take part in a much better process of resolving disputes. We are planning to increase the amount spent on mediation by £5 million, as the Under-Secretary of State for Justice, my hon. Friend the Member for Huntingdon (Mr Djanogly) tells me, in order to make savings by reducing the amount of unnecessary adversarial litigation that we fund.

Mrs Helen Grant (Maidstone and The Weald) (Con): Does my right hon. and learned Friend agree that mediation is no panacea and that it can fail badly in family cases where there is an imbalance in power?

Mr Clarke: My hon. Friend has much greater expertise on the practice of family law than I do, so I rely on her and listen to her opinions with great attention. I have discussed these matters with her before. We have to get the balance right. At the moment, the generosity of the legal aid system compared with other systems is bringing more things into adversarial litigation than would otherwise be the case. Expansion of mediation is the better way of proceeding, and I hope that my hon. Friend will contribute her expertise to our development of the mediation system.

Lisa Nandy (Wigan) (Lab): The Secretary of State has spoken about the need for alternatives to the courts, so will he tell us what alternatives are available to victims of human rights abuses by multinationals, as in the Trafigura case, if the success fee on which many of those cases depend is no longer recoverable?

Mr Clarke: If, as I gather from her question, that case was conducted on a no win, no fee basis—I am not sure about that—as I announced a few weeks ago, such cases will become much cheaper for all parties as a result of the changes that we propose to make in the light of Sir Rupert Jackson's recommendations. Legal aid will still be available in suitable cases concerning human rights. We are not resiling from those areas where the taxpayer needs to finance the small man against the state or the giant administration.

Tom Brake (Carshalton and Wallington) (LD): I welcome many aspects of the Justice Secretary's announcement, including greater clarity on sentencing, measures to tackle drugs, and improvements in the original legal aid proposals. Will he confirm that the Government remain committed to restorative justice, which victims give a high satisfaction rating, to probation, which is key to the tackling of reoffending, and to the not-for-profit sector? Will he confirm that no further cuts will be made in the legal aid budget or the probation service, and that he will work hard to ensure that the not-for-profit sector receives additional funds to support its work?

Mr Clarke: We have recommended the extension of restorative justice from the start. The more I come across it, the clearer it is to me that it is very welcome to victims and can be made very successful. We are continuing unswervingly in that regard, and intend to make more use of the system.

I agree with the hon. Gentleman about the importance of the probation service in tackling reoffending. We should perhaps try to make the probation service better where it needs improving, but we will not be able to improve reoffending rates if no one is supervising the offenders or their behaviour on licence. I have seen reports suggesting that we are going to fill the so-called gaps in our funding—which are pretty small in comparison with what we are saving overall—by cutting the probation service, but I assure the hon. Gentleman that it has not been singled out more than any other area. We are looking for efficiencies everywhere, but we are not bouncing away from one possibility in order to cut the probation service simply to save money.

Yasmin Qureshi (Bolton South East) (Lab): Will the Lord Chancellor reconsider provision for citizens advice bureaux, given that last year my local CAB dealt with 14,000 of the most disadvantaged and vulnerable people in my constituency?

Mr Clarke: Only 15% of CAB funding comes from my Department, and about 50% of CABs receive no legal aid funding at all. However, I agree with the hon. Lady about the value of good CABs. Their quality varies, but the best are very good. I am anxious for us to do what we can to strengthen CABs, as are my colleagues in other Departments: we are considering what we can do to help them across Government. I am doing my best, and we will settle on some support eventually. It will not be as much as the CABs want, but I think that we will be able to help.

Philip Davies (Shipley) (Con): I congratulate my right hon. and learned Friend on listening to the consultation and rowing back on some of the more damaging proposals. There is clearly much in the statement—although by no means all—that we can support. I understand, however, that the Government are proposing to make breaching suspended prison sentences punishable by a fine. Will my right hon. and learned Friend take this opportunity to make clear that only one punishment should be available to anyone who breaches a suspended prison sentence, namely being sent to prison?

Mr Clarke: I am grateful for the kind remarks with which my hon. Friend began his question. It seems that he agrees with a fair number of the judiciary on the proposal for a discount for early guilty pleas, and I hope that he is equally in line with the judiciary on such matters as the abolition of indeterminate sentences. We shall all begin to make some worthwhile progress on the whole field if we collaborate.

Those who breach suspended sentences are normally punished by having to serve the suspended sentence on top of any other sentence that has been imposed. However, all such cases require a little more flexibility. All that we are adding is the possibility of flexibility in some cases.

[Mr Kenneth Clarke]

Adding a fine might be preferable to making the total sentence far too long: it might be best to find some other way of dealing with an offender.

Parliament is, of course, entitled to specify sentences, but if we do that in too much detail we will fail to deliver justice, because we will not leave enough leeway and enough options for the judges and magistrates who sit and hear about all the facts of a particular case and all the circumstances of the offender.

Steve McCabe (Birmingham, Selly Oak) (Lab): Is the Justice Secretary now on probation, and does he anticipate time added on or early release?

Mr Clarke: I think that I have been on probation for the past few decades. Sooner or later I will get the hang of it, but I am working at it. I am not going to launch into a description of reports in the newspapers. I am sure that most of my colleagues envy my ability to get into the headlines, but the truth is rather far away from all that.

The Prime Minister and I, and the Cabinet, have developed these policies together. We have moved along together—*[Laughter.]* Yes, we have. We were saying the same things about policy 12 months ago, and we are saying the same things about policy today. What matters is whether the policy actually works. These proposals will be judged on whether in three or four years' time people can see that we have sorted out the appalling mess in the criminal justice system that we inherited from Labour.

Tony Baldry (Banbury) (Con): Reducing reoffending will require not only painstaking work in prisons, but working with reoffenders when they leave prison—actually at the prison gate and afterwards. Will my right hon. and learned Friend say a little more about the funding for that, and about how voluntary and community groups will be able to access it to support offenders when they leave prison and in the critical few weeks and months afterwards?

Mr Clarke: That is why we have proposals to improve rehabilitation and reduce reoffending by introducing a payment-by-results system. That will normally involve consortia of people coming together to rehabilitate prisoners, and payment will be based on the results they achieve. The first pilots are already in place: we have contracts in Peterborough and Doncaster, and others are about to start in Manchester and several other local authority areas. Ideally, they will involve, for example, a private sector body raising the capital with a voluntary body and a not-for-profit organisation; they can come together in a suitable consortium, first to start doing something about the offender when he is in prison and then following up on that and trying to make it far less likely that he will reoffend after he leaves prison. The payment-by-results approach to rehabilitation is one of the Government's most significant innovations in this field, and it is making very good progress.

Yvonne Fovargue (Makerfield) (Lab): What assessment has the Secretary of State made of the availability of face-to-face welfare advice from advice agencies such as citizens advice bureaux and law centres in 2013 when the Welfare Reform Bill will come into effect at precisely the same time as welfare benefits are removed from scope?

Mr Clarke: I have already stated that I am not in a position today to say what we can do to support citizens advice bureaux and similar organisations providing advice in the legal field and other areas such as welfare. The Government are actively considering that, and I hope we will be in a position to make an announcement soon. Part of the problem is relevant to my field, but it extends into other areas such as welfare reform. The Government are conscious of the fact that we must do something to fill some of the unavoidable gaps that have been left at present, mainly by local authorities being forced to cut the grants they can give.

Elizabeth Truss (South West Norfolk) (Con): This Government inherited the most expensive criminal justice system per capita in the world. As £100 million is being spent on administering legal aid through the Legal Services Commission, and as there are three different departments of the National Offender Management Service all doing separate kinds of commissioning—not to mention the extremely high cost per prison place—may I suggest that there are many areas where savings can be found without cutting front-line services?

Mr Clarke: We are abolishing the Legal Services Commission. One of the most frequent complaints that I get about the system is the sheer bureaucracy, and it has had serious problems in the past. The Under-Secretary, my hon. Friend the Member for Huntingdon (Mr Djanogly), tells me that we will save £8 million a year simply by bringing this in-house, as we are doing, but we intend to save quite a lot more on the administration of the system than that. It is hopeless, given our prime duty of protecting the public, if we waste money in that area and make it one of the most expensive and fast-growing areas of Government expenditure. We hope to make the system effective and targeted, and for it to do what we should be doing, which is protecting the public from crime and giving access to justice to the vulnerable.

Jack Dromey (Birmingham, Erdington) (Lab): Legal aid is a lifeline to those in need, often at a time of crisis in their lives. This Bill, and Government cuts to local government expenditure, will cut that lifeline to tens of thousands of citizens in Birmingham and threaten the future of our citizens advice bureaux and advice centres. Does the Secretary of State not accept that justice for the better-off alone is no justice at all?

Mr Clarke: That is just a very broad-brush defence of what the hon. Gentleman believes is the need to carry on paying £38 a head per taxpayer for the current legal aid system. Of course some legal aid is absolutely essential—crucial—to the liberties of our subjects and it is one of the standards of our society that we provide legal aid for people in extremis who would otherwise have no means of urging their cause. We have this grand, across-the-board system that finances what we can sometimes see is an inferior way of resolving disputes if we look for better methods of doing so. That will apply in Birmingham as elsewhere. The previous

Government knew that the system had to be reformed; they simply could not make up their mind about what they were going to do to reform it. We are making some very well-considered proposals, which have been consulted on and thus modified to a certain extent, for getting the system back to a sensible size.

Mr William Cash (Stone) (Con): The Lord Chancellor said that he had been personally impressed by the representations of the senior judiciary. Given that they said it would not be right as a matter either of principle or of practice to go beyond the maximum discount of one third, who are the wishy-washy liberals who have induced this row and all the fuss and problems that we have witnessed in the press over the past few weeks?

Mr Clarke: We did have quite a lot of support and it was not all from wishy-washy liberals. We also had some opponents who opposed the policy for reasons that I completely disagreed with. I was impressed by the input I got from serious people in the criminal justice system who are all used to discounts for early guilty pleas. Anyone who has ever had anything to do with criminal justice knows that there has always been a discount for pleading guilty early. The public do not know that and they do not like it when they are first told it, but there are good reasons for it. However, a reduction by half proved to be too much and I could not find any other way of resolving the issue and getting over the undoubted difficulties, so if there are any bleeding-heart liberals left who still think we are going to have a reduction by half, I am sorry to disappoint them, but at least my hon. Friend and I are now agreed on where we are.

Kate Green (Stretford and Urmston) (Lab): The Secretary of State will be aware that many prisoners have very poor levels of skills and limited work experience. Will he tell us how his plans for prisoner working will improve their employability prospects when they leave prison and what plans he has to link education with prisoner working?

Mr Clarke: I agree with all that the hon. Lady has said and we will try to produce programmes that deliver what she obviously hopes we will do. First, we have all the work experience in prison that we are going to provide. We will try to organise serious work as much as possible with the collaboration of outside businesses which, for social responsibility reasons, are often very attracted to getting involved in this area. The work inside prison should be more meaningful and more like the ordinary disciplines of working life outside. It should, with luck, add to the training and employability of those inside. Then we have to tie in with the Department for Work and Pensions' Work programme and what it is doing to try to get people skills and employment outside. Having a job to go to greatly increases the chances that an offender might not offend again and have more victims—that they might start to go straight—so this is a very important area and we are proposing to make very significant changes in tackling that side of the problem.

Mr David Nuttall (Bury North) (Con): Last year's Conservative party manifesto stated:

"Many people feel that sentencing in Britain is dishonest and misleading."

In order to start to restore the public's trust and confidence in our justice system, if it is a good idea to introduce minimum prison sentences for certain knife crimes, why cannot we have such minimum sentences for other classes of crime?

Mr Clarke: The honesty in sentencing issue concerns the fact that it is not currently explained to people that sentences are likely to involve so much time in prison and a further amount outside on licence but subject to recall. We will see whether we can address that and make people understand more clearly what sentences actually imply. It was the previous Government, not us, who moved the amount of sentences being served from two thirds to half—a move that we intend to reverse in the cases of the most serious sexual offenders and violent criminals when we move away from imprisonment for public protection sentences to a more sensible system of determinate sentences.

Mrs Jenny Chapman (Darlington) (Lab): I welcome this latest and expertly executed U-turn from the Government. Cannot the Justice Secretary see that this whole row, as well as the cuts to probation, the cuts to youth offending teams, the banned people being allowed to volunteer in classrooms and the failure to close all the loopholes on the monitoring of sex offenders together create a very ugly picture of the Government's attitude to victims of crime?

Mr Clarke: I have done many U-turns in my time. They should be done with purpose and panache when we have to do them, but I do not think this is a U-turn at all—*[Laughter.]* No, I do not. Let me explain—*[Laughter.]*

Mr Speaker: Order. I think Opposition Front Benchers have taken some sort of tickling powder. I have been listening with bated breath to the Secretary of State for the best part of 20 years and I want to continue listening to him.

Mr Clarke: We are aiming at a package of radical reform of sentencing to make it more effective in protecting the public, and at the same time making a substantial contribution to reducing the country's deficit, which is vital to our economic recovery. We consulted on what is a leviathan of a Bill, with a huge range of proposals. We have changed some of it and have come up with what we intended, which is actually a better balanced package of good reform of the sentencing system. It achieves the savings we wanted. When I want to exercise a U-turn in future I shall give the hon. Lady notice, but this is not such a manoeuvre.

Mr Stewart Jackson (Peterborough) (Con): The opportunistic shroud-waving of the Opposition obscures the fact that Labour never enacted the Prisoners' Earnings Act 1996, which would have allowed victims to be compensated by the work of prisoners. Will my right hon. and learned Friend confirm the welcome news for my constituents that vexatious, long drawn-out and costly taxpayer-funded immigration appeals are coming to an end?

Mr Clarke: I am grateful to my hon. Friend for welcoming our moves on prisoners' earnings and their use to support victims. I agree that we have too litigious a society, and we should not have a legal aid system that just contributes to it. Our legal aid reforms are much overdue and will get us back to looking at more sensible ways of upholding the rights of citizens and enabling them to settle their disputes.

Angela Smith (Penistone and Stocksbridge) (Lab): Will not this U-turn on sentencing mean that some of the long-term savings planned by the Ministry of Justice will no longer be achievable? If that is the case, which other parts of the justice budget will be cut to compensate?

Mr Clarke: Roughly, the spending reductions we are making are from £9 billion a year to £7 billion a year. The discount for early guilty pleas was meant to contribute about £100 million of that. The move away from indeterminate sentences to a more sensible determinate sentence-based system will in the long run save quite a lot of money, because at the moment thousands of people are in prison and no one has the first idea when or if they will ever get out. Of course we have to readdress the issue, now that we have consulted; we have now settled the financial position with the Chief Secretary and will look for more efficiencies and savings. I am quite confident that we will find them, because so far we are making very good progress in making considerable reductions in the bloated expenditure that we inherited.

Mike Crockart (Edinburgh West) (LD): Does the Secretary of State agree with me and my previous experience, not only as a wishy-washy liberal but as a serving police officer, that one of the major barriers to rehabilitating offenders is the Rehabilitation of Offenders Act 1974? Thirty-seven years is quite long enough to wait for a reform. When shall we see it?

Mr Clarke: I hope soon. I take on board the hon. Gentleman's views, with which I have considerable sympathy. We take very seriously the workings of the Rehabilitation of Offenders Act and its impact on reoffending and rehabilitation, and policy is being finalised at the moment.

Diana Johnson (Kingston upon Hull North) (Lab): Will there be specific provision in the Bill on children and legal aid? In particular, will children in local authority care be able to access legal aid to challenge the local authority's decisions?

Mr Clarke: Again, I am indebted to the Under-Secretary, my hon. Friend the Member for Huntingdon. In response to the consultation, we changed the measure in the direction the hon. Lady would like, so the answer is yes.

Jason McCartney (Colne Valley) (Con): I particularly welcome the plans to introduce a full working week across the prison estate, and the fact that the money earned by prisoners will go towards supporting victims. As a former RAF officer who was involved in convening courts martial, I wonder what opportunity my right hon. and learned Friend has had to look at the work ethic in the military corrective training centre in Colchester.

Mr Clarke: I am grateful for my hon. Friend's welcome for our policy. Let no one underestimate: it is going to be difficult to extend the work ethic and a work programme throughout prisons. It will steadily be achieved and we are embarking on it. There are good examples in the Prison Service now—one or two, where a working week is in place for the prisoners. That needs to be rolled out throughout the estate. I will certainly take advantage of looking at the approach in the military prisons and their work-based ethic, which I understand to be the case, though I have not visited one for many years.

Kevin Brennan (Cardiff West) (Lab): I am beginning to wonder whether it was a mistake to separate the Ministry of Justice from the Home Office, because we now seem to have one Ministry for arresting people and another for letting them go. If the right hon. and learned Gentleman wants to get rid of his reputation as a wishy-washy liberal, will he go the whole hog and rename his Bill the "Legal Aid, Sentencing and Punishment of Offenders (Hang 'em, Flog 'em and Birch 'em) Bill". That might satisfy Members on the Conservative Benches.

Mr Clarke: I have to admit that I thought that was a rather extraordinary way of reorganising the Departments when it was first done, and so did the judges. They greatly resisted going into the Ministry of Justice because they could see that the vast explosion of expenditure on prisons would crowd out the budget for the courts. The Ministry of Justice is a bit like a nest with a cuckoo in it—*[Interruption.]* It is not me. The previous Government kept feeding the Prison Service—exploding the Prison Service—and then cutting expenditure on every other aspect of the Department's activities as it was thrown out of the nest. We need to stabilise the prison population, get the costs under control, use it more effectively and have a more intelligent way of working with the rest of the Department to deliver things.

The long-term future of the Department will be looked at. In my experience, the reorganisation of Departments hardly ever achieves any worthwhile objectives, whatever the Prime Minister of the day thought he was achieving. Too much confusion is caused by moving them all around and it is best to stick with the structure that we have, but I would not have gone for the present structure in the first place, if I had had anything to do with it.

David Mowat (Warrington South) (Con): Even after these changes, we will be spending between four and 10 times as much on legal aid as other countries, some with similar jurisdictions to ours. Does this not imply that there is a structural issue in parts of our legal system, and is there not more that we could do to address this structural issue in the years ahead, in which case we would make real savings?

Mr Clarke: My hon. Friend talks common sense about where we are with the legal aid system. I still think it is important to have a legal aid system to enable vulnerable people and people at serious risk to protect their rights, even when they cannot afford a lawyer, but there are plenty of other things wrong with the justice system. We are bringing forward proposals to try to improve the efficiency of the courts. At present the courts provide a daunting experience to any member of

the public who finds himself unlucky enough to have to go through any form of litigation. The delays, waste of time and cost are almost endemic in the system.

We are tackling the efficiency of the criminal justice system—that applies to the civil justice system just as much—to try to ensure that the whole legal process becomes part of the public service and is there to be used by people who have to use it, or have to do justice, with rather more efficiency and rather less daunting waste and inconvenience than is often the case at present. The costs must be brought down through large parts of the service.

Ian Lucas (Wrexham) (Lab): The Lord Chancellor is a respected parliamentarian. It has become increasingly clear during the statement that he does not agree with the sentencing policy that the Prime Minister has foisted on him in relation to the reduction of sentences. Why does he not be honest, be true to himself, retain respect and tell the Prime Minister where to go?

Mr Clarke: The Prime Minister, other colleagues in the Government and I have all had perfectly reasonable discussions about the criminal justice system. We all presented a package of proposals for consultation and we are presenting the same package today in response to that consultation. This is a sensible way of running a Government. I realise that politics has become a branch of the celebrity culture, but the idea that what is really interesting is whether the Prime Minister and I are arguing or whether the Prime Minister and I are agreeing is largely obscuring what I think is an extremely positive package of proposals which, after consultation, is better fitted to meet the aspirations that we all had when we embarked on the policy in the first place.

Jessica Lee (Erewash) (Con): It is a sad fact that half of adults leaving prison are reconvicted within a year of release, a legacy of the previous Government. I therefore welcome the proposal for a work programme for offenders in prisons. Does my right hon. and learned Friend agree that this should surely provide prisoners with a brighter future and prevent them from becoming a menace to society again, not least to the law-abiding citizens of Erewash?

Mr Clarke: I agree entirely with my hon. Friend. The figure she repeats—one in two ex-offenders will be caught and convicted within a year of leaving prison—is truly extraordinary. I agree that proper change is needed. We need to protect the public from the worst of that, and where prisoners have the gumption to respond and try to get themselves out of their way of life and become honest citizens again, we should make more of them do so. I am sure that that would be appreciated in Erewash, as it would across the rest of the country.

Jeremy Corbyn (Islington North) (Lab): The Secretary of State invited us to look at what the situation will be four years down the line. Does he not expect there to be a larger and more expensive prison population, with prisoners serving very long sentences for some of the offences for which he is increasing the tariff, and that there will be a large number of people denied access to legal aid, fewer advice services, fewer CABs and a lot of people very disgruntled that justice is not available to them because they are too poor?

Mr Clarke: I always believe that policy is best judged by results and that half the fuss that surrounds policy making completely fails to predict what will go right and wrong thereafter. I firmly believe—I am quite confident—this package of policies will not have the results that the hon. Gentleman fears, but we will both know in four years' time. The whole purpose of the policies is to achieve the precise opposite of what he holds up as a possible outcome. We had to have radical reform, and it has to be carried forward in a business-like and sensible way to deliver a criminal justice system and access to civil justice of the kind we require.

Richard Graham (Gloucester) (Con): My constituents will welcome the Secretary of State's announcement today that serious sexual offenders, such as those recently convicted for rape and assault in Barton street and Eastgate street in Gloucester, will now serve two thirds of their sentence in jail, rather than half. They will also welcome the fact that illegal immigrants will no longer have access to taxpayer-funded legal aid. Does my right hon. and learned Friend agree that successful drug and alcohol rehabilitation programmes run by organisations such as the Nelson Trust near my constituency in Stroud have an important role to play in these new policies?

Mr Clarke: I agree with my hon. Friend. It is far more sensible to have an appropriate determinate sentence, and serious sexual and violent offenders—those serving longer sentences—should go back to having to serve two thirds before being eligible for release. Indeed, if the Parole Board thinks that they should not be released, they should probably serve their whole term. That is far superior to the lottery of the IPP that we have at the moment. I strongly agree that we must do something to encourage the many people in the voluntary sector who want to work with ex-offenders and can successfully help those who can be rehabilitated to get themselves out of a life of crime.

Mr Peter Bone (Wellingborough) (Con): Parliamentarians on both sides of the House will welcome not only the Secretary of State's statement, but the whole process. To be helpful to him, I wonder whether he could solve the economic problem overnight by sending the 11,000 foreign nationals incarcerated in prisons in England and Wales back home on a plane tomorrow and forget their human rights.

Mr Clarke: There are some measures in the consultation on the release of foreign national prisoners after they have served their tariff and conditional cautions for people who go away on the basis that we will not let them come back. Those are intended to reduce the rather ridiculous proportion of foreigners in the prison population. We are working with the UK Border Agency on the difficult problem of how to get people out of the country when they have no papers and the receiving country will not take them. My instincts are entirely those of my hon. Friend's. It is quite absurd that 13% of the prison population are foreign nationals and we must work to get that figure down.

Several hon. Members *rose*—

Mr Speaker: Order. I am keen to accommodate remaining Back Benchers, but I reiterate my ritual appeal for brevity.

Dr Sarah Wollaston (Totnes) (Con): On legal aid for medical negligence cases, can the Secretary of State reassure the House that he has made an assessment and we are not going to end up transferring additional costs to the NHS Litigation Authority?

Mr Clarke: Obviously, the NHS Litigation Authority has been involved in our consultation, but at the moment I see no reason why that should be the consequence at all. Indeed, I think—I hope—that the NHS will be spared some of the more speculative litigation that has taken place, whereby people really hope that somebody will pay a kind of settlement to avoid incurring the further costs of resisting the claim. In genuine cases, we have to ensure access to justice, of course, because clinical negligence claims are very important, and we think that the no win, no fee system, as modified, is the best way of doing so.

Martin Vickers (Cleethorpes) (Con): The Lord Chancellor said in his statement, "Public confidence in the criminal justice system is unacceptably low," and sadly that is the case. Does he agree that only when sentencing policy more truly reflects public opinion will that confidence return?

Mr Clarke: Of course, and that is why I have stressed some of the measures that we are introducing today to try to send the right messages about serious violent and sexual crime and about knife crime. No sensible or civilised person in this country suggests anything other than serious punishment for crimes of that kind.

It is very difficult to win public confidence, because in the course of an ordinary life most people's contact with the criminal justice system is very sporadic indeed, so most people do not know anything about indeterminate sentences, discounts for early guilty pleas or any of the things that we talk about here. I have a rather sad feeling that for as long as I can remember opinion polls have always said that people think sentences are too short and the criminal justice system is too lax, but, on sensible public opinion, we are their servants and we are trying to reassure them that the criminal justice system will, indeed, protect them, as it should do.

Mr David Evennett (Bexleyheath and Crayford) (Con): Does my right hon. and learned Friend agree that time in prison should be time well spent and, therefore, that education and training, rather than just leaving prisoners to languish in their cells, is absolutely essential?

Mr Clarke: I entirely agree with my hon. Friend, who has expertise in that subject, and I am working very closely with my right hon. and hon. Friends in the Department for Work and Pensions. What they are doing to improve the training and work opportunities of people in this country has to include ex-offenders, and we have to ensure that in parallel we do more to get our ex-offenders settled in work wherever the ex-offender is prepared to make the effort to get into honest employment.

Rehman Chishti (Gillingham and Rainham) (Con): I welcome the Secretary of State's statement and, in particular, the abolition of legal aid for squatters resisting eviction. Can he clarify how much was spent on that in the past 10 years?

Mr Clarke: No. I shall have to write to my hon. Friend with that information, but I am grateful for his welcome. I do not know whether anyone would oppose this, but it is plainly wrong to make legal aid ordinarily available to people who, by definition, are squatting in properties for which they do not have a legal claim.

Amber Rudd (Hastings and Rye) (Con): Although I acknowledge the need for cuts to legal aid, may I share with the Secretary of State my concerns about local advice agencies, which sometimes provide essential local advice to the most vulnerable? Will he work closely with his ministerial colleagues to ensure that some provision is made for such agencies to continue?

Mr Clarke: I will take back to my ministerial colleagues the fact that several respected Members have made that point quite strongly in the course of these exchanges. We are discussing it, and we know that we have to respond to it. On the question of which Department will eventually announce the outcome, I am not quite sure, because several Departments are involved, but we are all seeking to find a solution to it.

Paul Maynard (Blackpool North and Cleveleys) (Con): The Howard League for Penal Reform's recent report on short sentences makes it clear that one reason for the devastatingly high level of reoffending after sentences of under six months is a lack of adequate resettlement support for those leaving prison. In retaining shorter sentences, will the Secretary of State reassure me that more will be done to ensure that such prisoners are helped to have a useful and purposeful life after leaving prison?

Mr Clarke: I agree with my hon. Friend's analysis. The reoffending rates are very bad for short-term offenders because they are often let out again without the follow-up that is given to more serious criminals. Of course, the problem is that one cannot simply extend the sentence. Short-term sentences remain suitable for some people. Indeed, some people do not really need help but would benefit from being put in prison—for example, uninsured drivers, about whom I was talking earlier today. People who are otherwise respectable and take no notice of the law by driving while uninsured will soon take notice if they are given a short prison sentence. They do not require rehabilitation when they are released; most will almost certainly not drive without insurance again. As for the others, we are where we are. Some people leave the magistrates no alternative because everything else has been tried and they keep offending. If we could get stronger community sentences and make them more magistrate-friendly, some of the people about whom my hon. Friend is concerned might be put on to a more constructive path that will help them to stop offending.

Gavin Barwell (Croydon Central) (Con): As a London MP, I warmly welcome my right hon. and learned Friend's proposal to introduce mandatory sentences for adults who use a knife to threaten and endanger. He

will know that many knife crimes are committed by younger offenders. May I implore him to send a similarly unambiguous message to those offenders?

Mr Clarke: I think the message from the whole House is that we disapprove of the carrying and using of knives. We keep striving to reverse what recently became, particularly in parts of London, almost a fashion for knife crime. I am sure that the offence that we are going to introduce will reinforce the message we are giving. My right hon. Friend the Home Secretary has also announced a whole package of measures on knife crime. The Government will take my hon. Friend's advice in giving very high priority to this subject.

Paul Uppal (Wolverhampton South West) (Con): The Justice Secretary touched on the issue of clinical negligence, particularly in cases where litigation costs can often far exceed the actual sum insured. To echo the sentiment expressed by my hon. Friend the Member for Totnes (Dr Wollaston), can he give the House any guidance on measures that can be introduced to ensure an early resolution? The NHS Litigation Authority, trusts, GPs and consultants are often loth to admit liability, and that leads to undue costs and delayed and protracted negotiations.

Mr Clarke: A lot of that lies within the province of my right hon. Friend the Secretary of State for Health. Many people in the health service realise that the key way to proceed is to settle claims and pay up promptly when someone has obviously made a mistake, while fighting resolutely cases brought by people who are acting speculatively. Many cases could be resolved by better complaints procedures or by attempts to discuss the matter. One of the things we are exploring is the early exchange of reports so that both sides know exactly what expert evidence is available to them and do not hold their own evidence back, because that paves the way to a resolution of the claim. I am sure that everyone in the NHS is as anxious as my hon. Friend and I are to see some progress on this. Perhaps making legal aid less available in this area will stop some people being quite so litigious and make them a little more constructive about how to sort out a proper remedy.

Andrew Griffiths (Burton) (Con): My right hon. and learned Friend's statements about knife crime will be welcomed by my constituent, Yvonne Upton, who has been campaigning since she lost her son, Connor, to somebody who chose to carry a knife on a night out.

As regards drugs in prison, does my right hon. and learned Friend agree that under the previous Government too many prisoners were on long-term methadone prescriptions and parked in state-induced dependency, and that getting those prisoners drug free with an abstinence programme is key to proper reform?

Mr Clarke: There are people with better clinical expertise on drug rehabilitation than I, but I share my hon. Friend's instincts. We are seeking to make proper drug rehabilitation programmes work. There is obviously a danger that it sometimes becomes easier to maintain people on methadone, and that is going nowhere in some cases. I am sure that methadone has a place in all this, because people with more knowledge than I have insist that it does, but we are looking for proper rehabilitation wherever possible, with the aim of abstinence and making the person drug free.

Jane Ellison (Battersea) (Con): I warmly welcome the Secretary of State's commitment to making our prisons more drug free. A constituent of mine has become addicted while in prison and is desperate to get off his addiction lest he be drawn into circles of crime on his release. Can my right hon. and learned Friend make a commitment to do more for such people who want to get clean and go straight?

Mr Clarke: I hope that we can do more. My right hon. Friend the Secretary of State for Health is looking at drug rehabilitation services generally for people who do not offend, as well as for people who get themselves into trouble with the law. This is a very important area. The majority of crime in this country is linked directly or indirectly to drug abuse of some kind. The majority of prisoners have indulged in the abuse of drugs shortly before their admission to prison. It is essential that we respond to my hon. Friend's plea that such programmes are supported and made more effective.

Jake Berry (Rossendale and Darwen) (Con): My constituents will welcome the Secretary of State's announcement that more life sentences will be available to judges when dealing with serious, repeat and violent offenders. What offences that will cover and, specifically, which repeat offences will eventually carry the life tariff?

Mr Clarke: I think there will be an automatic increase in the number of life sentences when we get rid of IPPs. When indeterminate sentences were introduced, some of the people who were given IPPs were in really dangerous categories and had been convicted of offences for which life imprisonment was already the maximum offence. When we change it, judges will put such people back on life sentences. The whole IPP experiment was a mistake. We have indeterminate sentences in this country—they are called life sentences. They are better managed and are the proper way to deal with the most serious offenders. I think that some of the most serious offenders who get IPPs now will in the future get life sentences, just as judges always gave them before.

Mr Rob Wilson (Reading East) (Con): Many of my constituents want reassurance that the victims of crime will be properly catered for in the new Bill. What discussions has the Secretary of State had with the victims commissioner, and will he tell us a little about them?

Mr Clarke: I have very welcome conversations with the victims commissioner from time to time, and very much hope to involve her more closely than has been the case in the development of policy. Obviously, the concerns of victims should be at the heart of all that we do. I was told as I came in that the victims commissioner, Louise Casey, has just issued a statement about our

[Mr Kenneth Clarke]

announcements today. It is quite long and I will not read it all. [HON. MEMBERS: "Go on!"] Well, I will read just the first sentence. She says that she sincerely welcomes

"the government's response to the Green Paper consultation"

announced today. I will try to keep her support because it is extremely important that victims have confidence in what we are doing.

Andrew Percy (Brigg and Goole) (Con): The transfer of foreign national prisoners is obviously not a simple issue. However, last year, Humberside police and East Riding of Yorkshire council brought to my attention the case of an EU national who had committed 33 crimes against the good people of Goole. We were told that deportation, if it did take place, could take up to two years. Surely it is completely and utterly unacceptable for any EU national to be in a British jail; they should be in their own countries in their own jails. Any EU nationals who are released from our jails should be deported immediately.

Mr Clarke: I am glad to say that there is an agreement on the transfer of prisoners within the European Union—*[Interruption.]* Yes, it was negotiated by the previous Government and it will come into force in November this year. Off the top of my head, only two countries, Ireland and Poland, have derogated from it and are delaying implementation. I look forward to the proper transfer of prisoners to all the other countries. It means that British criminals will be brought to our prisons to complete their sentences and that foreign prisoners will be returned elsewhere. We will see who benefits. It is obviously very sensible from every point of view.

We constantly consider with the UK Border Agency the quicker removal of prisoners who are due for deportation. I concede to the UKBA that deportation is not always as simple in individual cases as it is made to sound. It is difficult to get some countries to accept former prisoners, and it is, of course, difficult to get some people to go to other countries. Sometimes, their very identity or nationality is the subject of constant dispute.

Mr Philip Hollobone (Kettering) (Con): Should not judges and magistrates be made aware of the success or otherwise of their individual sentencing decisions, by being kept informed of the reoffending rates of the offenders whom they send down?

Mr Clarke: There is a lot of work going on about the transparency of justice and the publication of local figures. We all need to know more detail about what is being done at local level and what the consequences are of the administration of justice in our localities. I am sure that all the best magistrates would welcome some feedback and more information about what is happening as a result of their sentencing policy.

Points of Order

4.55 pm

Hilary Benn (Leeds Central) (Lab): On a point of order, Mr Speaker. We have today, for the second week in a row, had a written statement, followed by a prime ministerial press conference, followed by an oral statement. Last week it was on the Health and Social Care Bill, today it was on sentencing and legal aid. It is pretty unusual to have two statements on the same subject on the same day, but do you share my concern that it is discourteous to the House, because it means that the media have a chance to question Ministers on policy—the Prime Minister in the last two cases—before Members of this House get the chance to ask questions? As such, it is not in keeping with the spirit of our rules.

Mr Speaker: I thank the right hon. Gentleman for his point of order and for notice of it. I have made clear my view that important announcements of policy should be made first to this House, with the opportunity of questioning Ministers. Although I understand the pressures of the 24/7 news agenda, that remains my firm view. I am therefore uneasy at sequences of events in which a written ministerial statement is followed, or even preceded, by briefing outside the House, with the opportunity to question Ministers in the House by means of an urgent question or following an oral statement coming only some time later.

The House will recall that, on 20 July last year, it asked the Procedure Committee to consider whether the rules of the House should be changed. The Committee reported in February, and the Government's reply was published a month ago. There are thus matters awaiting resolution by the House itself. In the meantime, the right hon. Gentleman may be assured that I will remain vigilant in the House's interests, and will be ready to use my powers to permit questioning or debate if I see fit to do so, and indeed for such period as I see fit. I hope that is helpful.

Mr Peter Bone (Wellingborough) (Con): Further to that point of order, Mr Speaker. I wish to show that there are concerns on both sides of the House, and to tell the shadow Leader of the House that I did not think he went far enough. Last night on Sky News, Jon Craig reported not only the detail of the statement but the media schedule. The policy was also reported in this morning's newspaper. That clearly cannot be in order under current practices.

Mr Speaker: I note what the hon. Gentleman has said, and I think that the House will have noted it as well. I do not think I need to add to what he has said, but I am nevertheless grateful to him.

Helen Jones (Warrington North) (Lab): On a point of order, Mr Speaker. We shall shortly be considering a very important motion on the recommittal of the Health and Social Care Bill, and I understand that the Secretary of State for Health is not going to be here to move it and be questioned on it. Have you had any communication from the Secretary of State about his presence or otherwise, or has he simply resigned or gone out looking for another job before he is pushed?

Mr Speaker: I am grateful to the hon. Lady for her point of order. I would simply say that no, I have had no indication on that matter. Of course, she and I came into the House together in 1997, and she will be as aware as I am that precisely who moves motions on the part of the Government is a matter for the Government. I think I know the Minister who is going to move the motion, and if he wants to respond he is perfectly welcome to do so. He is under no obligation, but he may.

The Minister of State, Department of Health (Mr Simon Burns): Further to that point of order, Mr Speaker. It might help you and the hon. Member for Warrington North (Helen Jones) if I point out that the precedents for recommittals are not that common, but that if one looks at the previous recommittal, it was done in 2003, by the then Minister of State, one Mr Tony McNulty.

Mr Speaker: I am grateful to the Minister of State. I think that we will leave that as a no-score draw or a score draw, as the case may be. I am happy to take any further points of order, but if the House's appetite has been satisfied, we will move on.

BILL PRESENTED

Legal Aid, Sentencing and Punishment of Offenders Bill

Presentation and First Reading (Standing Order No. 57)

Mr Secretary Kenneth Clarke, supported by the Prime Minister, the Deputy Prime Minister, Mr Chancellor of the Exchequer, Mrs Secretary May, Mr Secretary Lansley, the Attorney-General and Mr Jonathan Djanogly, presented a Bill to make provision about legal aid; to make further provision about funding legal services; to make provision about costs and other amounts awarded in civil and criminal proceedings; to make provision about sentencing offenders, including provision about release on licence or otherwise; to make provision about bail and about remand otherwise than on bail; to make provision about the employment, payment and transfer of persons detained in prisons and other institutions; to make provision about penalty notices for disorderly behaviour and cautions; and to create new offences of threatening with a weapon in public or on school premises.

Bill read the First time; to be read a Second time tomorrow, and to be printed (Bill 205) with explanatory notes (Bill 205—EN).

Jobcentre Plus (Wales)

Motion for leave to introduce a Bill (Standing Order No. 23)

5 pm

Hywel Williams (Arfon) (PC): I beg to move,

That leave be given to bring in a Bill to require the Secretary of State to make provision for the transfer to the Welsh Government of certain functions relating to the work of Jobcentre Plus offices in Wales; and for connected purposes.

The Bill's aim is to devolve responsibility for elements of Jobcentre Plus's work in Wales to the Welsh Government. I am grateful for the support I have received from Plaid Cymru and the Scottish National party, the Alliance party, the Liberal Democrats, the Green party and the Labour party.

The argument for the measure is straightforward. The Welsh Government have responsibility for education and training under the Education, Lifelong Learning and Skills portfolio, and for the economy under the Business, Enterprise, Technology and Science portfolio. They operate a large-scale programme of social inclusion in particularly deprived areas, one aim of which is to improve employability. Jobcentre Plus will work through the Work programme with large numbers of Welsh people who are looking for work, but the responsibility for that activity in Wales lies with the Government here. I think that getting unemployed people back to work would be more effective, better organised and co-ordinated, and that accountability would be much stronger, if that was the Welsh Government's responsibility, working closely of course with the Government in London.

It would be up to the Welsh Government to determine how to organise matters, but elements of a possible model might be derived from Northern Ireland, where the Department for Employment and Learning works to promote learning and skills, to prepare people for work and to support the economy. Its objectives are to promote economic, social and personal development through high quality learning, research and skills training, and to help people into employment. It works with individuals to improve their skills and qualifications, with those who need support and guidance to progress their employment, including self-employment, and with businesses in the public and private sectors.

Some of the Department's key activities include: enhancing the provision of learning and skills, including entrepreneurship, enterprise, management and leadership; increasing research and development, creativity and innovation; developing and maintaining a framework of employment rights and responsibilities, and, crucially, helping individuals acquire jobs, including through self-employment, and improving the links between employment programmes and skills development.

All that offers many elements that we could adopt in Wales to tailor a comprehensive employment service, better suited to the needs of our country. That need, I am sorry to say, is great.

I am glad that unemployment in Wales was lower in the last quarter, but it still stands at 115,000 people or 7.9%, with the United Kingdom level being 7.7%. The number of jobseeker's allowance claimants increased in the last quarter by 1,700 to 72,000, and total employment was up at 1,349,000.

[Hywel Williams]

However, the number of economically inactive Welsh people stands at 480,000, including many older people, who find it particularly difficult to find a job. They represent 25.3% of the working-age Welsh population, compared with 23.3% for the UK as a whole. Most tellingly, 77,000 Welsh people have been without a job for 10 or more years. The need is indeed great.

My aim in the Bill is therefore to integrate better learning, skills and development and job finding, education and social action, enterprise and self-employment in Wales, all under the Welsh Government, to fashion them into a better organised and more coherent form. That change would help unemployed people build on their individual skills and find relevant and worthwhile employment that meets their needs and those of society. It would also help to promote Welsh business and enterprise, by working with the grain of the system of Welsh government in a simplified, one-stop model. Essentially, this is a common-sense matter of improving co-ordination and delivery, and of locating the task at the most local level where it can be best carried out.

I have concerns about the current system, and particularly about the Work programme. Currently, job seeking is all too often associated negatively in the public mind with claiming benefits. That creates a negative and often stigmatising view of the process, when it should be part of our wider contract between people and communities. We should assist in the provision of work, which allows people to pay taxes and contribute to the wider society. There is no reason why that negativity should be so, particularly if job seeking is linked with positive activities such as providing education and training, and enterprise and development. Job seeking could and should be viewed as positively as entrepreneurship is viewed.

Jobcentre staff do a difficult job in hard circumstances. It was difficult enough running the new deal in good times, but now times are very much harder. It is not simple or easy to find employment, especially for people who have been out of work for a long time and those who face a disability of some sort. We have many such people in Wales. People fear that, under the Work programme, some severely disadvantaged people will not be helped because there are insufficient funds to meet their more complex needs. The task in deprived areas will also be difficult, because there will be few job outcomes. People fear that such areas will be sidelined.

Ministers have said that the Work programme will tackle the endemic worklessness that has blighted so many communities for decades, but I fear that insufficient account has been taken of the differences between labour markets, the different conditions that businesses, especially small businesses, face, and the nature of education and training in Wales. In Wales, much of the expertise in such matters lies with the Welsh Government.

Furthermore, in Wales, the voluntary sector and the capacity of organisations to become subcontractors in the Work programme varies enormously. I have very competent and successful third sector employment organisations in my constituency, such as Agoriad and Antur Waunfawr, but in rural Wales in general we have a preponderance of voluntary bodies that do not employ professional staff. There must be doubts about the ability of some such organisations to participate.

Interestingly, Neil Lee, a senior economist at the Work Foundation, has pointed out that the

> "Work programme is based on a national payment structure and does not take into account local and regional variations in labour demand...There is the danger that private contractors will focus on investing in places where they are more likely to get people into work to secure a return on investment."

There are many such places in Wales, most notably the Rhondda, where I believe there is one job for every 120-odd people seeking it.

Chris Bryant (Rhondda) (Lab): Eighty-four.

Hywel Williams: I am grateful to the hon. Gentleman for that correction.

Kevin Brennan (Cardiff West) (Lab): Will you mention me and my hon. Friend the Member for Wrexham (Ian Lucas) as well?

Hywel Williams: Be quiet.

The financial risk could be passed down to small, local voluntary sector organisations, which could be knocked out of the market as a result. There is a real danger of market failure.

Job search provisions should be devolved the Welsh Assembly, so that we can develop a Welsh solution to employment as part of a comprehensive solution to getting people into work and keeping them there. I commend the Bill to the House.

5.9 pm

Guto Bebb (Aberconwy) (Con): It gives me no pleasure to oppose the Bill, because the hon. Member for Arfon (Hywel Williams) is not only my constituency neighbour but my MP. I thought long and hard before deciding to oppose the Bill, but ultimately I believe strongly that it is a diversion from the issues facing us in the reform of the welfare state. The Government are currently introducing real and significant changes to the way in which we approach the welfare state and, more importantly, the way in which we deal with economic inactivity in Wales, and my concern is that the Bill would divert us from the need to ensure that people in Wales have the opportunity to work and contribute to society.

Despite the hon. Gentleman's best intentions, the Bill would create confusion and a problem in establishing an equal and level playing field between England and Wales. The truth of the matter is that the Government have already embarked on a significant review of how Jobcentre Plus works, not just in Wales but throughout the United Kingdom, and I see no reason to complicate the situation in Wales. Nowhere in the United Kingdom is the need for the Work programme and changes to the welfare state greater than in Wales. Some of the figures are truly appalling. For example, the level of economic inactivity in the UK is about 23%, but in Wales that approaches 28%. In his constituency, the level is 27%, and in mine it is 25%. We need changes to the system that will create results, not bureaucratic changes moving powers from one place to another. We need results.

Economic inactivity rates are a symptom of the fact that the Welsh economy is far too dependent on the public sector. That is in no way an attack on the public sector. Many public sector workers do an immense

amount of work ensuring that we have good services in our schools and hospitals, but we cannot continue with an economy in which about 70% of gross domestic product is produced by the public sector. We need the private sector to be able to play its full part in the economy, creating employment—full employment, I hope.

Some of the figures on job creation in Wales over the past year have been encouraging. That job creation is coming not from the public sector, but from the private sector, which we need to applaud. That is also a development that will be fully supported by the Work programme. The question we have to ask ourselves today is: would the changes proposed by the hon. Gentleman result in a single additional person going back to work, or would they simply lead to more confusion and further bureaucratic problems? With all due respect, I challenge him. He has in his constituency wards such Peblig where 34% of the population are in receipt of key state benefits, and the same is true in other wards in his constituency such as Marchog and Nantlle. Does he really believe that moving responsibility for Jobcentre Plus from London to Cardiff would result in a single individual moving from benefits to work? I doubt it very much.

In effect, the Bill shows the difference between the Conservative party in Wales, which believes in results, and the other parties there, such as Plaid, which believe in process. The reality is that results are what count, and in my view the Government's Welfare Reform Bill proposals will create real change. However, we also need to think carefully about the proposal to link these major changes to the welfare state and the Work programme with the Welsh Assembly department for economic development. Economic development in Wales has, to be perfectly frank, been a basket-case since the Welsh Development Agency was abolished under the previous Labour Administration in Wales.

When the WDA was abolished we probably lost one of the most effective vehicles for private sector investment in Wales. Just last week, the Welsh Affairs Committee took evidence from Sir Roger Jones, whose description of the decision to take the WDA into the Welsh Assembly is worth quoting. He said that it was like

"being micro-managed by people who don't know much",

which "is a dangerous practice."

My concern is that bringing Jobcentre Plus into the Welsh Assembly would do the same again. I wonder what benefit is to be gained by losing the expertise from Jobcentre Plus and allowing decisions to be made by Welsh Assembly officials with no previous experience of dealing with jobcentres or the Work programme. It would be a huge mistake.

The other thing we need to debate is how, in order to change attitudes in Wales, Jobcentre Plus officers and the Work programme must provide hope for people. We must provide the opportunity for aspiration to become a reality in our communities in Wales. We also need to provide support for communities and individuals wishing to get back into the work force in Wales, as well as encouraging the concept of self-reliance. I am concerned that if we move the responsibility for such major changes to the Welsh Assembly, we will create confusion at a time when we have an opportunity to create far-reaching change that will allow communities and individuals to become self-reliant, to stand on their own two feet and to contribute to society.

I am concerned by the comments that Glenn Massey made in his evidence to the Select Committee on Welsh Affairs last week. He stated that as a result of constant changes imposed by both Labour Administrations and the previous Plaid Cymru-Labour Administration, Welsh Assembly Government staff were "disillusioned", suffering from low morale and finding it difficult to become motivated. I ask the House this question: if we want to encourage people back into the workplace, do we want that encouragement to come from staff who have been so demoralised by the Labour and Labour-Plaid Administrations, who have served Wales so badly over recent years? The situation is simple. We have here in Westminster a coalition Government who are willing to tackle the real problems faced by our communities. They are willing to tackle deprivation and to try to persuade people, for the first time in a generation, that work will pay—not just financially, but by giving people value and a feeling that they are contributing to society.

The proposed Bill would divert us from both the need for proper change and from moving things forward. I therefore urge the House to reject the proposition and support the Government's attempt to create real change, rather than bureaucratic change.

Question put (Standing Order No. 23).

The House divided: Ayes 21, Noes 127.

Division No. 300] **[5.17 pm**

AYES

Campbell, Mr Ronnie
Durkan, Mark
Edwards, Jonathan
Francis, Dr Hywel
Gilbert, Stephen
Hemming, John
Horwood, Martin
Hosie, Stewart
Lucas, Caroline
Munt, Tessa
Pugh, John
Reckless, Mark
Robertson, Angus
Rogerson, Dan
Sanders, Mr Adrian
Skinner, Mr Dennis
Smith, Sir Robert
Whiteford, Dr Eilidh
Williams, Hywel
Williams, Mr Mark
Wishart, Pete

Tellers for the Ayes:
Mr Angus Brendan MacNeil and
Mr Mike Weir

NOES

Afriyie, Adam
Aldous, Peter
Andrew, Stuart
Barclay, Stephen
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Bingham, Andrew
Blackman, Bob
Bone, Mr Peter
Bottomley, Sir Peter
Brazier, Mr Julian
Bridgen, Andrew
Buckland, Mr Robert
Byles, Dan
Cairns, Alun
Carmichael, Neil
Carswell, Mr Douglas
Cash, Mr William
Chishti, Rehman
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Colvile, Oliver
Crouch, Tracey
Davies, David T. C. *(Monmouth)*
Davies, Philip
Davis, rh Mr David
de Bois, Nick
Dinenage, Caroline
Dodds, rh Mr Nigel
Donaldson, rh Mr Jeffrey M.
Dorries, Nadine
Drax, Richard
Ellis, Michael
Ellison, Jane
Elphicke, Charlie
Eustice, George
Evans, Jonathan
Field, rh Mr Frank
Field, Mr Mark
Fullbrook, Lorraine
Garnier, Mark
Glen, John
Grant, Mrs Helen
Gray, Mr James

Griffiths, Andrew
Halfon, Robert
Harris, Rebecca
Havard, Mr Dai
Henderson, Gordon
Hinds, Damian
Hoey, Kate
Hollingbery, George
Hollobone, Mr Philip
Hopkins, Kris
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr Marcus
Kelly, Chris
Kirby, Simon
Knight, rh Mr Greg
Kwarteng, Kwasi
Laws, rh Mr David
Lee, Dr Phillip
Leigh, Mr Edward
Leslie, Charlotte
Lewis, Brandon
Liddell-Grainger, Mr Ian
Lilley, rh Mr Peter
Lopresti, Jack
Lord, Jonathan
Main, Mrs Anne
Maynard, Paul
McCartney, Jason
McCartney, Karl
McCrea, Dr William
McIntosh, Miss Anne
Mensch, Mrs Louise
Mercer, Patrick
Mills, Nigel
Morris, Anne Marie
Morris, James
Mosley, Stephen
Murray, Sheryll
Norman, Jesse
Nuttall, Mr David
Offord, Mr Matthew
Ollerenshaw, Eric
Parish, Neil
Patel, Priti
Pawsey, Mark
Percy, Andrew
Perry, Claire
Phillips, Stephen
Poulter, Dr Daniel
Pritchard, Mark
Rees-Mogg, Jacob
Rosindell, Andrew
Ruffley, Mr David
Scott, Mr Lee
Shannon, Jim
Simpson, David
Skidmore, Chris
Smith, Henry
Soames, Nicholas
Spencer, Mr Mark
Stewart, Bob
Stewart, Iain
Stewart, Rory
Stuart, Mr Graham
Sturdy, Julian
Syms, Mr Robert
Tomlinson, Justin
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vickers, Martin
Walker, Mr Charles
Walker, Mr Robin
Weatherley, Mike
Wheeler, Heather
Whittaker, Craig
Whittingdale, Mr John
Williamson, Gavin
Wollaston, Dr Sarah
Zahawi, Nadhim

Tellers for the Noes:
James Wharton and Simon Hart

Question accordingly negatived.

Health and Social Care Bill (Programme) (No. 2)

5.30 pm

The Minister of State, Department of Health (Mr Simon Burns) *rose—*

David Wright (Telford) (Lab): On a point of order, Mr Deputy Speaker. Will you find out from the parliamentary authorities whether the monitors are working throughout the parliamentary estate? Only one Liberal Democrat Back Bencher is present, and, given that the Liberal Democrats have laid claim to significant alterations to the Bill, it is very important that they are in the Chamber.

Mr Deputy Speaker (Mr Nigel Evans): Good try, but let us move on.

Mr Burns: I beg to move,

That the following provisions shall apply to the Health and Social Care Bill for the purpose of supplementing the Order of 31 January 2011 (Health and Social Care Bill (Programme)):

Re-committal

1. The Bill shall be re-committed to the Public Bill Committee to which it previously stood committed in respect of the following Clauses and Schedules—

(a) in Part 1, Clauses 1 to 6, 9 to 11, 19 to 24, 28 and 29 and Schedules 1 to 3;

(b) in Part 3, Clauses 55, 56, 58, 59, 63 to 75, 100, 101, 112 to 117 and 147 and Schedules 8 and 9;

(c) in Part 4, Clauses 149, 156, 165, 166 and 176;

(d) in Part 5, Clauses 178 to 180 and 189 to 193 and Schedule 15;

(e) in Part 8, Clause 242;

(f) in Part 9, Clause 265;

(g) in Part 11, Clauses 285 and 286;

(h) in Part 12, Clauses 295, 297 and 298.

2. Proceedings in the Public Bill Committee on re-committal shall (so far as not previously concluded) be brought to a conclusion on Thursday 14 July 2011.

3. The Public Bill Committee shall have leave to sit twice on the first day it meets.

Let me say at the outset that, because of the number of Members who wish to speak in the debate, I will take only a small number of interventions and will respond to them briefly.

The vital importance of our national health service cannot be overstated, nor can the Government's determination to do all in our power to make it as good as it can be for the patients who depend on it by putting patients at the centre of care and putting outcomes first—outcomes such as survival rates, speed of recovery, and the ability to lead a full and independent life. The Health and Social Care Bill represents a bold evolutionary programme of essential modernisation: a programme—*[Interruption.]*

Mr Deputy Speaker: Order. I know that passions are running high, but it is important that we hear the Minister.

Mr Burns: It is a programme that will end the culture of processed targets and diktats from politicians and of putting the convenience of institutions above the needs of patients.

Mr Kevan Jones (North Durham) (Lab): On a point of order, Mr Deputy Speaker. I thought we were debating a programme motion, but the speech we are hearing seems to be a rehearsal of the Bill.

Mr Burns *rose—*

Mr Deputy Speaker: Hold on. Keep calm. I am absolutely certain that the Minister is about to move on to the programme motion.

Mr Burns: If Opposition Members were more interested in listening than in trying to be disruptive, they would discover that after setting the scene I will deal precisely with the recommittal and our reasons for proposing it.

We will replace that culture with a bottom-up culture of clinical leadership and patient choice and an unfaltering focus on improving health outcomes.

While there has always been widespread agreement on the principles of modernisation—a fact that even the shadow Secretary of State now accepts—there have been concerns in some quarters that the Bill could support those principles better.

Kevin Brennan (Cardiff West) (Lab): On a point of order, Mr Deputy Speaker. Some of us wish to talk about the programme motion that we are supposed to be debating, and indeed to intervene on the Minister if he will give way, as he said that he would at the outset. Can the Minister be persuaded to discuss the motion that is before the House?

Mr Deputy Speaker: Several Members wish to participate in this very short debate. It will last for only an hour, and we are already well into that hour. Will the Minister now refer directly to the programme motion?

Mr Burns: Absolutely, Mr Deputy Speaker.

Given our commitment to, and the paramount importance of, the NHS, we decided to take the unprecedented step of pausing at an appropriate point in the legislative process. The independent Future Forum produced its report. We shall be able to make some changes to our plans that will not require legislation, but a number of changes will need to be scrutinised again by a Committee. All our proposed changes will be subject to further detailed parliamentary scrutiny through a further Committee stage and on Report. We propose—

Several hon. Members *rose—*

Mr Burns: I was about to come on to what we propose to do, but I will give way to the hon. Member for Penistone and Stocksbridge (Angela Smith), and then I will make progress.

Angela Smith (Penistone and Stocksbridge) (Lab): I thank the Minister for giving way.

It is not unprecedented for Bills to come back to the House having been changed by the Government, but previously the whole Bill has gone back to Committee. Why are the Government not doing that?

Mr Burns: The hon. Lady might not be too familiar with the past. Two previous Bills have been recommitted, both in 2003, and if she will wait I will put them in the context of what we are doing.

We propose to recommit 63 of the Bill's clauses and to add a further five to the Bill. About 35 of those 63 clauses will need to be amended. The remainder will provide context and allow the Committee to have a sensible debate about the revisions. These clauses will cover the key areas of the Bill, including the role of the Secretary of State, clinical commissioning groups, the NHS commissioning board, the role of Monitor, foundation trusts, health and wellbeing boards and HealthWatch. We are demonstrably committed to subjecting the Bill to the full and proper scrutiny of Parliament. The Health and Social Care Bill spent a very long time in Committee, with 28 sittings over seven weeks, which, in fact, is the longest series of sittings of a Committee since we considered the modernisation of this Chamber and the House of Commons. Indeed, the hon. Member for Halton (Derek Twigg), who led for the Opposition in Committee, acknowledged at the time that the Committee had

"scrutinised every inch of the Bill."—[*Official Report, Health and Social Care Public Bill Committee*, 31 March 2011; c. 1310.]

However—*[Interruption.]* However, as the changes we are making are—

Several hon. Members *rose—*

Mr Burns: Earlier, Opposition Members complained that I was not discussing why the Bill was being recommitted, yet as I now go through, point by point, why we are doing that they do not seem interested in listening. As I have said, I will not accept interventions frequently, because the House wants to know what we are doing and why are doing it, and that is the right way to proceed.

Several hon. Members *rose—*

Mr Burns: I will give way once more, to the hon. Member for St Helens North (Mr Watts), and then I will make progress.

Mr Dave Watts (St Helens North) (Lab): I thank the Minister for giving way.

So far today, the Minister has used the precedent of 1983. Will he confirm that when a similar Bill came back in 1983, the whole Bill was recommitted to the House?

Mr Burns: The hon. Gentleman seems a little confused. He is talking about 1983, but if he had been listening he would know that I have already said that two Bills were recommitted in 2003. I also said that if Opposition Members wait, I will explain the context of those Bills vis-à-vis the current situation. I therefore urge them to show patience, as they will then learn something.

Kevin Brennan: On a point of order, Mr Deputy Speaker. In fact, the last Bill to be partially recommitted to a Committee was the Mineral Workings Bill in 1951, some 60 years ago, but the Minister is not referring to that.

Mr Deputy Speaker (Mr Nigel Evans): That is just an extension of the debate. I reiterate that we have only one hour to debate this programme motion, so may we make progress? May I also ask Members to calm down, because I am finding it difficult to listen to the Minister?

Mr Burns: Thank you, Mr Deputy Speaker, and you can rest assured that I am doing my bit. If only Opposition Members would listen, they would get the plot.

As the changes we are making are substantial and significant, we have decided to recommit relevant parts of the Bill to Committee. I can tell the House that we expect to make around 160 amendments to the Bill, which we will table in good time. We will also go further and publish briefing notes to help explain the amendments to parliamentarians and those who follow our proceedings outside.

Emily Thornberry (Islington South and Finsbury) (Lab): When?

Mr Burns: The hon. Lady, from a sedentary position, rather like a Greek chorus that ill-befits her, asks when. The answer is that we expect to table the amendments by 23 June, which, if it helps her, is in two days' time. That is despite the fact that many previous Bills—*[Interruption.]* The hon. Member for Islington South and Finsbury (Emily Thornberry) should listen to this because it has some direct relevance that she will not like. We are doing this despite the fact that many previous Bills were not recommitted under the previous Government despite their having undergone significant change. For example, the Local Government and Public Involvement in Health Bill in 2007 had 54 new clauses and three new schedules added by Government amendment, but rather than returning it to Committee the previous Government added them on Report. The Planning Bill of 2007-08 had 29 new clauses and three new schedules added by Government amendment; again, rather than return that Bill to Committee, the previous Government added the clauses on Report. Indeed, a Bill has not been recommitted for eight years since the Planning and Compulsory Purchase Bill in 2003.

No fair-minded person can claim that we are not subjecting the Bill to the closest possible scrutiny. Our recommitting the Bill will give hon. Members additional time to examine parts of the Bill that the Government propose to change. Of course, hon. Members will have further opportunity to scrutinise the entire Bill on Report in the Commons and the Bill will receive full scrutiny in another place. We do not believe that it is necessary for the entire Bill to be recommitted—[Hon. Members: "Why not?"] If hon. Members will listen they will find out why not. We do not believe that it is necessary for the entire Bill to be recommitted in order for proper scrutiny to take place. Indeed, we feel very strongly that that would unnecessarily delay the progress of the Bill to the ultimate detriment of patients. It is now time to give greater clarity and direction to staff and patients. As Professor Steve Field said in the Future Forum report:

"It is time for the pause to end."

Professor Field is not alone in the opinion that now is the time to move forward and to enable proper and thorough scrutiny of those parts of the Bill that will change but without delaying the Bill's passage beyond what is absolutely necessary. The Academy of Medical Royal Colleges said in its response to the Future Forum report:

"We hope the Government will now accept the Future Forum's recommendations in full and move swiftly to make the changes to the Bill and the proposals that are required".

The King's Fund has also emphasised the need to avoid unnecessary delay. It said:

"The 'pause' has served the NHS, its staff and patients well"—

Ian Lucas (Wrexham) (Lab): On a point of order, Mr Deputy Speaker. I tabled a named day question to the Minister, of which he is aware, in which he made it very clear that the changes to the Bill that he says relate to the recommendations of the Future Forum were in fact—

Mr Deputy Speaker (Mr Nigel Evans): Order. Please resume your seat. That is not a matter for the Chair; it is an extension of the debate. Yet again I reiterate that we are now 13 minutes into a one-hour debate and we have yet to hear from the shadow Minister and a number of Back Benchers who wish to participate, so, please, could we restrain bogus points of order—that is No. 1—and could we also have more quiet?

Mr Burns: As I was saying, although the pause may have ended, we will never stop listening. *[Laughter.]* That is why a team of top health experts will continue to provide independent advice to the Government. *[Interruption.]* It is extraordinary, Mr Deputy Speaker, that hon. Members giggle and scream hysterically when they do not like what they hear. What they will not accept is that we did listen through the independent forum—we listened, we strengthened the Bill and they do not like it that more people and more organisations outside the House now believe that the plans that my right hon. Friend the Secretary of State introduced have been strengthened and will meet the needs of a modernised health service. That is the problem. That is why they are behaving in that way.

Of course, we need to give right hon. and hon. Members ample opportunity to examine the amendments in detail, but unnecessary delays will only cause harm for patients and add to the pressure on hospitals and commissioners as they make their modernisation plans. They will prevent clinicians on the ground from making the changes they believe will help to improve and save people's lives. That is why we can have proper scrutiny through the recommittal of the parts of the Bill we are changing, as outlined in the motion, and I urge my hon. Friends and the House to accept it.

5.45 pm

John Healey (Wentworth and Dearne) (Lab): Last week, we had a political fix on the Government's health Bill. This week, we have a procedural fix. The way the Government are dealing with the national health service and with the House of Commons is a disgrace. Last week, the Prime Minister was forced to backtrack in some areas to buy off the many critics of his health plans. This week, to head off proper parliamentary scrutiny of his plans, he refuses to put the whole Bill back into Committee.

The changes announced last week to the Prime Minister's NHS changes are not a proper plan for improving patient care, or for a better or more efficient NHS. Those aims could largely be met without legislation, and certainly without the huge risk and cost of the biggest reorganisation in NHS history. The big quality and efficiency challenges the NHS must meet for the future will be made harder, not easier, by the reorganisation and the announcements last week.

The NHS has seen a wasted year of chaos, confusion and incompetence from the Government. Today, it is clear from the motion that that will continue. The motion signals the onset of sclerosis in the health service. The Bill will mean that the NHS is deeply mired in more centralisation, more complex bureaucracy and more wasted cost in the years to come. There will be five new national quangos and five new local bodies doing the job that one—the primary care trust—does at present.

Today, the motion signals that the essential elements of the Tories' long-term plan to see the NHS broken up as a national service and set up as a full-scale market are still intact.

John Pugh (Southport) (LD): Regardless of the merits of the Bill, does the right hon. Gentleman accept that what the NHS and the public want is to find out whether the House supports it? They do not want to prolong the agony.

John Healey: What the public and patients want is to get to the bottom of the changes the Government said they were bringing in. They want us to do our proper job of scrutinising the detail, and for that we need the time to do so, with the full Bill recommitted to the Public Bill Committee. Even some of the hon. Gentleman's Lib Dem colleagues are beginning to see through this. Yesterday, the hon. Member for St Ives (Andrew George) wrote that the Government

"leaves many of the previous concerns—about the risk of a marketised NHS, a missed opportunity to better streamline health and social care and a lack of accountability—still unresolved."

John Pugh: But does the right hon. Gentleman accept that those concerns will all be covered in the areas of the Bill to be discussed? Nothing will be left out.

John Healey: I do not normally quote the hon. Gentleman's party leader, but a few weeks ago, the Deputy Prime Minister said:

"It is very important that MPs, who represent millions of patients up and down the country, have the opportunity to really look at the details that we are proposing...I have always said that it is best to take our time to get it right rather than move too fast and risk getting the details wrong."

The Prime Minister has stopped listening to the Deputy Prime Minister, and that is exactly the mistake the Government are making with the motion.

Grahame M. Morris (Easington) (Lab): Does my right hon. Friend agree that despite the Conservatives saying that they are against cherry-picking, that is exactly what they are doing? They are cherry-picking the elements to be referred to the Bill Committee. Clause 60, for example, which deals with Monitor and the regulation of the NHS, is not included. There are so many inconsistencies in the Bill.

John Healey: One of the deep flaws in the motion is that it is hard to see how the Committee can properly consider the changes that the Government say they want to make without being able to consider the consequences for other parts of the Bill and other parts of the NHS.

Andrew Percy (Brigg and Goole) (Con): Moderation in these debates is always to be welcomed. Surely the right hon. Gentleman must see that he cannot have it both ways. He cannot complain about the money and the length of time spent on the listening exercise. When I was in the House last week to listen to the statement, he said it was time to get on and get it done, yet he argues that we should drag the process out for even longer. He cannot have it both ways.

John Healey: I can and I have. This is a reckless and needless reorganisation, which has led to confusion and chaos over the past year. If the House does not help to get the legislation right by doing its proper job, that chaos and confusion and the wasted cost—money that should be spent on patient care—will continue.

Kevin Brennan: Is it not an abuse to use this procedure, which is very rare? According to the Library, the most recent example of a partial recommittal of a Bill to the same Committee was the Mineral Workings Bill in 1951 because of an inadvertent error in the original Committee stage. It is totally wrong to use the procedure. The whole Bill should be recommitted.

John Healey: My hon. Friend has a point. What is wrong is a partial recommittal of the Bill, because the Bill requires full scrutiny of the full provisions with the changes that the Government propose to make, once we have had a chance to see them.

The Health Minister and Government Members urge us to go faster. Everything this Government have done with their NHS reorganisation has been rushed and reckless, and the motion signals that they are set to repeat the mistake by railroading the Bill through at breakneck speed and denying this elected House its proper role in scrutinising the legislation. Labour tabled a motion a month ago for the full Bill to be reconsidered in Committee, for more time to look at the detail of the amendments and for proper scrutiny and debate in Committee.

Ian Lucas: Is it not important to take into account the written answer that I received to the named day question—a very good question—that I put to the Minister? He gave me a very good answer: far from recommittal being a consequence of the NHS Future Forum, the Government were consulting on these very amendments to the Bill prior to the announcement that they made on the consequences of the Future Forum. Is not the entire process a sham?

John Healey: My hon. Friend is right. We know that the Prime Minister is a PR man. We know that he was forced to call the pause and that, when he did, he was looking for a PR solution. The answer that my hon. Friend flushed out of the Government stands that up clearly.

[John Healey]

To return to the motion before the House and the question whether the Bill requires, as we argue, recommittal in full, parliamentary precedent demands this, proper parliamentary scrutiny demands this and, above all, our responsibility to NHS patients to try to get the legislation right demands this. The parliamentary precedent is clear, as my hon. Friend the Member for Cardiff West (Kevin Brennan) said. The House of Commons Library tells me that the last time a Bill was recommitted in part was 60 years ago. In response to a point of order, the Health Minister cited the Planning and Compulsory Purchase Bill of 2003 as a precedent. The Labour Government recommitted that Bill in full and gave Committee members the whole of the summer recess to examine the detailed amendments before the Committee sat again. Why are the Government not acting as they should and as Labour acted in government with that Bill?

The NHS, the legislation and the changes to the changes announced last week are all complex, and the House cannot do its proper job unless the Government's changes to one clause can be considered alongside the consequences for other parts of the Bill and for the health service. How can the promised changes to Monitor's role be considered without looking at all 29 clauses dealing with its licensing powers? The House cannot do its proper job unless all the areas that the Government say they will change are recommitted.

Why are the clauses on the failure and designation regime for hospitals, which the Government say they will change, not covered in the recommittal motion? The House cannot do its proper job, and organisations cannot give proper evidence to the Bill Committee, unless all the amendments are tabled in good time, so why will there be only two full working days between the tabling of amendments and the Committee sitting? The House cannot do its proper job unless the Bill Committee has sufficient time for scrutiny.

The 64 clauses in the recommittal motion took 45 hours of debate in Committee last time. The Government are now cutting that time in half. The Minister said that he expects 160 amendments in Committee. That allows less than 10 minutes for each amendment that the Government table, and that is before the Opposition table our own amendments and before taking into account the six schedules that are being recommitted.

Mr Simon Burns: As a former Minister, the right hon. Gentleman knows about taking legislation through Committee. Given that a number of the 160 amendments will be technical and drafting amendments, will he please tell the House how many minutes he needs for each technical and drafting amendment to be debated in Committee?

John Healey: The Minister, his colleagues and the Prime Minister have broken their word so often so far on the NHS that we cannot take at face value what the Minister says. We will wait to see and we will judge what he does when we see the detail of the amendments that he tables.

Mr Dave Watts (St Helens North) (Lab): Does not this go to the root cause of the way the Government are dealing with the NHS? They are dealing with it piecemeal. At present we have an integrated health service. Does not their approach show that they want to break that NHS up?

John Healey: My hon. Friend is right. What the Government are doing is reckless and rushed. The NHS is still intact, but what they are doing will break it up as a national service, as we know it.

Several hon. Members *rose—*

John Healey: I give way for the last time to the hon. Member for Strangford (Jim Shannon).

Jim Shannon (Strangford) (DUP): The Committee had 28 meetings, 100 Divisions and hour upon hour of debate. That has been reflected in public opinion. The electorate who put us all in the House to represent their views are clear about what they want: a full debate in Committee, not a short-term Committee. They want it to sit until 18 October, not until 14 July.

John Healey: The hon. Gentleman served on the Public Bill Committee. I hope he will continue to serve when the Bill is recommitted. He is right. The public and NHS patients expect us to do our best to get the legislation right. To do that, we require the detail, we require the time, and we require the whole Bill to be recommitted.

The House cannot do its proper job without an impact assessment. The current assessment says that

"the full benefits of these changes will not be realised unless there is a change to regulation to promote competition".

The Government now say that this policy will be altered. There will also be greater bureaucracy, longer time scales and more bodies with more complex accountabilities. Both the supposed benefits and the stated costs have changed, yet the Government tell us that the new impact assessment will not be published until the Bill reaches the Lords.

How much will this reorganisation now cost? How much can the Government now claim this will save? What are the risks? Why has the Health Secretary being blocking my freedom of information requests to release the official risk register since November? Why will the Government not welcome and allow full scrutiny of the Bill in view of the significant policy changes they say they are making? Why are they preventing this elected House from doing its proper job of fully scrutinising the legislation?

If the programme motion is passed, more will need to be done on Report in this House and during the Bill's passage through the other place. We will continue to oppose this reckless and needless NHS reorganisation, lead the detailed scrutiny this legislation requires and speak up as patients start to see their NHS services suffer again under the Tories. We will oppose the motion.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Nigel Evans): Order. Many Members wish to participate and there is only half an hour left, so long speeches would not be appropriate, to be fair to Back Benchers.

6.1 pm

John Pugh (Southport) (LD): I will briefly specify three linked reasons, good and bad, why we support the Government's programme motion. We oppose the Opposition's amendment to the motion because it would simply lead to unnecessary delay. The Government have identified through the listening exercise, perhaps belatedly, the controversial, difficult and unworkable aspects of the legislation and want to change them. In deference to the people they have consulted, they want to change those aspects promptly and subject them to proper scrutiny, not only in Committee, but in an evidence session that we will also have.

Surprisingly, many areas of the Bill are relatively uncontentious and ought not to detain the House a great deal longer, such as the aspects relating to social work, the health and care professions or the National Institute for Health and Clinical Excellence. Those areas are relatively uncontentious and need not be massively reconsidered. In addition, there is the summer recess, as the right hon. Member for Wentworth and Dearne (John Healey) said, which means that after the Committee has concluded its considerations there will be ample time for him and anyone in the NHS, including all the consultees, to make adequate representations. The Bill will then go to the Lords and return for our further consideration.

Bill Esterson (Sefton Central) (Lab): The hon. Gentleman will have been lobbied by constituents in the same way that I and other Members have been. Does he agree that the public's real concern is the potential for cherry-picking by private companies, even with the amendments that are being made, and that this approach will be unable to stop such a process?

John Pugh: The public are perfectly entitled to an answer on whether the Bill contains cherry-picking or not, but it is better that they have that answer sooner rather than later. There is a second reason—*[Interruption.]* May I just set my stall out? The second reason why this must be done properly is that the Bill has so far led to uncertainty and the implosion of primary care trusts. Whoever's fault it is—*[Interruption.]* People will know that I did not support the original Bill. It has led de facto to the implosion of PCTs and to some irregular adjustments and appointments being made on the hoof—Members can ask their constituents about that—and to some premature arrangements being made.

Karl Turner (Kingston upon Hull East) (Lab): I am obliged to the hon. Gentleman for giving way. How many times did he support my colleagues and I in the Bill Committee?

Several hon. Members None.

John Pugh: None is not the correct answer. The issue that Labour Members need to understand is that the NHS, as a result of the Budget that most of them voted for in 2010, needs to find £20 billion, and we cannot do that unless—*[Interruption.]* If it is a disgrace, it is a disgrace that the Labour party inflicted on us. We cannot do that against a background of complete and utter uncertainty, not knowing who will be running the NHS and having to find those savings. Members can check for themselves, but that is the view of the local people running their hospitals. Regardless of the merits of the legislation, they now want a decision.

Angela Smith: Given that the hon. Gentleman voted for the Bill on Second Reading and got that wrong, how can we be confident that he has got it right today?

John Pugh: If the hon. Lady checks *Hansard*, she will find that I did not vote for the Bill on Second Reading—okay?

A third and more consensual reason—I might now withdraw it—is that I can assure the House that, having served on the Bill Committee, it could not find a better or more informed set of individuals who are on the ball. The Opposition drilled down on every clause with laser-like precision. There are some very talented individuals sitting on the Opposition Benches, and there is still that galaxy of informed talent. They might feel, as I do, that it is a little like being sent back to the trenches, but the fact is that if that team cannot win the arguments for either accepting or rejecting these changes in the time allotted, frankly there is no hope for this House. They must approach the matter in the right spirit, although that seems somewhat in doubt. I urge Opposition Members to have confidence in their team, the timetable and the ability of the British public to judge if it all goes horribly wrong, but it will not go horribly wrong simply because of the programme motion.

6.7 pm

Chris Bryant (Rhondda) (Lab): The problem with what the Government are presenting this evening is that, having had a pause, they have decided to fast forward without the intervening period. The truth of the matter is that they will not inspire confidence in the running of the NHS by moving at a gallop and they will not improve morale by moving at such speed without proper scrutiny. I must say to Government Members that last night's business motion, which stated that no amendments could even be moved today, was an absolute disgrace. What are they frightened of?

Mr Peter Bone (Wellingborough) (Con): Will the hon. Gentleman give way?

Chris Bryant: In a moment.

Are the Government frightened that some of their Back Benchers might vote for an amendment? I can assure them that there are very few courageous people on their side of the House, but the hon. Member for Wellingborough (Mr Bone) is one of them.

Mr Bone: I agree with the sentiments that the hon. Gentleman is expressing, but could he explain to me why the official Opposition did not object last night?

Chris Bryant: Because there was no opportunity to have a debate last night. It would have been nice to be able to expose the problems with the way the Government are dealing with the Bill, but unfortunately such an opportunity was unavailable to us. It is a disgrace that there is no opportunity for amendment. It is also a disgrace that the whole Bill is not being recommitted. We have seen none of the amendments. The Government are basically saying, "We've decided where we want to

[Chris Bryant]

change the Bill, and only those bits shall be available for discussion by the Committee." That is a completely inappropriate abrogation of the powers of this House to the Crown. The person who should be most disgraced by that is the Deputy Leader of the House, because he has said so many times that he believes in better scrutiny and yet is now abandoning that.

The Parliamentary Secretary, Office of the Leader of the House of Commons (Mr David Heath): Will the hon. Gentleman give way?

Chris Bryant: I will not give way. If he had allowed more—*[Interruption.]*

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. There is very little time as it is, and screaming at each other does not help.

Chris Bryant: If the Deputy Leader of the House had allowed more than an hour for debate today, I would give way to him, but I am not going to give way now. We have already heard from a Minister for 15 minutes.

It is a bizarre selection of clauses that the Committee will be allowed to discuss. For instance, it will not be allowed to discuss clause 239 on NICE's charter, nor clause 240 on its functions, but it will be allowed to consider clause 242, on the failure of NICE to discharge its functions. There is absolutely no logic to what is being presented to us.

In addition, the programme motion does not allow enough time. The Prime Minister is profoundly confused about all this, because he said many times this morning that 10 days would be allowed. Indeed, he said:

> "Ten days... I don't want to sort of misquote the Monty Python sketch but when we were in opposition we used to dream of tens days to debate a government bill".

Well, yes, we are dreaming of 10 days now. We would love to have 10 days, but there will not be 10 days; there will be 10 sittings.

Mr Kevan Jones: The Prime Minister is not very good on detail, because the Criminal Justice Bill to which he referred, and whose Committee he sat on, actually had 38 sittings over eight weeks.

Chris Bryant: My hon. Friend is absolutely right, but surely the key point is that we need to do this scrutiny properly. The Government may think that they are doing themselves a favour by trying to get the Bill out of this House by the summer recess, but all it means is that those in another place will have to do a proper job of scrutiny, and I bet that they will not get it out of the second Chamber before next year.

Finally, the motion states that we have to commit the Bill to the same set of people. Now, some splendid people sat on the Government Benches in that Committee, including the hon. Member for Preseli Pembrokeshire (Stephen Crabb). He is a splendid Member of Parliament whose integrity I do not want to be questioned, but he will now have to force all the people whom he forced previously to vote for one set of proposals in the Bill to vote for exactly the opposite. I therefore beg Government Members, if they value the hon. Gentleman's career, to vote against the motion.

I say that because, theoretically, the Committee Chairman could rule that some amendments cannot be taken or selected because we have already presented them and the same Committee is re-sitting. We will find, however, that many Government Members have to stand on their heads and vote for the exact opposite of what they voted for earlier.

I understand that one of the great passions in life of the hon. Member for Southport (John Pugh), who speaks for the Liberal Democrats, is weight-lifting. Well, he did no heavy lifting of any kind on the previous Committee, and if there are changes to the Bill they are the work of Opposition Members, not the hon. Gentleman. He said that it was a wonderful Committee and could not have been better. Well, why was the hon. Member for Totnes (Dr Wollaston)—somebody who knows about general practice—not put on it? Of course, we know the reason: she did not agree with the Government.

I do not believe that the new Committee should include the same set of people, in particular because the hon. Member for Stafford (Jeremy Lefroy), on the final day in Committee, asked the Minister one of his great insightful questions: "What is the point of clause 249?" He is clearly a man of insight. In addition, he later said:

> "I am still a member of the Committee, I think."—*[Official Report, Health and Social Care Public Bill Committee*, 31 March 2011; c. 1268.]

We should have a new set of Committee members. There is no point in every Member who sat on the previous Committee, including those with direct financial interests in the Bill, being on the Committee in future, so I say, "Vote against this ludicrous, shameful and disgraceful programme motion."

6.13 pm

Mr Peter Bone (Wellingborough) (Con): It is always a pleasure to follow the hon. Member for Rhondda (Chris Bryant). He is a parliamentarian before anything else, and he made some very important points, which we must consider.

The House must make up its mind whether to vote for a programme motion. I start from the position that I should always vote against a programme motion, because they are a Labour party invention and not good for scrutiny, so I gently say to the hon. Gentleman that, when I sat where he now sits, the Government whom he supported railroaded Bills through without proper scrutiny on many occasions. He was personally against that, but it happened, and whole rafts of Bills were not scrutinised.

On procedure, I congratulate the Secretary of State for Health and the whole Government on something that some Opposition Members do not understand but parliamentarians on both sides of the House will. We have a new Parliament and a new way of doing business. The Government no longer make their mind up and railroad through a Bill—*[Interruption.]* Some people laugh and scoff, but they are the people who do not get it. This Parliament is about scrutiny, and it has been proved that this Parliament can do it. People talk about U-turns, but this is not a U-turn; this is parliamentary scrutiny, and it is an amazing improvement on the previous Parliament.

Kevin Brennan: Does the hon. Gentleman think it right in principle that the Government should be able to choose the parts of the Bill in Committee to which Members from any party, Front Benchers or Back Benchers, might want to introduce amendments?

Mr Bone: The hon. Gentleman makes a really important point, one that I am wrestling with before I decide how to vote. If we had a business of the House committee, that problem would not arise, because the decision would be made in public and not by the Executive, but we are where we are. To the Government's credit they avoided Standing Orders by allowing us to have a debate—however short—today. Standing Orders called for this motion to be decided forthwith and without a debate, so the Government should get credit for that.

There are a number of issues, but an important one is whether the whole Bill should be recommitted. I can see many arguments for that, but I can see also an alternative view, which says, "You're going to look in more detail and have more time if you look at provisions that have effectively been changed."

The Government talk about moving 160 amendments, and the Opposition will move amendments, but I hope that in Committee Back Benchers will do so, too. The problem for the Committee's Chairmen is that they will have to consider how to deal with those amendments that are approved and consequential to earlier parts of the Bill, but I think that they will do so sensibly.

I have some doubts about the same people being on the Committee. I volunteered to sit on it and wrote to the Chairman of the Committee of Selection. There is an argument for fresh faces on the Committee, but the really important point is how Members on both sides behave in Committee. If they go there to scrutinise the Bill, if they are willing to table sensible amendments and if they vote according to their conscience and not on party lines, we will have real scrutiny.

Angela Smith: I appreciate what the hon. Gentleman says, but under the programme motion the Bill has to be completed by 14 July, meaning a maximum of 12 sittings. How can that possibly be adequate time to scrutinise the changes being brought forward?

Mr Bone: The hon. Lady asks another important question on which we as parliamentarians have to decide today. As I have said, I am against programme motions that include end dates; I am against programme motions anyway. We could recommit the Bill without including a timetable on when it must leave Committee, but unfortunately we live in this world and that tactic was invented not by my right hon. and hon. Friends on the Treasury Bench, but by the previous Government—*[Interruption.]* The hon. Member for West Ham (Lyn Brown), the Opposition Whip, who of course did not actually say anything, makes the point that two wrongs do not make a right, and I agree.

I know other Members want to speak, but I wish to return to my previous point. If Committee members, at least those on the Government side, vote according to their conscience and are not whipped, we will have a much better Bill. Of course, that is what the Prime Minister said in his famous speech on 26 May 2009, but I encourage such behaviour, because, if the Government do not like any amendments that are carried, they can always reverse them when the Bill returns to the House on Report.

Mr Watts: Does the hon. Gentleman really believe that his own Whips are going to stand aside regarding this Bill? Frankly, he is living in a dream world if he thinks they are going to choose people who will not toe the party line and will vote for every amendment that they want.

Mr Bone: If I am put on the Committee, I shall certainly make up my own mind. I know that that concept is foreign to Labour Members, who have always done what they are told and voted how they are told. Conservative Members are different—we vote according to conscience.

Owen Smith (Pontypridd) (Lab): As a member of the Committee, I point out to the hon. Gentleman that throughout all 38 sittings I watched Conservative Members dragooned by the Whips and not once voting according to their conscience, if they have one, but with their Front Benchers.

Mr Bone: I am afraid that I did not serve on the Committee, and my bid to get on it still stands. I hope that this new-found way of doing business will eventually make progress. If this House is ready to take back control of business, that is the way it has to be.

I welcome what the Government have done throughout this whole process, and I welcome today's debate. I have reservations about the programme motion, and I will make up my mind on how to vote at the end of the debate. When the Bill comes back to the House on Report, I hope that there will be enough time for Members to deal with all the amendments and new clauses, because at the moment only members of the Committee can do so. In general terms, I welcome the new process and congratulate the Secretary of State for Health.

6.21 pm

Mr Kevan Jones (North Durham) (Lab): I rise to oppose the programme motion. I remember sitting and listening to some eloquent speeches against programme motions by Conservative Members when we were in government. What we uniquely have tonight, as has been highlighted by my hon. Friend the Member for Rhondda (Chris Bryant), is a double programme motion, because this debate is being limited to one hour, and then we will have a programme motion that rushes the Bill through by 14 July. Another unique aspect is that this is the first time since the coalition Government came into being that a Conservative Member has opened the debate following a major U-turn or embarrassment, when a Liberal Democrat is usually put up as a human shield. On this occasion, the Minister has obviously fallen for the trick.

It is important that this Bill gets proper scrutiny, but that will be difficult. The Minister has already said that the Government are going to table 160 amendments, and that is before any others have been proposed. He said that some would be technical, and I accept that, but we do not know what they will be about or how many there will be.

Helen Jones (Warrington North) (Lab): Does my hon. Friend agree that it is disgraceful that we are not even seeing those amendments until two days before the Bill goes into Committee, giving outside organisations and members of the Committee no time to scrutinise them? Does that not show that the Government are running scared of proper scrutiny?

Mr Jones: My hon. Friend makes a good point. One innovation is the introduction of pre-legislative scrutiny of Bills by a Committee. In 2001, I served on one of the very first such Committees, which considered the Civil Contingencies Bill. That was an extremely good process during which the then Government accepted well over 100 recommendations and amendments. With a timetable of 10 sittings—not 10 days, as the Prime Minister said today—there will be very little time for outside bodies to scrutinise and have professional input into the Government's amendments.

The hon. Member for Southport (John Pugh), who speaks for the Liberal Democrats, says that we cannot prolong the agony or uncertainty faced by the health service. I remind him that we are in this position because his party is supporting the back-of-a-fag packet proposals dreamed up by the Secretary of State for Health. If he really wants to be able to say that he has made a difference, he should have voted with the Opposition when he had the opportunity. It is interesting that he is again the sole Liberal Democrat on the Government Benches, even though we are being told that it is the Liberal Democrats who have made major changes to the Bill.

If the Bill is to get proper scrutiny, if we in this place are to get the respect of electors in thinking that we are doing a proper job of scrutiny and, more importantly, if we are going to get the health service that this country deserves, this is not the way to do it. I predict that we will get to 14 July, when most of the amendments will not have been debated, and once again let the other place dismember the legislation. We can see the job it is doing up there at the moment, and that is because ill-thought-out and ill-prepared Bills are being brought forward by this coalition Government.

6.25 pm

Andrew Percy (Brigg and Goole) (Con): I did not intend to speak, but I have been provoked into making a few brief comments. Like my hon. Friend the Member for Wellingborough (Mr Bone), I have concerns about programme motions, despite having been here only a short time. I, too, have never been successfully placed on a Bill Committee, although his failure is perhaps greater than mine as he has been here a bit longer than I have.

Before I was elected to this place, I spent 10 years as a local government councillor in perpetual opposition, being one of only two Conservative councillors on an authority of 60 members. We spent all that time criticising the administration for not listening to us and not giving us the opportunity to scrutinise decisions correctly. Perhaps it is the role of an Opposition to make a great deal of noise about the issue of scrutiny, and I understand that that is partly the approach of Labour Members today.

Since being elected, I have been incredibly frustrated by how little time there is to debate anything. Everything seems to be time-limited, and one sometimes sits for hours and cannot get called. I hope that if anything comes out of these discussions, this issue will be looked at in future years and we will have a different way of doing things in this place so there is proper debate.

When I talk to members of the public and health professionals, they tell me that they want clarity in knowing where we are heading with the NHS. Having listened to the Secretary of State, I want to know what the provisions will be to prevent cherry-picking.

Andrew Gwynne (Denton and Reddish) (Lab): Does the hon. Gentleman not understand that recommitting only the parts of the Bill that the Government want to recommit, and not considering the knock-on impact on other parts of it, will create uncertainty about the aspects that are not going to be debated?

Andrew Percy: I take the hon. Gentleman's point. That has already been discussed. The key thing now is to debate the parts of the Bill that the Government have said they intend to amend, and perhaps that will mean that we can debate them in more depth. I want to know what the provisions are going to be to prevent cherry-picking. The shadow Secretary of State said that this is an attempt by the Government to break up the NHS and bring in market forces. I would not want to be a member of any political party that attempted to do that, so I want to know about the Government amendments.

Kevin Brennan: I respect the hon. Gentleman's respect for Parliament and therefore put to him what I said earlier: on a point of principle, is it not wrong that the Government should be able to select the parts of the Bill that they want to have scrutinised and not allow Members from all parts of the House an opportunity to do so? Does that not set an extremely dangerous precedent?

Andrew Percy: We have discussed where these procedures come from and who is accountable for them, and that certainly cannot be laid at the door of this Government. Over the past few months, we have heard first that there has been too much delay, and now that there is not enough delay.

As we have heard, professionals in the health service and the public have been saying that they wanted to know where we were heading and that they needed some clarity. The Government wanted that brought to an end, and they have had their listening exercise. On that basis alone, although I do not like the idea of curtailing debate, I hope that we can get on with this so that we all know what the changes are going to be, and that we end up with an NHS that is on a stable footing for the long term and do not have any more reorganisation for a considerable time.

Mr Deputy Speaker (Mr Lindsay Hoyle): Grahame Morris with about four seconds.

6.29 pm

Grahame M. Morris (Easington) (Lab): I am very grateful, Mr Deputy Speaker. I call for the motion to be opposed.

6.29 pm

Kevin Brennan (Cardiff West) (Lab): I just reiterate the point that 1951 is the last time that this exact procedure was used. The Government are setting a dangerous precedent. This is an abuse of parliamentary procedure and it does not enable the House to consider all parts of the Bill. The recommittal of Bills is quite a rare procedure in this House.

6.30 pm

One hour having elapsed since the commencement of proceedings on the motion, the Deputy Speaker put the Question (Order, 20 June).

The House divided: Ayes 297, Noes 224.

Division No. 301] **[6.30 pm**

AYES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Alexander, rh Danny
Amess, Mr David
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Barker, Gregory
Bebb, Guto
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bottomley, Sir Peter
Bradley, Karen
Brady, Mr Graham
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burns, rh Mr Simon
Burrowes, Mr David
Burstow, Paul
Burt, Alistair
Burt, Lorely
Byles, Dan
Cable, rh Vince
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, rh Mr Alistair
Carmichael, Neil
Carswell, Mr Douglas
Cash, Mr William
Chishti, Rehman
Clark, rh Greg
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Crockart, Mike
Crouch, Tracey
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
Davis, rh Mr David
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Dorries, Nadine
Doyle-Price, Jackie
Drax, Richard
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Featherstone, Lynne
Foster, rh Mr Don
Fox, rh Dr Liam
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mr Edward
Garnier, Mark
Gauke, Mr David
George, Andrew
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Damian
Greening, Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Halfon, Robert
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Matthew
Harper, Mr Mark
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heath, Mr David
Hemming, John
Henderson, Gordon
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Hopkins, Kris
Horwood, Martin
Howell, John
Hughes, rh Simon
Hunter, Mark
Huppert, Dr Julian
Hurd, Mr Nick
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr Marcus
Kelly, Chris
Kirby, Simon
Knight, rh Mr Greg
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lamb, Norman
Lancaster, Mark
Lansley, rh Mr Andrew
Laws, rh Mr David
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Leech, Mr John
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Liddell-Grainger, Mr Ian
Lidington, rh Mr David
Lilley, rh Mr Peter
Lloyd, Stephen
Lord, Jonathan
Loughton, Tim
Lumley, Karen
Macleod, Mary
Main, Mrs Anne
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
Mensch, Mrs Louise
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Milton, Anne
Moore, rh Michael
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Mulholland, Greg
Mundell, rh David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Ottaway, Richard
Paice, rh Mr James
Parish, Neil
Patel, Priti
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pritchard, Mark
Pugh, John
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reevell, Simon
Reid, Mr Alan
Robathan, rh Mr Andrew
Robertson, Hugh
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Ruffley, Mr David
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Shepherd, Mr Richard
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert

Soames, Nicholas
Spencer, Mr Mark
Stanley, rh Sir John
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stuart, Mr Graham
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swire, rh Mr Hugo
Syms, Mr Robert
Tapsell, Sir Peter
Teather, Sarah
Thurso, John
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Ward, Mr David
Watkinson, Angela
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Williams, Mr Mark
Williams, Stephen
Williamson, Gavin
Willott, Jenny
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Simon
Yeo, Mr Tim
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Ayes:
Stephen Crabb and James Duddridge

NOES

Abbott, Ms Diane
Abrahams, Debbie
Alexander, rh Mr Douglas
Alexander, Heidi
Ali, Rushanara
Allen, Mr Graham
Anderson, Mr David
Ashworth, Jon
Austin, Ian
Bailey, Mr Adrian
Bain, Mr William
Balls, rh Ed
Barron, rh Mr Kevin
Begg, Dame Anne
Bell, Sir Stuart
Benn, rh Hilary
Berger, Luciana
Blackman-Woods, Roberta
Blears, rh Hazel
Blenkinsop, Tom
Blomfield, Paul
Blunkett, rh Mr David
Bradshaw, rh Mr Ben
Brennan, Kevin
Brown, rh Mr Nicholas
Brown, Mr Russell
Bryant, Chris
Buck, Ms Karen
Burnham, rh Andy
Campbell, Mr Alan
Campbell, Mr Gregory
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clarke, rh Mr Tom
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Cooper, Rosie
Corbyn, Jeremy
Crausby, Mr David
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cryer, John
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Dakin, Nic
Danczuk, Simon
Darling, rh Mr Alistair
David, Mr Wayne
Davidson, Mr Ian
Davies, Geraint
De Piero, Gloria
Denham, rh Mr John
Dobson, rh Frank
Docherty, Thomas
Dodds, rh Mr Nigel
Donaldson, rh Mr Jeffrey M.
Donohoe, Mr Brian H.
Doran, Mr Frank
Dowd, Jim
Dromey, Jack
Dugher, Michael
Durkan, Mark
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Ellman, Mrs Louise
Engel, Natascha
Esterson, Bill
Evans, Chris
Farrelly, Paul
Field, rh Mr Frank
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Fovargue, Yvonne
Francis, Dr Hywel
Gapes, Mike
Gilmore, Sheila
Glass, Pat
Glindon, Mrs Mary
Goggins, rh Paul
Goodman, Helen
Greatrex, Tom
Green, Kate
Greenwood, Lilian
Griffith, Nia
Gwynne, Andrew
Hain, rh Mr Peter
Hamilton, Mr David
Hamilton, Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Havard, Mr Dai
Healey, rh John
Hendrick, Mark
Heyes, David
Hodgson, Mrs Sharon
Hoey, Kate
Hopkins, Kelvin
Hosie, Stewart
Howarth, rh Mr George
Hunt, Tristram
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs Siân C.
Jamieson, Cathy
Jarvis, Dan
Johnson, rh Alan
Johnson, Diana
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Jowell, rh Tessa
Joyce, Eric
Kaufman, rh Sir Gerald
Keeley, Barbara
Kendall, Liz
Lammy, rh Mr David
Lavery, Ian
Lazarowicz, Mark
Leslie, Chris
Lewis, Mr Ivan
Lloyd, Tony
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
MacShane, rh Mr Denis
Mactaggart, Fiona
Mahmood, Shabana
Mann, John
Marsden, Mr Gordon
McCabe, Steve
McCarthy, Kerry
McCrea, Dr William
McDonagh, Siobhain
McDonnell, Dr Alasdair
McDonnell, John
McFadden, rh Mr Pat
McGovern, Alison
McKechin, Ann
McKinnell, Catherine
Meacher, rh Mr Michael
Mearns, Ian
Michael, rh Alun
Miliband, rh David
Miller, Andrew
Mitchell, Austin
Morden, Jessica
Morrice, Graeme *(Livingston)*
Morris, Grahame M. *(Easington)*
Mudie, Mr George
Munn, Meg
Murphy, rh Mr Jim
Murphy, rh Paul
Nandy, Lisa
Nash, Pamela
O'Donnell, Fiona
Onwurah, Chi
Owen, Albert
Pearce, Teresa
Perkins, Toby
Phillipson, Bridget
Pound, Stephen
Qureshi, Yasmin
Raynsford, rh Mr Nick
Reed, Mr Jamie
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Riordan, Mrs Linda
Robertson, Angus
Robertson, John
Robinson, Mr Geoffrey
Rotheram, Steve
Ruane, Chris
Ruddock, rh Joan
Seabeck, Alison
Shannon, Jim
Sharma, Mr Virendra
Sheerman, Mr Barry
Sheridan, Jim
Shuker, Gavin
Simpson, David
Skinner, Mr Dennis
Slaughter, Mr Andy
Smith, rh Mr Andrew
Smith, Angela
Smith, Nick
Smith, Owen
Spellar, rh Mr John
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Tami, Mark
Thomas, Mr Gareth
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turner, Karl
Twigg, Stephen
Umunna, Mr Chuka
Vaz, Valerie
Walley, Joan
Watson, Mr Tom
Watts, Mr Dave
Weir, Mr Mike
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Wicks, rh Malcolm
Williams, Hywel
Williamson, Chris
Winnick, Mr David
Winterton, rh Ms Rosie
Wishart, Pete
Wood, Mike
Woodcock, John
Woodward, rh Mr Shaun
Wright, David
Wright, Mr Iain

Tellers for the Noes:
Phil Wilson and Lyn Brown

Question accordingly agreed to.

Ordered,

That the following provisions shall apply to the Health and Social Care Bill for the purpose of supplementing the Order of 31 January 2011 (Health and Social Care Bill (Programme)):

Re-committal

1. The Bill shall be re-committed to the Public Bill Committee to which it previously stood committed in respect of the following Clauses and Schedules—

(a) in Part 1, Clauses 1 to 6, 9 to 11, 19 to 24, 28 and 29 and Schedules 1 to 3;

(b) in Part 3, Clauses 55, 56, 58, 59, 63 to 75, 100, 101, 112 to 117 and 147 and Schedules 8 and 9;

(c) in Part 4, Clauses 149, 156, 165, 166 and 176;

(d) in Part 5, Clauses 178 to 180 and 189 to 193 and Schedule 15;

(e) in Part 8, Clause 242;

(f) in Part 9, Clause 265;

(g) in Part 11, Clauses 285 and 286;

(h) in Part 12, Clauses 295, 297 and 298.

2. Proceedings in the Public Bill Committee on re-committal shall (so far as not previously concluded) be brought to a conclusion on Thursday 14 July 2011.

3. The Public Bill Committee shall have leave to sit twice on the first day it meets.

Scotland Bill (Programme) (No. 2)

6.44 pm

The Parliamentary Under-Secretary of State for Scotland (David Mundell): I beg to move,

That the Order of 27 January 2011 (Scotland Bill (Programme)) be varied as follows:

1. Paragraphs 6 and 7 of the Order shall be omitted.

2. Proceedings on consideration shall (so far as not previously concluded) be brought to a conclusion at the moment of interruption on the day on which those proceedings are commenced.

3. Proceedings on Third Reading shall (so far as not previously concluded) be brought to a conclusion one hour after the moment of interruption on that day, or one hour after they are commenced, whichever is the earlier.

I wish to speak briefly to the programme motion, so as to allow Report to begin. As Members will see, the Government are amending the programme order to allow Report stage to run until 10 pm and Third Reading to conclude one hour after that. Members will be aware that the Health and Social Care Bill was recommitted today, and that one hour was agreed to for that debate. That has resulted in a shift in today's business. The Government believe that it is important that the Scotland Bill receives an appropriate amount of time for debate on Report, which is why we are allowing for proceedings on Report to continue until 10 pm, and for Third Reading to conclude at 11 pm.

I am aware that the hon. Member for Dundee East (Stewart Hosie) raised concerns in the Chamber yesterday about the amount of time available to debate the remaining stages of the Bill. The programme motion will extend time for debate on the Bill, and I hope that it will allay his concerns. I look forward to consideration of amendments on Report, and to the debate that the Bill will receive on Third Reading.

6.46 pm

Tom Greatrex (Rutherglen and Hamilton West) (Lab/Co-op): I welcome the opportunity to debate the Scotland Bill yet again. For many of us it has been a long process since the formation of the Calman commission in late 2007, and there has been detailed consideration of a number of the measures in the Bill.

However, as I am sure the Minister would acknowledge, the Government have tabled significant and important new clauses that were not part of the Calman process and were not available to us in Committee. As I recall, they were not ready by the time of our debates in Committee. A number of amendments have also been tabled by the Opposition Front Benchers and by other Members on both sides of the House, including nationalist Members, and we are keen to have them debated this evening.

I understand the Minister's point about the additional hour that is being provided to compensate for the debate on the recommittal of the Health and Social Care Bill, but there was an hour's debate on that motion plus the time for the vote. It followed the Government's customary U-turn statement, which today was on sentencing. I note that that lasted almost exactly 90 minutes, and although I am sure the Justice Secretary enjoyed those 90 minutes of his time, it means that there is less time for us to debate important aspects of this constitutional Bill. The Minister and his colleague the Secretary of

[Tom Greatrex]

State have made great play of the significance of the Bill, for instance in the fiscal changes that it encompasses, the additional powers that it devolves to the Scottish Parliament and the reassignment of powers at UK level.

I understand, of course, that by speaking to the programme motion I am effectively reducing the time available for debate on the substance of the Bill, but I wish to register the point that we are aware that significant parts of the Bill have yet to be debated in any meaningful way. They include issues that we did not reach in Committee, which are back on the agenda today. As the Minister said, it is important that we have the appropriate amount of time to debate them this evening. Given the time that we have left, I am not sure that will be the case.

I am sure the Minister would like us to deal with the Bill properly, given the amount of further scrutiny that there will be in the Scottish Parliament, and that he wants us to have the appropriate time to debate the issues in question. I am not sure we will have enough time this evening, although we will endeavour to get through as much as possible. It is important that some of the amendments are dealt with in depth and detail, and I am not sure that the motion affords us that opportunity.

6.49 pm

Pete Wishart (Perth and North Perthshire) (SNP): I do not know what planet the Minister is living on if he thinks that three hours is enough to discuss the remaining stages of a Bill that he has described as the most significant transfer of powers since the onset of the Scottish Parliament. It is totally unsatisfactory. We have something like 26 amendments and 11 new clauses to discuss, on issues as important as the tax powers of the Scottish Parliament, corporation tax, excise duty, the devolution of legal powers and authorities and the composition of the Scottish Parliament. Each of those deserves a full day's debate, yet we must try to shoehorn all that into approximately three hours. We have heard a lot about the respect agenda, which is a much abused and misused term, but surely it is the height of disrespect to try to shoehorn all those important matters into such a short time.

If the House does not care about Scotland, it will be no surprise if Scotland does not care about the House. There is a lack of time for debate. I will not divide the House because I want to get on in the time available to try to discuss the important measures. I simply register our deep unhappiness and dissatisfaction about the lack of time that we have been left to debate an important Bill.

Question put and agreed to.

Scotland Bill

[Relevant document: The Fourth Report from the Scottish Affairs Committee, The Scotland Bill, HC 775-I.]

Consideration of Bill, as amended in the Committee.

New Clause 5

DEFINITION OF SCOTTISH TAXPAYER FOR SCOTTISH VARIABLE RATE

'(1) In Part 4 of the 1998 Act (power to vary income tax rate), for subsections (1) to (6) of section 75 (Scottish taxpayers) substitute—

" Sections 80D to 80F (definition of Scottish taxpayer) apply for the purposes of this Part."

(2) This section ceases to have effect at the end of the last year for which Part 4 has effect (see section 26(2) and (4)).'.—*(Mr Gauke.)*

Brought up, and read the First time.

6.51 pm

The Exchequer Secretary to the Treasury (Mr David Gauke): I beg to move, That the clause be read a Second time.

Mr Deputy Speaker (Mr Lindsay Hoyle): With this it will be convenient to discuss the following: new clause 8 —*Funding formula for Scottish Government (No. 2)*—

'(1) Within six months of the day on which this Act is passed, the Chancellor of the Exchequer shall lay before the House a report on the formula for allocating funds from the Consolidated Fund to the Scottish Government, and on alternative ways of calculating the sums to be paid.

(2) Within six weeks of laying the report referred to in subsection (1) above, the Chancellor of the Exchequer shall lay before the House proposals for a new funding formula which would ensure that the funds allocated to the Scottish Government are no more than 5 per cent. below or above the equivalent figure for each of the other nations of the UK.'.

New clause 9—*Tax on profits of companies*—

'In Part 4A of the 1998 Act (as inserted by section 24), after Chapter 4 (inserted by section 30) insert—

CHAPTER 5

TAX ON PROFITS OF COMPANIES

80L Tax on profits of companies

The Secretary of State shall, within one month of the coming into force of section 80B of this Act, lay in accordance with Type A procedure as set out in Schedule 7 to this Act a draft Order in Council which specifies as an additional devolved tax a tax charged on the profits of companies.'".

New clause 19—*Spirits, wine, beer and cider duties*—

'(1) The 1998 Act is amended as follows.

(2) In Part 2 of Schedule 5 to the Act, in section A1 (specific reservations: fiscal, economic and monetary policy), after the heading "Exceptions", insert—

"Spirits duties, wine duties and beer and cider duties".'.

Amendment 25, in clause 24, page 16, line 35, at end insert—

'(c) Chapter 5 provides for an Order in Council to specify, as an additional devolved tax, a tax charged on the profits of companies.'.

Amendment 24, in clause 26, page 20, line 24, at end insert—

'(3) T is deemed to be in Scotland at the end of a day when T commences a journey in Scotland before midnight and arrives at a destination in England after midnight, irrespective of the time at which the border between Scotland and England is crossed.'.

Government amendments 31 and 15.

Amendment 26, in clause 32, page 25, line 10, leave out

'with the approval of the Treasury, borrow by way of loan'

and insert 'borrow'.

Amendment 27, page 25, line 15, at end insert—

'(1C) In borrowing any sums under subsection (1A), the Scottish Ministers must have regard to any code of practice agreed by them and the Treasury.

(1D) A code of practice agreed under subsection (1C) may include provision as to—

(a) how the Scottish Ministers are to determine and keep under review how much they can afford to borrow,

(b) the terms and conditions on which sums may be borrowed,

(c) limits on the aggregate at any time outstanding in respect of the principal of sums borrowed.'.

Government amendment 32.

Amendment 28, page 25, line 26, leave out from beginning to end of line 33.

Government amendment 33.

Amendment 29, page 25, line 43, leave out subsection (10).

Government amendments 34 and 35.

Amendment 23, in clause 39, page 28, line 35, leave out from beginning to end of line 2 on page 29 and insert—

'(2A) Subject also to the provision made in sections 26(1) to (6), 27, 28, 29, 30 and 31 as to how those sections are to have effect, Part 3 shall come into force at the end of the period of two months after the new funding formula referred to in subsection (2) of section [Funding formula for Scottish Government (No. 2)] has been approved by resolution of the House of Commons.'.

Amendment 37, page 28, line 35, at end insert—

'(c) section [Spirits, wine and beer and cider duties]'.

Amendment 18, page 28, line 40, at end insert—

'(3A) Notwithstanding any provisions in subsection 3(a), (b) or (c), sections 26(1) to (6) and 27, sections 28 and 29, and sections 30 and 31 can not be commenced without the consent of the Scottish Parliament.'.

Amendment 2, page 29, line 2, at end insert

'except new subsections (1A) and (1B) of section 66 of the 1998 Act, inserted by section 32(3), and subsections (9) and (10), which shall come into force on 1 April 2012'.

Mr Gauke: It gives me great pleasure to return to the House to discuss the Scotland Bill after the Committee debate in March.

The first group of amendments on today's selection list is fairly extensive and addresses several different aspects of the Bill's finance package. I will set out why we have tabled Government amendments and why we will not accept the non-Government amendments.

In Committee, we debated the definition of a Scottish taxpayer for the Scottish rate of income tax. I said that the Government would table a new clause to apply the same definition to the Scottish variable rate, in response to one of the recommendations of the Scottish Parliament's Scotland Bill Committee. The reworked definition of a Scottish taxpayer for the new Scottish rate of income tax is a significant simplification. I appreciate that it is unlikely that the Scottish variable rate will ever be invoked. Nevertheless, without the amendment, there would be two separate definitions of a Scottish taxpayer in place at the same time. There is potential for practical difficulties for taxpayers, employers and their professional representatives, who might need to familiarise themselves with one definition for the years up to 2015-16, only to have to switch to a different definition for subsequent years. That is entirely unnecessary.

Applying the definition of a Scottish taxpayer that has been developed for the Scottish rate of income tax for the purposes of the Scottish variable rate will help smooth any transitional issues, and will also make it easier for people to understand whether they are classed as a Scottish taxpayer. The Scottish Parliament's Scotland Bill Committee rightly recommended the change, with which the UK Government very much agree, and I commend the new clause to hon. Members.

On a previous occasion, my hon. Friend the Member for Milton Keynes South (Iain Stewart) raised a particular query. He has tabled amendment 24, about which he intends to speak later. I will respond to the issues that he raises after he has had an opportunity to set out his thoughts on that.

Government amendment 31 would make a small, technical change, to which I hope the House can agree. Section 989 of the Income Tax Act 2007 contains several definitions, which apply for the purposes of income tax legislation. It includes definitions of the basic, higher and additional rate of income tax. They refer to the rate of income tax set by the UK Parliament in the year in question. Government amendment 31 would extend those definitions to include the rates applicable to a Scottish taxpayer. As I said, it is a minor drafting amendment, and I do not anticipate its proving too controversial.

The purpose of Government amendment 15 is to correct a technical fault with the Bill so that it is consistent with the Government's policy intentions as set out in the Command Paper, which states that the Scottish Government will be able to borrow to manage the difference between forecast and outturn tax receipts. However, as I explained in our Committee debate on 14 March, the Bill as it currently stands enables the Scottish Government to borrow to manage this difference only for fully devolved taxes, and not the Scottish rate of income tax. That is a technical fault, which the amendment corrects. I hope that it will be accepted.

Let me deal with Government amendments 32 to 35. The purpose of Government amendment 32 is to introduce a power, which will enable the Government to amend in future the way in which Scottish Ministers can borrow, including by way of bond sales, without the need for further primary legislation. The Bill gives Scottish Ministers a new power to borrow, by way of loan, from 2015-16 up to £2.7 billion of total debt, £2.2. billion of which can be used to fund capital expenditure.

The UK Parliament has an interest in ensuring that Scottish Ministers can borrow efficiently and sustainably because, although interest paid on any loans will be funded from the Scottish budget, it will be included in the UK fiscal aggregates. The Bill therefore gives Scottish Ministers the power to borrow in the most efficient and

[Mr Gauke]

sustainable way—from the national loans fund, as recommended by the Calman commission. In addition, should Scottish Ministers so choose, the Bill gives them the power to borrow by way of commercial loan where that represents value for money.

Reports on the Scotland Bill by the Scottish Affairs Committee and the Scottish Parliament have recommended that Scottish Ministers should be granted additional borrowing powers—specifically, the power to issue bonds. The First Minister made the same points in his discussion with my right hon. Friends the Chancellor of the Exchequer and the Secretary of State for Scotland. The reports and discussions have highlighted the discrepancy between the powers of Scottish Ministers and local authorities, which already have the power to issue bonds.

So far, the main evidence that has been provided to the Government in support of Scottish Ministers issuing bonds is "because other bodies can do it". However, with the exception of Transport for London, the vast majority of local authorities have not exercised those powers in recent history, not least because local authorities judge that they have access to more efficient and sustainable forms of borrowing.

The Government continue to believe that the case against bond issuance is clear cut, particularly in the medium term, given the uncertain outlook and challenging fiscal mandate. All the evidence suggests that further bond issuance would have a negative impact on the UK's fiscal position.

In the context of the highest deficit since world war two, the Government would consider allowing Scottish Ministers to issue bonds in future only when that does not undermine the overall fiscal position, or have a negative impact on total UK borrowing. If a case is made that Scottish Ministers' borrowing powers could be extended without undermining the overall UK fiscal position or increasing UK borrowing, the amendment that I am tabling today would allow changes to the borrowing powers of Scottish Ministers to take effect swiftly, by way of an order.

The Government have committed to conducting a review of the costs and benefits of bond issuance over other forms of borrowing to help inform any decision. The amendment would have the effect of, first and foremost, protecting the UK's fiscal position by continuing to allow Scottish Ministers to access the most efficient and sustainable source of borrowing.

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): After the Bill has been passed, the Welsh Government will be the only political entity in the British state unable to borrow. Will the Exchequer Secretary address that matter quickly, rather than awaiting some prolonged Calman process, which the Government currently envisage?

Mr Deputy Speaker: Order. I am not sure that that is relevant to the debate.

Mr Gauke: I want to make it clear that Government amendment 32 would not grant the power of issuing bonds to the Scottish Government. However, it would enable us to move more quickly should that decision be made in future The Welsh Assembly Government are not alone in their status, although the amendment would enable us to move more quickly should we decide to proceed in that direction.

Amendment 2, which was tabled by Her Majesty's Opposition, would bring forward the introduction of the capital borrowing requirement set out in clause 32 from April 2015 to April 2012. Amendment 26 would remove the role of the Treasury in approving capital borrowing and the restriction that such borrowing must be by way of a loan. Amendment 27 would introduce a new statutory code of practice, to be agreed between the Treasury and Scottish Ministers, to govern capital borrowing permitted by section 66(1) of the Scotland Act 1998. Amendment 28 would remove the £2.2 billion aggregate limit on capital borrowing by Scottish Ministers. Amendment 29 is consequential on amendment 28. As hon. Members wish to remove the borrowing limits from the Bill and the ability to revise those with the approval of the House, clause 32(10) would no longer be necessary, because there would be no such secondary legislation.

7 pm

All amendments would have the effect of altering the time scale for capital borrowing and the conditions on capital borrowing. I shall first deal with the timetable for implementing the borrowing powers. The Government believe that the capital borrowing powers are an important part of the package to increase the financial responsibility of the Scottish Parliament. The Bill enacts that new power at the point when Scottish Ministers have the necessary fiscal levers to support borrowing. From 2015-16 onwards, Scottish Ministers will have control over devolved taxes and the Scottish rate of income tax. The new borrowing powers come into effect at the same time, when Scottish Ministers can support such borrowing.

The House should be aware that, if the borrowing powers were introduced earlier in this spending review period, the UK's spending plans would be altered—plans which the International Monetary Fund recently endorsed, and plans from which I am sure hon. Members would not want to deviate and put the recovery of the UK public finances at risk and undermine the credibility of the Government's spending plans. The Command Paper allows Scottish Ministers to access partial borrowing powers in 2013, before the rest of the Bill comes into force, with the consent of the Treasury. That power can be used to make pre-payments to fund large capital projects such as the construction of the replacement Forth crossing. On 13 June, my right hon. Friends the Chancellor and the Secretary of State for Scotland confirmed that partial borrowing powers would be introduced two years earlier than originally intended to help Scottish Ministers to begin large capital projects as soon as possible.

The Bill contains borrowing limits for important reasons, which I set out in Committee. I should place today's debate in context. First, the new £2.2 billion borrowing power is additional to the capital budget that Scottish Ministers will receive through the next spending review process. To give a sense of the magnitude of that sum, at the end of this spending review period, the Scottish Government's capital budget will be £2.3 billion.

Secondly, Scottish Ministers have an unfettered power to switch resource spending to capital. Their borrowing does not represent free money. Those who pay the

Scottish rate of income tax must pay the debt interest, but UK borrowing will increase as a result of increased Scottish borrowing. It is therefore surely right that the limit is determined by this House—first through its considerations of the Bill, and subsequently through the approval of any order to alter the limit. The Calman commission and the Scottish Parliament recognised the case for Scottish Ministers receiving new borrowing powers as part of their increased responsibility and accountability. Both recommended that the Treasury should have the ability to set conditions and a cap on the amount that Scottish Ministers can borrow in a year.

The limit in the Bill is set initially at £2.2 billion, because that represents an acceptable risk for the UK finances that does not crowd out other priorities in the next spending review period.

Andrea Leadsom (South Northamptonshire) (Con): If that debt must be consolidated with the UK's national debt, it should surely be considered as quasi-UK Government debt. Does the Minister therefore agree that if the Scottish National party goes ahead with its vote on independence, it will need to consider very carefully the increased cost of borrowing that would ensue?

Mr Gauke: We must certainly understand the wider UK consequences of that. That is why there is a cap. In the Government's judgment, £2.2 billion is the appropriate level at this point.

Stewart Hosie (Dundee East) (SNP): For the sake of clarity, will the Minister confirm that that £2.2 billion is a cumulative sum, and that the annual amount is £230 million?

Mr Gauke: Yes, that is the case, but we must consider the consequences of that borrowing for the UK's debt position. That is the level that we believe is right.

As I set out in Committee, the £2.2 billion represents a floor, not a ceiling. The Bill provides for the limit to be increased to more than £2.2 billion with the approval of the House, but not for it to be reduced to less than £2.2 billion.

David Mowat (Warrington South) (Con): A few moments ago, the Minister mentioned the pre-payment amount for the Forth road bridge. Did the Treasury consider a toll on that bridge, in much the same way as a toll was considered for the Mersey Gateway bridge next to my constituency? If not, is that not asymmetric governance?

Mr Gauke: The decision on whether to put a toll on the Forth road bridge will be one for the Scottish Government. The Treasury has therefore not considered that proposal. Perhaps my hon. Friend should ask Scottish National party Members what consideration was given to such a toll. I suspect that the answer will be, "Not a lot." The expression on the face of the hon. Member for Dundee East (Stewart Hosie) is probably confirmation that no consideration was given to my hon. Friend's suggestion. Asymmetry is inherent in such devolved matters.

The UK Parliament has an interest in ensuring that Scottish Ministers can borrow efficiently and sustainably, because although interest paid on any loans will be funded from within the Scottish budget, it will be included in the UK fiscal aggregates.

Andrea Leadsom: For the sake of clarity, the Minister tells my hon. Friend the Member for Warrington South (David Mowat) that the decision on whether there will be a toll on the Forth road bridge is a devolved matter, and yet also says that any Scottish Government borrowing would be included in the British national debt. How can that toll be a devolved matter? The UK is involved in keeping the cost of funds to the Scottish Government down so that they can afford to fund a bridge that people in England are unable to afford without charging a toll.

Mr Gauke: We must remember that any debt service will be financed by the Scottish taxpayer—that is the context.

We should move on. As I said, any loans will be funded from within the Scottish Budget and included in the UK fiscal aggregates. The Bill therefore continues to give Scottish Ministers the power to borrow in the most efficient and sustainable way—from the national loans funds, as recommended by the Calman commission. In addition, should Scottish Ministers choose to do so, the Bill gives them the power to borrow by way of a commercial loan when that represents value for money.

The Government continue to believe that Scottish Ministers should be able to borrow only by way of a loan, but because overall macro-economic policy will continue to be a reserved matter, and because Scottish borrowing will impact on the UK fiscal position, it is right that this House agrees the limits and conditions of borrowing. I therefore ask Opposition Members not to press amendment 2 and amendments 26 to 29 to a Division.

Stewart Hosie: The Minister suggests that various Opposition Members from various parties do not press their amendments. Is it not normally in order to hear the arguments for them before jumping to such a strange and presumptuous conclusion?

Mr Gauke: I do not think it an unprecedented statement. I am sure that the hon. Gentleman and I have served on many a Committee where that has been suggested. I wait to hear how persuasive the case is, but I suspect that I will not be persuaded, and that, to some extent, the amendments may be probing. We await the arguments, and I look forward to them.

New clause 8, tabled by the right hon. Member for Birkenhead (Mr Field), has two purposes. First, it seeks to legislate for the Chancellor, within six months of the day on which the Bill is passed, to

"lay before the House a report on the formula for allocating funds from the Consolidated Fund to the Scottish Government, and the alternative ways of calculating the sums to be paid."

Secondly, it would require that within

"six weeks of laying that report...the Chancellor...lay before the House proposals for a new...formula which would ensure that the funds allocated to the Scottish Government are no more than 5 per cent. below or above the equivalent figure for each of the other nations of the UK."

[Mr Gauke]

As hon. Members know, the formula for allocating funds from the Consolidated Fund to the Scottish Government is known as the Barnett formula, and as hon. Members will recall, the Bill seeks to increase the accountability of the Scottish Parliament to its people by devolving fiscal powers from Whitehall to Holyrood, and deducting a corresponding amount from Scotland's block grant.

The Bill does not change the level of funding for Scotland. Future decisions taken by Scottish Ministers will affect the overall funding for Scotland's public services, because Scottish Ministers will decide whether to increase or decrease devolved taxes relative to the UK. Reforming the Barnett formula is an entirely separate issue from those we are considering in the Bill, and one that the Calman commission did not make any recommendations on. The current formula is an administrative procedure and does not appear in legislation. It is not specific to Scotland, but is a mechanism for allocating funding across all four countries of the UK, so it would not be appropriate to legislate to alter it for Scotland in isolation. The Bill would not be an appropriate place for that

Kate Hoey (Vauxhall) (Lab): I understand why the Minister does not think that discussion of the Barnett formula is appropriate for this evening's debate, but my constituents feel strongly about the fact that Scotland gets so much more than they do generally. What mechanism could we use to have the Barnett formula looked at?

Mr Gauke: Partly following the strictures of the hon. Member for Dundee East, I would say that I am loth, at this stage of the debate, to make strong recommendations to the House about which new clauses should be accepted and which should be withdrawn and so on. I simply want to provide the context and argue why the Barnett formula should not be addressed in the Bill. I appreciate that there is a wide range of views on this issue, and that there are strong feelings throughout the UK. I dare say that a number of those views will be expressed this evening—indeed, this debate provides an opportunity for it. At this stage, however, I just want to draw the House's attention to some of the difficulties with trying to address the matter in the Bill. I shall turn to the substance of the debate in a moment, but that is what I am seeking to do at the moment.

Mark Lazarowicz (Edinburgh North and Leith) (Lab/Co-op): I am sure that the hon. Gentleman will want to confirm that if my hon. Friend the Member for Vauxhall (Kate Hoey) got the reorganisation of the formula that she seems to want, the parts of the UK that would lose the most—the ones that are most overfunded by her definition—would be London, where she is an MP, and Northern Ireland, which I know she has a close interest in. If we are going to debate the matter, let us debate the facts rather than the myths.

Mr Gauke: As I said, I appreciate that there are strong views on this issue, and that they will be expressed this evening. Little did I know, though, that such strong views would be expressed quite so quickly among hon. Members in such close proximity to each other.

Mr Russell Brown (Dumfries and Galloway) (Lab) *rose—*

Mr Gauke: And now I will hear another perspective.

Mr Brown: The Minister mentioned the four nations, but I am sure he will want to correct that, because not only are there variations between the four nations, but there are regional variations within England as well.

7.15 pm

Mr Gauke: Of course, and there are regional variations within all the four nations. The point is that there are strong views on this issue. I am making the case for why it is difficult to address it in the Bill. Reforming the Barnett formula is an entirely separate issue from those we are considering in the Bill, and from the matters that the Calman commission looked at. As I said, the formula does not appear in any legislation as such, and there would be disadvantages in trying to come up with a legislative answer. However, I appreciate that this is an opportunity to debate the matter.

Mr Frank Field (Birkenhead) (Lab) *rose—*

Mr Gauke: I am sure that the right hon. Gentleman will continue this debate.

Mr Field: Might the Minister tell the House whether he thinks that the Barnett formula is now fair? If it is not, when do the Government intend to do something about it?

Mr Gauke: The Government understand the concerns expressed about the devolved funding arrangements, but we have also made it clear that the priority now must be to reduce the deficit, and any change to the current system and Barnett formula must await the stabilisation of the public finances. The Bill does not rule out or rule in reform of the formula in the future, but we do not believe that now is the right time. A change in the Barnett formula is not the purpose of the Bill, and it would not be appropriate to legislate for it here. As I said, I look forward to this debate, as right hon. and hon. Members will clearly take the opportunity presented by the Bill to express their views on this particular point.

David Mowat: Will the Minister give way?

Mr Gauke: And I know that there is one hon. Member in particular who will take that opportunity.

David Mowat: I understand that the Exchequer Secretary does not want to spend too long now talking about the Barnett formula, so I will be quick. He said that we are too busy sorting out the deficit to address the Barnett formula, which I think is a fair and reasonable point. That is why many of us think that we should put in place a process to ensure that by 2015, when, as I understand it, the structural deficit will be eliminated, we can put in place a fair and transparent policy.

Mr Gauke: I understand the views expressed by my hon. Friend. There are a number of changes and developments in this area, not least the powers in the

Bill. I agree with him that this will continue to be a live issue, but at this stage I am not in a position to make any promises to him. However, I am sure that this issue will continue to be debated, and strong views will be expressed. I can understand the points he makes, but this is not the time for a legislative solution.

Amendment 23, tabled by the right hon. Member for Birkenhead, is consequential on new clause 8 and would delay the financial provisions in part 3 of the Bill coming into force until two months after the House passes a resolution approving the Chancellor's proposals for a new funding formula. It would then automatically bring part 3 into force two months after such a resolution. I set out why I did not consider it appropriate to debate at this time a new funding formula for Scotland when I discussed new clause 8. The Government are clear that this is a UK-wide administrative procedure and therefore has no place in the Bill. The Government's priority is to stabilise the public finances and reduce the deficit before making any changes to the Barnett formula, as I have said.

Even were we able to accept new clause 8, the manner of commencement set out would be problematic because it would create technical problems by potentially bringing in consequential amendments relating to the Scottish variable rate before that itself had been repealed. I am sure that that is not what the right hon. Gentleman intends. The new clause would have other consequences, however. It would mean that clause 32, on borrowing provisions, could not be brought into force until an agreement had been reached on a new funding formula for Scotland. As I have set out, the changes introduced by the Bill are not contingent on a new funding formula being agreed to replace the Barnett formula, so I do not see the need to wait to introduce the borrowing clauses until such a new formula has been agreed.

Amendments 25 and 37, and new clauses 9 and 19, relate to corporation tax and alcohol duties. These amendments propose to increase the power in the Bill to provide for an Order in Council specifying corporation tax and alcohol duties as devolved duties. The Scottish Government have publicly requested that six additional powers be included in the Bill, including powers over corporation tax and alcohol duties. I understand that the First Minister has met colleagues in the Government to highlight those requests. In those meetings, the First Minister agreed to provide detailed written analysis of the benefits to both Scotland and the UK of devolving those powers. No such papers have yet been provided. We await them with interest, because we have yet to hear the case made in detail.

As hon. Members will recall, the Government are committed to implementing the recommendations of the Calman commission, which considered the merits of devolution for a wide range of taxes and decided that neither corporation tax nor alcohol duties were suitable candidates for devolution. Calman concluded that the potential administrative impact of devolving either tax would be significant. The creation of compliance costs for businesses operating on either side of the border, as well as the increased collection costs for the Government, would be undesirable, especially in the present economic climate. The risks of tax avoidance and arbitrage could also be increased, with additional costs to the Government and the UK Exchequer. These arguments apply to both corporation tax and alcohol duties.

Calman also noted that if comparable levels of public services were to be maintained, the scope for substantive reductions in the rate of corporation tax in Scotland would be limited, unless the Scottish Government were willing significantly to increase revenues from other sources, such as income tax. The figures involved could be significant. For instance, if we take the Scottish Government's estimate of the corporation tax base, published in their "Government Expenditure and Revenue Scotland" report, and apply the methodologies developed for the Government's paper on rebalancing the Northern Ireland economy, the cost of reducing Scottish corporation tax to 12.5%—the current rate in the Republic of Ireland—would be just over £2 billion. However, the Scottish economy is very different, not least in the presence of many large multinationals, particularly from the financial sector, whose current activity is unlikely to be adequately covered in the gross value added estimate, but whose profits are additionally likely to be attributable to Scotland with regard to corporation tax.

Provisional HMRC analysis has indicated that losing payments from large Scottish-domiciled groups could add £600 million to the direct costs. Such tax cuts would have to be funded, either by significantly reduced levels of public spending in Scotland or by tax rises in other areas. It is worth noting that these are initial estimates, and are likely significantly to underestimate the scope for profit shifting to Scotland. The model uses similar assumptions to those applied to the costing for Northern Ireland. However, given the geographic proximity of England and Scotland, the integrated infrastructure, the large number of big GB-owned groups with a substantive presence on both sides of the border, and the relatively large and complex nature of the Scottish economy, there are likely to be greater opportunities for groups to shift profits there than may be the case for Northern Ireland.

In addition, corporation tax is a very volatile tax, and would create much more revenue risk for the Scottish budget. For instance, corporate tax receipts fell by 16% from 2008-09 to 2009-10, while income tax receipts fell by 5%. Such a large volatile income stream would place great risk on the Scottish budget. Income tax, which is more predictable and less volatile, is a much more suitable candidate for devolution. The commission based its decision on the strong evidence that it received from the independent expert group and the alcohol retailing and production sector. The evidence identified increased compliance costs and significant scope for tax avoidance, given the mobility of goods such as beer, wine, cider and spirits.

Dr Eilidh Whiteford (Banff and Buchan) (SNP): My recollection is that the Calman commission refused to rule out devolving corporation tax, should that happen in other parts of the UK. Perhaps my recollection is wrong, but it would be a mistake to misrepresent in this debate what the Calman commission actually said.

Mr Gauke: The Calman commission did not recommend devolving corporation tax as substantial practical profit shifting issues would arise, and we cannot ignore the fact that it would need to be paid for. This is not something that we could all sit round in a room negotiating, before coming up with a number. To comply with the Azores judgment, made under European law, it would

[Mr Gauke]

be necessary to identify the precise number. I should also make it clear that the cost of any reduction in corporation tax would have to be met by increased alternative taxes or a reduction in the block grant.

Dr Whiteford: It is important to differentiate the substantive point of whether this Government support devolving corporation tax from what the Calman commission report actually said. Having found it—I think—I can tell the Minister that the Calman commission recognised that

"changes to Corporation Tax can be a tool for economic development,"

and did not

"rule out a scheme for devolving Corporation Tax in the future as part of wider reform across the devolved nations."

Does the Minister accept that that is actually what was in the Calman commission report?

Mr Gauke: But the Calman commission did not say that that was the right way forward at this point. As I have said, some very substantial issues would need to be addressed, not least the opportunity for profit shifting and the impact on the UK Exchequer were Scotland to have a lower rate of corporation tax, as businesses operating in Scotland and England would shift their profits to Scotland, which would disadvantage the UK as a whole.

Stewart Hosie: A number of businesses moved to Ireland in the last Parliament to take advantage of lower corporation tax. A number of others moved to continental Europe, to the Netherlands. One of the drivers for this Government reducing corporation tax was to send out that signal. That change will not necessarily be paid for by changes to allowances or spending cuts; it will be paid for in the medium and long term by increased economic growth, which is a consequence of a lower business tax regime. Why has the Minister excluded the potential of growth in Scotland from it having lower corporation tax, and merely highlighted the payment in other ways?

Mr Gauke: Let me be clear: I am not making the case against lower corporation tax per se; I am saying that if Scotland had a lower rate of corporation tax, that would have an impact on the Exchequer, and Scotland and the Scottish Government would have to pick up that cost. I do not believe that that is a matter of dispute or that the hon. Gentleman disagrees with that. Indeed, we are not even talking about something that we could pursue under European law—I am sure that he will be aware of the details of the Azores judgment. *[Interruption.]* That point is clear, so I am surprised that there are so many mystified faces on the Opposition Benches.

Mr Ian Davidson (Glasgow South West) (Lab/Co-op): This relates to the Minister's point about the Azores judgment—people in my constituency speak of little else. I want to clarify the important question of transparency. Have the Government provided the Scottish Government with the figures that the Minister has quoted, in order that they can challenge them or produce any additional information? It is important that this debate is conducted not just at the level of rhetoric, but that firm proposals are made with numbers attached. Will the Minister therefore clarify whether there has been an inter-governmental dialogue on these matters?

Mr Gauke: We are talking about preliminary numbers, which I have put forward on the basis of early estimates produced by the Treasury this week. We are keen to engage with the Scottish Government, just as we have with the Northern Ireland Executive. I am sure that there will be exchanges of correspondence, meetings, discussions and a full examination of both the numbers and the methodology used in producing them. We are more than willing to engage in that process, but we are also waiting for the Scottish Government to offer their analysis of the impact of devolving corporation tax, of what the costs would be, and of the economic advantages and disadvantages. We know that the Scottish Government take a great interest in this—they make this point on a regular basis—but we await their analysis.

Ann McKechin (Glasgow North) (Lab): I think I am correct in saying that the Minister for Culture and External Affairs in the Scottish Government wrote to Members before the Easter recess suggesting clauses to be added to the Bill, including one on corporation tax. On that basis, is the Minister saying that the Scottish Government provided no information on their analysis of the impact of this tax? Since first requesting the information, how long has he waited for it?

7.30 pm

Mr Gauke: I look to others for inspiration on the precise details, but we are certainly talking about months. The hon. Lady is right to say that the detailed analysis has not been provided. I am sure that the Scottish Government are working very hard to produce it, but we have not received it. It could have been helpful for this evening's debate, but so be it.

Mr Mike Weir (Angus) (SNP): It might have been difficult for the Scottish Government to provide that information during the purdah period, and they were re-elected only a matter of weeks ago. It is perhaps no surprise, therefore, that those weighty documents have not yet arrived on the Minister's desk.

Mr Gauke: I have to make a confession to the House: I have come only relatively recently to these issues. My understanding, however, is that the Scottish National party has been interested in this policy for some years. I am sure that if it is a priority, and I understand that it is, we will receive the paper very soon. I look forward to receiving it.

Mr Russell Brown: Perhaps I should be directing this question not to the Minister but to the Secretary of State for Scotland, because he has been engaged in this process. Has there been any indication of how long we can expect to wait for these figures?

Mr Gauke: No, there has not, but I am sure that it is a priority and that they will arrive shortly.

Cathy Jamieson (Kilmarnock and Loudoun) (Lab/Co-op): Perhaps the reason the Scottish Government have not yet been able to produce the figures is that some of the international studies are not to their liking because they show that lower rates of corporation tax do not necessarily lead to higher growth rates.

Mr Gauke: The hon. Lady may speculate about the reason, but it is not for me to do so. Perhaps I have done enough speculating as it is—

Mr Angus Brendan MacNeil (Na h-Eileanan an Iar) (SNP) *rose—*

Mr Gauke: Or am I going to be encouraged to do some more? I give way to the hon. Gentleman.

Mr MacNeil: The Minister talks about the Scottish Government justifying why they should have this power, but have the UK Government given any justification for why they should hold on to the power over corporation tax in Scotland?

Mr Gauke: It was about five minutes ago when we last set out the reasons that corporation tax remains a reserved matter. The Bill provides for a substantial devolution of tax powers to the Scottish Government, but corporation tax has always been a matter for the United Kingdom. We are exploring this matter in the context of Northern Ireland, but if there is a case to be made for a radical change in this area, we would like to hear it and we look forward to doing so soon.

Mr Davidson: Did not the Minister say earlier that the Government had produced their latest estimates only about seven days ago? In the circumstances, this criticism seems a trifle unfair, even though the Scottish Government have had a long time to produce theirs. Surely they would benefit from this Government sharing their figures. If the Treasury undertook to pass on its figures to the Scottish Government, I am sure that a response would soon be forthcoming, enabling us to conduct this debate properly and not simply on the level of transitional demands.

Mr Gauke: The hon. Gentleman is clearly anxious to move the debate on, and he makes a perfectly reasonable point. The Treasury and the Government would be quite happy to share our analysis with the Scottish Government, and if that would assist them in their work, we would be pleased to be of assistance.

Stewart Hosie: Speaking of sharing information, the Minister has raised the spectre of the Azores ruling, but a comparable and permanent reduction to the block grant in place of the devolution of corporation tax would certainly meet all the state aid rules. The Azores judgment smokescreen that the Minister has thrown up is quite irrelevant.

Mr Gauke: The point I was making was that the cost would have to be borne by the Scottish Government, through either increased taxes or a reduction in the block grant. We would clearly have to enter into discussions with the Commission, but I think that he is right in principle, and that such a proposition would comply with the Azores judgment. I am merely making the point that, although the final cost would have to be determined, it would be substantially higher than £2 billion if it was the Scottish Government's policy to bring the rate of corporation tax down to the level that pertains in the Republic of Ireland.

I shall move on to amendment 18, which seeks to make the date for commencement of all the taxation provisions in the Bill—those relating to the Scottish rate of income tax, the Scottish tax on land transactions and the Scottish tax on disposals to landfill—contingent on the consent of the Scottish Parliament. The process to be used to provide consent is not detailed in the amendment, but I assume that the hon. Member for Dundee East has in mind something akin to the legislative consent motion convention to which the Bill is subject. I consider this amendment to be unnecessary. Similar amendments were tabled by the hon. Gentleman in Committee. We have committed to working closely with the Scottish Government as we move towards full implementation of the measures in the Bill. This engagement will ensure that the Scottish Government can keep the Scottish Parliament apprised of implementation work in good time.

As hon. Members will be aware, the Scottish Parliament voted on the Bill in March, with 121 of the 129 Members voting in favour; this included the Scottish Government. Following the election in May, the Scottish Parliament established a new Scotland Bill Committee to consider amendments to the Bill. This will ensure a further opportunity for the Scottish Parliament to vote on changes to the Bill.

As I said on Report in relation to the taxes to be fully devolved, we made it clear in the Command Paper accompanying the Bill that if the Scottish Parliament was not ready to introduce the smaller taxes in April 2015, we would consider delaying the switch-off of the UK-wide versions of the taxes in Scotland. Should the Scottish Government and Parliament decide that they do not wish to put in place a Scottish version to cover the existing tax base, we will not leave the current landfill tax or stamp duty land tax in place. It will be for the Scottish Government to decide what, if any, arrangements they wish to put in place, once the matter is devolved to the Scottish Parliament. I consider this additional requirement to be unnecessary and I am therefore minded to urge the hon. Gentleman to withdraw his amendment, but of course I shall wait with interest to hear his arguments. This has been a somewhat lengthy speech, for which I apologise to the House, but I have attempted to deal with a large number of new clauses and amendments. I hope that that has been helpful, and I look forward to the forthcoming debate.

Stewart Hosie: As the Minister has pointed out, there is a large number of new clauses and amendments in this group. I intend to give them a decent airing, not least because I was chastised by the hon. Member for Glasgow North (Ann McKechin) in a recent newspaper article for speaking for barely 14 minutes in a previous debate. I would not want to disappoint her by not providing closely argued contributions on the new clauses and amendments tonight. It is also worth putting it on record that barely three hours for a Report stage is quite inadequate.

Our amendment 29 and new clause 9 deal with corporation tax, about which the Minister went on at some length. This is a tax levied on profits and the

[Stewart Hosie]

Scottish Government are seeking to devolve the competence to use it as key policy lever to promote economic activity in Scotland. It is important to focus not on the dry detail of the amendments, but on what we and any Scottish Government would do with the powers. We believe that corporation tax can be a key element in the country's overall economic strategy and can promote economic growth and job creation by enhancing international competitiveness and encouraging innovation and investment.

We believe that the case for devolving corporation tax is clear. Over the past 30 years, Scotland's economy has grown more slowly relative to both the UK and the average of small EU countries than it ought to have done. We believe that for Scotland to fulfil its economic potential, additional levers are required and corporation tax is, I believe, a key mechanism. It can be an important tool in helping to support increased business start-ups, increased business research and development and investment, and in encouraging more firms to locate their headquarters in Scotland—the very reasons, I suspect, why the UK Government announced a lower corporation tax rate and a strategy for reducing it further.

Jim Sheridan (Paisley and Renfrewshire North) (Lab): Far be it for me to be a cynic, but could it be that both Governments—the UK and the Scottish Government—wish to reduce corporation tax to appease the big business people who make donations to their political parties?

Stewart Hosie: No. That would be extraordinarily cynical, and not something that even the hon. Gentleman in his daftest moments would actually believe to be true—*[Interruption.]* The hon. Member for Central Ayrshire (Mr Donohoe) says from a sedentary position that the hon. Gentleman does believe it. That worries me even more. I suspect that that kind of attitude from Labour sends a signal that Britain and Scotland are not open for business, which is a dreadful signal to send out.

We also believe that corporation tax can be used to support the development of new industries, which is vital. As it stands, the Bill contains no new effective levers for economic growth. The UK Government have made it clear that the Bill is primarily about improving financial accountability and political governance. There is no problem with either of those things, but we need economic development as well—and the tools to do the job. We are firmly of the view, as are the Scottish Government, that any transfer of powers to Scotland must include real economic levers to promote jobs and growth.

The argument from the UK Government that we cannot have corporation tax powers might appear rather contradictory. Clearly, there is increasing support for the principle of devolving the responsibility for corporation tax—not least to Northern Ireland, where it is currently under active review.

With those points in mind, I back the Scottish Government in seeking devolved competence for corporation tax to be used as a key policy lever to promote economic activity in Scotland. We are seeking the responsibility to vary both the corporation tax base and the tax rate, with the base defining the element that is subject or liable to be taxed—the bulk of profits, netting out allowances and so forth—and the tax rate being the amount of taxable profit required to be paid during each accounting period. At the moment, that is estimated to be about £2.8 billion for Scotland on 2008-09 figures—and for very good reason that excludes North sea corporation tax. It comes in at about 6.5% of the total tax revenue in Scotland. We believe that the full devolution of corporation tax with an appropriate reduction in the block grant, which covers the Azores issue, would provide the Scottish Government with a new lever to promote growth and jobs.

The position of the Scottish Parliament Scotland Bill Committee was established in a very clear conclusion:

> "The Committee's view is that if a scheme to vary corporation tax were to be available in some of the devolved countries of the UK as a tool of the UK Government's regional economic policy, it should be available as an option for a Scottish Government to use also."

That is incredibly important. Now that it is clear that such a tool is being considered for Northern Ireland in the UK Government's consultation on "Rebalancing the Northern Ireland economy", it follows that consideration must now be given to devolving corporation tax to Scotland.

7.45 pm

Mark Lazarowicz: I want to be clear about what the hon. Gentleman is saying. He said that if there were to be a devolution of corporation tax and the ability to vary it, an appropriate change would be made to the level of the block grant. Does he mean that if corporation tax were reduced in Scotland by £1 billion, an equivalent £1 billion reduction would take place in the block grant? Is he talking about a like-for-like reduction?

Stewart Hosie: It has to be initially to get this kicked in. At that point, the Scottish Government are rightly responsible for their revenue raising and their tax spending within it. That is normal, grown up and quite appropriate.

Mr Brian H. Donohoe (Central Ayrshire) (Lab): I ask a simple question: what does the hon. Gentleman mean by "initially"?

Stewart Hosie: A permanent reduction for corporation tax to be devolved and taking responsibility for the income we raise to pay for the services we have.

Sheila Gilmore (Edinburgh East) (Lab): Will the hon. Gentleman let us and Scottish taxpayers know how that financial gap would be met in the period before any economic benefits might arise? Would there be cuts in services, for example, or would the Scottish Government have to consider a rise in income tax for people in Scotland?

Stewart Hosie: The hon. Lady predicates her argument on failure, as Labour Members tend to do. There is no reason to believe that there would be a net loss of revenue to Scotland. Let me put it to the hon. Lady in a different way. The UK went into the recession with £0.5 trillion of debt; it now sits somewhere close to £1 trillion and it is forecast to rise under this Administration to about £1.5 trillion by 2014-15. Scotland, however,

has had a net surplus over many years and it is certainly a surplus relative to the UK even in very recent years. Instead of talking Scotland down, we need to be serious about how to gain the powers to grow the Scottish economy and take responsibility for our own actions, which is vital.

Sheila Gilmore: I understand the optimism and do not want to cut through it in any way. However, the hon. Gentleman said that he accepted that there would initially be a reduction in the block grant, which will initially create a financial issue. I was simply asking how it would be met in the short term.

Stewart Hosie: It will not be a reduction because we will have the corporation tax yield, which is comparable to the reduction in the block. It is the same amount of money initially and we take responsibility thereafter.

Mr Donohoe *rose—*

David Mowat *rose—*

Stewart Hosie: I have already given way five or six times and I want to make progress. There will be plenty of opportunities for hon. Members to intervene later.

There is a very strong case for additional powers. Evidence shows that corporation tax can be a key element in a country's overall economic strategy and it has the potential to promote economic growth by enhancing international competitiveness and encouraging innovation and investment. As the Minister said, we have long argued for devolution of corporation tax as a powerful means of addressing the economic challenges facing the Scottish economy. We believe that a centralised and uniform corporation tax structure disadvantages nations such as Scotland to the benefit of London and the south-east of England. To say that is not to be anti-London or anti-south-east; it is just to say that when businesses reach a certain size, they tend, other things being equal, to be attracted to the largest conurbations. In the UK, that of course means London.

The evidence base for devolving corporation tax powers to Scotland is pretty clear. Over the last 30 years, as I said at the beginning, Scotland's economy has grown more slowly relative to both the UK and the average of other small EU countries. One reason for that relatively weaker economic performance has been the relatively smaller corporate sector in Scotland relative to other parts of the UK. Business birth rates are lower, the business base is smaller and Scottish companies typically engage in less research and development.

As I said, there is also evidence that Scottish headquarters drift south of the border once businesses have reached a certain size. Effective use of corporation tax could serve as a powerful tool to address those trends by improving competitiveness and encouraging investment and expansion. Evidence shows that, at the margin, corporation tax rates can be an important factor in international firms' decisions about foreign direct investment, which is one of the key objectives of the Scottish Government and Scottish Development International.

At the same time, a number of key sectors in the Scottish economy face tough competition from abroad. Companies abroad receive attractive tax breaks as part of allowances in relation to corporate taxation. The computer games industry, for example, has received a very attractive proposition from Dublin, and receives tax breaks in Montreal that have been denied by our Government despite forceful representations to the Minister by members of all parties. Improvements in those areas will help to boost productivity and, ultimately, the competitiveness of the Scottish economy, which will benefit not just Scotland but the United Kingdom as a whole.

The devolution of corporation tax powers is not solely about making possible the creation of a more competitive environment within the Scottish economy; it also about increasing and promoting accountability. A greater devolution of economic policy levers and tax revenues means that the Scottish Government will have the levers that they need to increase sustainable economic growth, and an opportunity to reinvest the proceeds of that growth—higher long-run tax revenues—in Scotland's public sector. Having control over corporation tax would also mean that the Scottish Government would bear the risk on the economic levers. We believe that positive reform must be about balancing the revenue and expenditure implications of policy choices, and about giving policy makers the levers to promote economic growth.

Mr Alan Reid (Argyll and Bute) (LD): According to the hon. Gentleman's logic, if the power were devolved, the Scottish Government would reduce corporation tax. How would the gap in the Scottish Government's revenue be plugged? Would that be done by means of higher taxes or a lower standard of services?

Stewart Hosie: The hon. Gentleman must have been asleep for the last 14 minutes, because that is precisely the question that the hon. Member for Edinburgh East (Sheila Gilmore) asked. I am surprised that he did not hear or understand my answer to her question, which was that the corporation tax yield would fill the gap caused by the reduction in block grant.

David Mowat: The hon. Gentleman made a powerful point a few moments ago, if I heard him aright. He said that, unlike the United Kingdom, which has a significant deficit, Scotland had experienced a surplus over the last few years. Can he tell us how, in reaching that conclusion, he accounted for the bail-out of Royal Bank of Scotland?

Stewart Hosie: I have two answers to that question. The first is that in the 40 years before the crisis, Scotland experienced a surplus on average. The second relates directly to the hon. Gentleman's question. I am fed up with the argument that runs "Scottish banks bad, English banks good." There seems to be a failure of basic understanding. Northern Rock took £20 billion, as did the Lloyds banking group. No one seems to speak about Northern Rock. Bradford & Bingley required £37 billion. RBS required £45 billion, but a large chunk of that related to the asset protection scheme. It was not a question of Scottish banks' being bad and needing to be bailed out while all other banks were fine.

I do not want to drift too far from the new clause, but the Office for Budget Responsibility made it clear in its assessment earlier this year that the net impact of the financial crisis measures would be a surplus of £3.5 billion

[Stewart Hosie]

for the taxpayer. It is interesting that the hon. Gentleman does not seem to know what the out-turn figure is likely to be.

Amendment 25 provides for powers to charge a tax charged on the profits of companies—

Mr Reid: Will the hon. Gentleman give way?

Stewart Hosie: Not at this point.

New clause 9 would allow for the introduction of an additional devolved tax charged on the profits of companies, and would require such a proposal to be placed before both Houses of Parliament.

Mark Lazarowicz: Will the hon. Gentleman give way on that point?

Stewart Hosie: No, not on that point.

Mr Gauke *rose—*

Stewart Hosie: I will give way to the Minister.

Mr Gauke: I know that the hon. Gentleman is keen to move on from the subject of corporation tax, but I seek clarification, I think with good reason. He said that he understood the Azores judgment and what was necessary for compliance with it. He said that if the yield from corporation tax went to the Scottish Government, the block grant would be reduced and everything would be fine. All that is correct. However, if the Scottish Government reduce corporation tax, there will be a cost. He has not made clear how the Scottish Government would deal with that. Would they do so by spending less or by increasing other taxes?

Stewart Hosie: Evidence that I have seen in a significant number of companies suggests that the reductions in block grant would be phased in. We see a trend increase in business tax yield as business tax rates are reduced. I am sure that the Minister has seen similar figures, which may have driven some of his own policy decisions. I suspect that Scotland would be unique if we did not follow a pattern that has been seen time after time in other countries.

Mr Reid *rose—*

Mr Gauke *rose—*

Stewart Hosie: I will give way one more time to the Minister.

Mr Gauke: The hon. Gentleman is presenting the Laffer curve argument. He suggests that a corporation tax cut could pay for itself. As he knows, I support that idea and am looking at what the Government are doing in that connection. It is not altogether surprising that there are advantages in reducing corporation tax, but, initially at the very least, it comes at a cost. We had to put that in the Red Book. Does he believe that there would be no cost, or does he believe that the tax cuts would immediately pay for themselves?

Stewart Hosie: I am glad that the Minister agrees with my direction of travel. What I am saying is that the Scottish Government would have to take responsibility for the consequences of Scottish Government policy, as is right and proper.

Mark Lazarowicz *rose—*

Mr Reid *rose—*

Stewart Hosie: I will give way to the hon. Member for Argyll and Bute (Mr Reid), but then I shall try to move on to excise duty.

Mr Reid: If the hon. Gentleman's argument is correct and reducing corporation tax results in an increased tax yield, that will apply in England and Northern Ireland as much as it will in Scotland. If there are different corporation tax rates in different parts of the United Kingdom and if the hon. Gentleman's argument is correct, surely every part of the United Kingdom will enter into a competition to reduce corporation tax, and we will end up with a race to the bottom to the detriment of all parts of the UK.

Stewart Hosie: I do not want a race to the bottom, but I do believe in tax competition. It is a pity that the hon. Gentleman and his new-found friends do not.

I must now move on from corporation tax to excise duty. Amendment 37 would ensure that provisions relating to alcohol excise came into force two months after the enactment of the Bill. New clause 19 would amend the Scotland Act 1998 so that alcohol duties became an exception to the general reservation in that regard.

All excise duties are currently levied by the UK Government. Alcohol duty is one of the most important excise duties levied in the UK. It is estimated to raise approximately £800 million a year in Scotland, less than 2% of the total tax yield in and on behalf of Scotland. In addition to raising revenues for the Exchequer, one of the key aims of the duty is to reduce excessive consumption of alcohol, which has been proved to lead to a variety of health and social problems. In the current devolution framework, the Scottish budget typically picks up the cost of addressing those problems through police, health and some social welfare costs expenditures. That is done entirely within the Scottish block. Devolving responsibility for excise duty to Scotland would help to ensure that the tax system for alcohol consumption was consistent with the alcohol policy of the Scottish Government and equipped to tackle one of the greatest health and social challenges facing Scotland.

Jim Sheridan: Will the hon. Gentleman give way on that point?

Stewart Hosie: Certainly.

Jim Sheridan: As chair of the all-party parliamentary Scotch whisky and spirits group, I can tell the hon. Gentleman that the Scottish whisky industry is deeply concerned about his proposals. What worries the industry are the administration costs. It would be necessary to designate the final destination of the product, and, even

more worryingly, Members of Parliament would bear the additional burden of taking carry-outs from London to their constituencies in Glasgow.

8 pm

Stewart Hosie: I suspect that any MP trying to take a carry-out through airport security would immediately be stopped.

The devolution of alcohol excise duties would also enable the Scottish Government to implement a revised alcohol duty structure to offer greater protection to the competitive position of Scotch whisky, something we have tried to do on several occasions in a number of past Finance Bills. On 12 May 2009, the vote on alcohol duty took place at half-past midnight. We were trying to implement a fair rate of duty—which we can achieve through the devolution of excise duties—so that alcoholic beverages were taxed on their alcohol content, and on no other spurious measures. Interestingly, five Conservatives managed to vote with us, yet 268 Labour Members voted against, thereby maintaining the unfair level of duty on Scotch whisky. I am sure the hon. Member for Paisley and Renfrewshire North (Jim Sheridan) is sincere in his view, but it does not stand the scrutiny of the recent voting record.

The devolution of excise duties ought to be handled through the devolution of additional powers as described in the amendment, because alcohol duty is levied on all products consumed in the UK irrespective of their country of origin. As a result, the UK Exchequer collects duty on Scotch whisky only if it is consumed in the UK, as exported whisky is not liable for excise duty. Similarly, imported products such as spirits produced overseas are liable for duty when entering the country to be sold in the UK market. We seek to devolve this power, and the Scottish Government seek the responsibility to vary the rate of duty levied on products in Scotland and to implement a more streamlined and efficient system of alcohol taxation that better targets rates of duty to combat binge drinking and excessive consumption of cheap alcoholic products, and that supports a fairer and less discriminatory system for premium products such as Scotch whisky.

Mr Donohoe: Will the hon. Gentleman at least give credence to the fact that over a great number of years previous Governments held back from imposing higher taxes on Scotch whisky, along with all other spirits, and that as a consequence the level playing field he seeks is close to being achieved?

Stewart Hosie: I am prepared to recognise that duty did not rise for a number of years, but that is not the point I am making. My point is that alcohol taxation is unfair because it is based on different types of alcoholic drink, and not entirely on alcoholic strength.

Mr Donohoe: But it is getting to that point.

Stewart Hosie: It is no such thing, as I am sure the hon. Gentleman's contacts in the Scotch whisky industry will confirm.

There is a strong social case for the devolution of alcohol duty, not least because there is clear evidence that, for alcohol, price is a driver of consumption. There is strong evidence from numerous surveys in Europe, America, Canada, New Zealand and elsewhere that levels of alcohol consumption in the population are closely linked to the retail price of alcohol. As it becomes more affordable, consumption increases, and as the relative price increases, consumption falls.

We, and the Scottish Government, are committed to introducing a minimum price for alcohol, and gaining control over the excise duties would provide an additional mechanism to address excessive alcohol consumption. That would help to reduce the annual cost of alcohol misuse in Scotland. Devolving excise duty would enable a future minimum price per unit to be established within the excise system. Under the current system, the introduction of a minimum price is estimated to generate additional revenue for retailers, not the UK or Scottish Government. That was the argument the Labour party made in the Scottish Parliament. Devolving excise duty for alcohol would therefore result in all the additional revenue from increasing the price of low-cost alcohol products accruing to the Scottish Government, and those revenues could then be reinvested in public services in Scotland. The case for devolving alcohol duties is very strong indeed.

Mr Reid: I agree with one of the hon. Gentleman's points: alcoholic drinks should be taxed on alcohol content. There is a practical problem with his amendment, however. It is my understanding that he wants to increase taxes on alcohol in Scotland, but if alcohol is then priced cheaper just across the border in Berwick or Carlisle, surely a lot of revenue will be lost by people nipping across the border to buy their drink?

Stewart Hosie: There are always borders. The hon. Gentleman was presumably one of the 28 Lib Dems who backed us in 2009. I am pretty sure some of the Lib Dems in the Scottish Parliament now back minimum pricing. I ask for a wee bit of constituency in terms of the policy therefore, and given there are only five Lib Dem MSPs, it should not be too difficult to do a quick phone around.

I turn to the topic of capital borrowing and amendments 26 to 29. We all know that infrastructure investment is an essential contributor to productivity and economic growth. That is presumably why the Chancellor of the Exchequer made great play of spending £2 billion more on capital projects in the comprehensive spending review period than the previous Labour Administration had planned to spend. In the short term, such expenditure can boost economic growth, total output and employment. Over the long term, capital investment, both public and private, is a key driver of productivity, competitiveness and long-term economic growth.

Public sector investment that enhances a country's physical, technological and digital infrastructure can increase the productive capacity of the economy and drive private sector growth and investment. Indeed, we know that direct capital investment would save or create twice as many jobs as the same amount of investment used for a VAT cut, such is the scale of the economic multipliers of direct capital investment.

Jim Sheridan: The hon. Gentleman is absolutely right that this does create jobs. Can he therefore justify his Government's cancellation of the Glasgow airport rail link project?

Stewart Hosie: Some projects were simply unaffordable, not least because a number of parties—the other three parties represented here now, in fact—voted for half a billion pounds for the Edinburgh tram system, and look at what an overwhelming success that is!

The Scottish Government are responsible for the vast majority of Scotland's public investment, covering transport, water, health, education, local government, prisons, housing and so forth. There is, I hope, now widespread agreement across the political spectrum that the Scottish Parliament should have full responsibility to determine the pace and scale of Scotland's infrastructure investment programme, within a prudent and sustainable long-term financial framework. The Scottish Parliament should have substantial capital borrowing powers to fund productive expenditure for the following purposes: for very large, discrete projects or programmes such as the Forth crossing, which the Minister mentioned; to provide medium-term economic stimulus similar to the accelerated capital programme undertaken in 2008-09 and 2009-10; to smooth the profile of investment in key public services; and to help to lever in additional investment, particularly from the private sector.

Sheila Gilmore: Given what I understood to be the hon. Gentleman's party's green environmental credentials, I am surprised that the capital projects he appears to favour are largely to do with roads, rather than public transport, such as the tram proposal that has been mentioned.

Stewart Hosie: The hon. Lady's surprise is a matter for her, not me. An investment programme is in place that includes housing, environmental and insulation programmes and a large number of other programmes in Scotland, but we are discussing capital borrowing, not the specific projects for which it might be used. That will be a matter for the current and future Scottish Governments.

Sheila Gilmore: I must take the hon. Gentleman up on the point about housing, because I understand—from a recent report by Shelter, for example—that the number of new affordable homes being started in Scotland this year will have fallen from 6,000 to 1,500.

Stewart Hosie: That report is probably for the overall statistics. Sadly, because of the banking crisis, the banks' withholding of cash and the difficulties with Bradford & Bingley, which funded housing associations, the slack has had to be taken up by the Scottish Government, who have been funding as many new housing starts as is humanly possible. I find it extraordinary that, given the thousands of houses that have been contributed to by the Scottish Government, the hon. Lady or anyone else on the Labour Benches can talk about Labour's record, which, from memory, was not 6,000, 600 or 60, but six council houses being funded by that Scottish Government.

Sheila Gilmore *rose—*

Stewart Hosie: I have given way twice—I am going to carry on.

As I was saying, the Scottish Parliament should have substantial capital borrowing powers for very large, discrete projects, the provision of medium-term economic stimulus, smoothing the profile of investment in key public services and helping to lever in additional private investment.

Sheila Gilmore: Will the hon. Gentleman give way?

Stewart Hosie: Not just now.

However, as a result of the decisions taken by the UK Government in 2010 in the comprehensive spending review, capital budgets available to the Scottish Government are now likely to fall by some 36% in real terms. That represents a cumulative reduction in spending power of around £4.1 billion over the period of the comprehensive spending review. The speed and scale of the cuts by this Government significantly constrain the Scottish Government's flexibility in managing their infrastructure programme. It is vital that while ensuring the overall sustainability of borrowing—I agree with the Minister on that—Scotland's capital borrowing facility has sufficient scale and flexibility to enable the funding of productive investments over the long term.

The proposals in the Bill state that from 2015 the controls and limits applied to capital borrowing mean that Scottish Ministers should be allowed to borrow up to 10% of the Scottish capital budget in any year to fund capital expenditure—£230 million in 2014-15—and that the overall stock of capital borrowing could not rise beyond £2.2 billion. They also state that borrowing to finance capital funded by a loan from the national loan fund would be for a maximum of 10 years, but that a longer time frame—for example 25 years—may be negotiated if that better reflected the life span of associated assets such as with the new Forth crossing.

In the written statement of 13 June, the Chancellor and the Secretary of State proposed:

"bringing forward to 2011 pre-payments, a form of cash advance, to allow work on the Forth replacement crossing"

and

"introducing a power in the Scotland Bill that will enable the Government to amend, in future, the way in which Scottish Ministers can borrow"—[*Official Report, House of Lords*, 13 June 2011; Vol. 728, c. 58WS.]

including through the provision of bonds. Notwithstanding any of that, the £2.2 billion cumulative limit is unchanged.

I am pleased that there is now established consensus among the Scottish Government, the Scottish Parliament, the House of Commons Select Committee on Scottish Affairs and a number of independent experts that the Scotland Bill's proposals for capital borrowing require substantial enhancement and improvement. That unanimity was reflected in the motion that was agreed unanimously on 9 June in the Scottish Parliament. I make this criticism of the proposals even with the changes regarding our attempt to have capital borrowing devolved so that limits, bond issuance and all these matters are agreed between the Governments on a statutory basis. At the moment, the Bill is predicated on a framework that appears to have been developed without any explicit discussion about sustainability or affordability and without offering any objective means of testing those essential criteria. The annual borrowing limit of 10% of capital departmental expenditure limit seems arbitrary and the proposed total limit on borrowing, set at £2.2 billion, is believed to be too low to make a meaningful difference. Indeed, I think that the Scottish Parliament Scotland Bill Committee in Holyrood suggested £5 billion. The

UK Government have not proposed any objective criteria to determine the path of total capital borrowing capacity over time and that builds uncertainty and discretion into the framework. The arbitrary mechanism that the UK Government have proposed for revising this is inconsistent with the basic principles of devolution. The central assumption of a 10-year repayment period for capital borrowing is inappropriate, as public capital assets will typically have a useful life of perhaps more than 30 years. Although helpful, the early implementation measures will do very little to offset the cumulative £4.1 billion reduction in capital expenditure.

The changes are welcome, but we believe that the UK Government's proposals still require improvement in four key areas. First, the specification of annual limits on borrowing should be agreed between the Governments and not set arbitrarily. Secondly, the methodology for determining the borrowing capacity that is sustainable in the long term needs to be agreed. Thirdly, the terms of repayment for capital borrowing need to be agreed and, fourthly, the impact of the early implementation measures that are proposed also need to be looked at and agreed properly. We believe that should be done within the framework of a statutory agreement between the two Governments, and that is the purpose of the various amendments and new clauses we have proposed. They include amendment 26, which would allow Scottish Ministers to borrow for the purpose of meeting capital expenditure without requiring the approval of the Treasury and without it being by way of loan, and amendment 27, which would mean that Scottish Ministers and the Treasury must both agree to a code of practice and framework within which these things would be agreed. Our amendment 28 would remove the measure that suggests the cumulative borrowing total should be set at £2.2 billion, so it would become redundant when an agreement was in place.

Amendment 29 would remove subsection (10) of clause 32, which introduces the type E procedure. That subsection would not be necessary because the agreement on how Ministers are to determine and keep under review how much they can afford to borrow, the terms and conditions and the sums that may be borrowed and the limit on aggregate at any time outstanding in respect of the principle would be agreed.

8.15 pm

That brings us finally to commencement. *[Interruption.]* My hon. Friend the Member for Perth and North Perthshire (Pete Wishart) suggests from a sedentary position that I should keep going but I suspect that my speaking for close to an hour will be enough even for me.

The commencement procedures cover the implementation of the Scottish rate of income tax, income tax for Scottish taxpayers, the Scottish tax on transactions involving interests in land, the disapplication of UK stamp duty land tax, Scottish tax on disposals to landfill and the disapplication of UK landfill tax. As I said on Second Reading, these provisions will come into force two months after the Bill receives Royal Assent, but they will not have any practical effect at that point because the provisions in the Bill as currently drafted include an additional step that requires the Treasury to appoint a tax year as the first year in which the income tax provisions are to operate. In the cases of SDLT and landfill tax. the Treasury will appoint a specific start date but the principle is the same. Until the Treasury does that the tax provisions will sit on the statute book without changing the current arrangements whereby the UK Parliament controls all aspects of income tax, SDLT and landfill tax. The House should also note that although the repeal by the Bill of the current Scottish variable rate provisions is similarly commenced two months after Royal Assent, that has no practical effect until the Treasury appoints a tax year as the last tax year in which SVR operates. That might have been affected by earlier amendments, and I wait to hear what the Minister says about that. That two-stage approach to commencement is highly unusual and the practical effect is that the tax proposals will operate only when the Treasury decides.

The powers conferred by the Bill on the Treasury to appoint start dates are not subject to any parliamentary procedure and, indeed, will not even be publicised by means of statutory instrument, so the processes for bringing the tax provisions of the Bill into effect do not require the consent of the Scottish Parliament, Scottish Ministers or even Westminster. I believe that is a fundamental flaw. We believe that there must be a role for the Scottish Parliament in particular.

The Scottish Government have outlined serious gaps that remain in the Bill, and crucial details remain unknown. It is essential therefore that the Bill includes a specific mechanism to allow the Scottish Parliament the opportunity to consider the Scotland Bill proposals before they are brought into effect. Our amendments seek to make changes to the commencement provisions of the Bill to ensure that the tax provisions cannot be brought into effect unless the Scottish Parliament has specifically consented. As I said on Second Reading, there are a number of examples in which assent from Scottish or, indeed, Welsh Ministers, Parliaments or Governments is required before all-UK legislation can be invoked or rolled out properly.

These amendments are on corporation tax, excise duties, capital borrowing and commencement. The first three are part of a package of six measures that the First Minister has been discussing, and I am sure he will be making detailed responses to the UK Government. We believe the measures are important, not to deliver full fiscal autonomy, not to deliver independence but, as we said on Second Reading and beyond, simply to make the Bill better and to remove some of its inherent flaws and weaknesses.

I have been a long time speaking and others want to contribute. I commend our amendments to the House.

Iain Stewart (Milton Keynes South) (Con): I shall speak first to my amendment 24 before making some broader comments about some of the other amendments and new clauses.

I tabled the amendment as a probing amendment, as I felt there was still some ambiguity about one aspect of the definition of a Scottish taxpayer when it was considered in Committee. My point of concern is to define whether under clause 26 a taxpayer is resident in Scotland at the end of the day if that person is embarking on a cross-border overnight journey—one that departs Scotland before midnight and arrives in England after midnight. I think primarily of my old friend on the Caledonian sleeper, whom I cited in Committee. If the train leaves Glasgow

[Iain Stewart]

and has crossed the border before midnight, is he deemed to be in Scotland or England at the end of the tax day? The point may seem trivial, but for someone who makes that journey regularly it could be material in defining whether they were a Scottish or an English taxpayer. Obviously, it would also apply to other modes of transport, such as private or heavy goods vehicles and overnight coaches.

It is a probing amendment and it may not offer the most specific or elegant definition, but I tabled it to find clarity. I shall be happy not to press it if alternative wording can be found, or the Minister can give clarity in case the definition is ever challenged in court. I shall return to that point briefly at the end of my comments.

I shall speak briefly to new clause 8 and the related amendments tabled by the right hon. Member for Birkenhead (Mr Field) and others. I suspect that one of our show-stopping debates tonight may be on the Barnett formula and related matters. When I looked at the amendment paper, I thought I would be following the right hon. Gentleman and responding to his points, but I shall have to anticipate his arguments from the interventions and from the new clause itself.

They are a beguiling set of amendments. I agree that at some point we shall have to tackle the whole issue of the Barnett formula and the fiscal relationship between all parts of the United Kingdom. *[Interruption.]* The hon. Member for Na h-Eileanan an Iar (Mr MacNeil) invites me to give a solution. If he bides his time—

Mr MacNeil: I said we have a solution.

Iain Stewart: I know, but I believe I have a better one and I shall turn to it in a moment.

The arguments are beguiling. The hon. Member for Vauxhall (Kate Hoey) said that she has correspondence from constituents asking why on the face of it Scottish residents have a much better deal from the UK public purse than people in England. I receive similar letters asking why prescriptions are free north of the border, but there is a charge in England. That issue has to be tackled.

Mr MacNeil: Among that raft of questions, has anyone ever asked the hon. Gentleman why the social security spend is higher per head in England than in Scotland?

Iain Stewart: I challenge the hon. Gentleman's facts, because in preparing for the debate I read that often-thumbed document GERS—Government Expenditure and Revenue Scotland—and the Treasury's public expenditure statistical analysis, which show, if my interpretation is correct, that social security payments are higher per head in Scotland than in England.

Fiona O'Donnell (East Lothian) (Lab): Could the hon. Gentleman rise to the challenge of explaining to his constituents why there may be different charges for services between one local authority area and another? If that can be explained, surely the choices made by the Scottish Parliament and Government can also be explained to his constituents.

Iain Stewart: Indeed. If the hon. Lady will let me develop my argument, I shall address those points. There is a lot of misinformation swilling around and we need to arrive at hard evidence-based data so that we can make objective decisions about the future fiscal relationship between the different parts of the United Kingdom.

One of the misleading things is that we often talk about changing the Barnett formula as if that was the whole fiscal relationship between the different parts of the kingdom. In fact, it is a convergence formula; it was designed by Lord Barnett to diminish the difference between Scottish and English public spending over time. The reason why people complain about the formula is that so many elements of public spending are negotiated separately from the formula. Last week, there was an instructive debate about the formula in the other place and I remind Members of the comments of Lord Lang, a former Scotland Secretary. He said that between 2000 and 2002 the Barnett elements of the public expenditure rounds diminished the Scottish block by £17 million, but the total increased by £340 million because of separately negotiated arrangements.

Mr MacNeil: Was any mention made in that debate of the massive defence underspend in Scotland, which is a huge section of public spending where Scotland receives dramatically less than its per capita share compared with the rest of the UK? *[Interruption.]* I would say more if I was not being heckled by the hon. Member for Glasgow South West (Mr Davidson).

Iain Stewart: If the hon. Gentleman has a little patience, I shall come to what I believe is the solution.

I fear that new clause 8 and the related amendments are a little hasty in dealing with this matter.

Mr Frank Field: What about the Union?

Iain Stewart: The Barnett formula has not been in operation for the duration of the Union and only since 1978, so it is a comparatively new beast.

Yesterday, the right hon. Gentleman was speaking in the debate on the Pensions Bill where one of the arguments against the changes the Government are proposing is that the time scale to allow people to adjust their behaviour should not be less than 10 years. A similar approach should be taken to funding; there should be a process of evolution, not revolution. If we rush too hastily into the argument on the basis of misinformation, we risk splitting the Union asunder.

David Mowat: My hon. Friend is right. If a change is made to the block grant, as it must be at some point soon, there will be a long transition period, which may be as long as 10 years, but that is no reason not to do a review, put the matter on a needs basis and start that 10-year period. A transition of 10 years is reasonable.

Iain Stewart: I am grateful to my hon. Friend. I have a suggestion to make about how we can move forward. In this country we have never had a territorially based system of taxation or spending. From taxation receipts we do not know in detail which part of the United Kingdom contributes what in taxes. There are many estimates and forecasts, but there is little hard evidence.

Mr MacNeil *rose—*

Iain Stewart: I will give way to the hon. Gentleman in a moment. His party, in calculating Scotland's share of the United Kingdom's tax receipts, has used very different formulae and assumptions over the years. I do not have the exact figures to hand, but in the space of a few months it came up with a figure for Scotland's surplus, if that is what it was, which varied by several billion pounds because it used different assumptions in calculating Scottish tax receipts. That is the problem that we have in calculating the true relationship.

8.30 pm

Mr MacNeil: Over and above tax receipts, disaggregated spending might be a lot easier. Does the hon. Gentleman believe that Departments such as the Ministry of Defence should provide full figures on how much they are spending in which parts of the United Kingdom? The Government have the power and authority to do that. We have many concerns about the shipyards in Glasgow and about defence spending. As a member of the governing party, does the hon. Gentleman feel that he should be encouraging his side to provide openness and clarity on these vital issues?

Iain Stewart: I am happy to come to some agreement with the hon. Gentleman. My solution is to provide a detailed breakdown on a territorial basis of actual spending and receipts—what is spent and received by each part of the United Kingdom.

Mr Davidson: I understand the point that the hon. Gentleman is making, but with reference to the different parts of the United Kingdom, does he accept that there are enormous divergences among different parts of England, and that that is fuelling much of the sense of grievance felt by many of our English colleagues? Much of this is a within-England problem of unfair distribution, particularly to the north-east and the north-west of England, which ought to be addressed by his Government.

Iain Stewart: The hon. Gentleman anticipates my next point exactly. It is too crude to look at the four constituent nations of the United Kingdom. In Scotland and in England we need to break that down further and look, as he says, at the different needs in the different parts of the kingdom. I will give a constituency example. My constituency, Milton Keynes South, is in the affluent south-east of England, yet I have very deprived wards in my constituency. Taking health spending as an example, what Milton Keynes is allocated as its formula share of health spending in England is capped because there is a transfer to other parts of England. I contend that that is not fair and it disregards some of the areas of need in my constituency, but it illustrates the problem that arises if the formula for analysing spending is too crude.

Mark Lazarowicz: As the hon. Gentleman knows, spending per head in London is almost 50% higher than in the south-east region of England. No one disputes that there are parts of London where there is great need, but other parts which do not fall into that category still benefit from Government spending which is 40% higher than in his constituency.

Iain Stewart: The hon. Gentleman makes a good point. In calculating these figures, however, we should be careful about looking only at per capita spending. Again, I believe that is too crude. It is about the equality of service provision. In a rural area, the cost per head of providing a school place will inevitably be higher because the fixed costs of a building, for example, are divided by a comparatively smaller number of people.

Mike Freer (Finchley and Golders Green) (Con): Does my hon. Friend accept that allocating funds simply on geography, particularly defence spending, is a misdirection? Defence spending must be based on the strategic needs of the armed forces, not on a geographic spread. Does he agree that that line of argument is completely false in the context of defence spending?

Iain Stewart: My hon. Friend makes a very good point. We also have to look at the equality of the benefits given by defence spending—the protection that accrues to the whole country. It does not matter so much where the defence equipment originates if we are looking at the overall protection that the armed forces provide.

Mr Weir: The hon. Member for Finchley and Golders Green (Mike Freer) makes a valid point as regards defence. The attack on the Barnett formula is based on the fact that Scotland gets more per head, but if we take into account all spending, that is not necessarily the case because of the imbalance in the way that defence spending is allocated—so the figures are important. Where the assets are, for the purposes of this argument, may not be quite so important, but the amount of spending is very important. The economic impact of where the assets are is vital to many communities.

Iain Stewart: I am grateful to the hon. Gentleman for his point. May I infer that he is happy to retain the Trident base in Faslane, given the economic benefits that accrue to Argyll and Bute and West Dunbartonshire?

Mr Weir: There is little or no economic benefit from the Trident base, and there is an extremely disproportionate —*[Interruption.]* The point is that bases such as the RAF bases in Morayshire are important not only from a defence point of view but economically, and bases such as the Condor base in my constituency are important economically and also from a defence point of view.

Iain Stewart: I challenge the hon. Gentleman's assumption about the lack, as he sees it, of economic benefits. I also contend that he is making a good case for Scotland's remaining part of the Union, so that the lion's share of UK defence assets can be based north of the border.

Mr MacNeil: As part of the Union, Scotland currently has a manifest defence underspend. There is no defence advantage for Scotland of being in the Union at all; we are actually losing money by being part of the Union. Far more would be spent on defence in Scotland as an independent country than the Union is spending there, and the shipyards in Glasgow would be in a far better state with an independent Scotland than with a dependent Scotland represented by Labour.

Iain Stewart: I have great respect for the hon. Gentleman in many matters, but this is not one of them. The argument that defence spending in Scotland would somehow be enhanced through independence is not one I agree with. I am not sure whether the Scottish National party's policy is still to withdraw from NATO, but it used to be many years ago. I see Scottish defence assets only being decimated in the event of independence, so I agree to disagree with him on that point.

I will return to what I propose as a solution. Before we start recalibrating the Barnett formula or developing some other formula or mechanism, we need hard facts on the fiscal relationship between each part of the kingdom. Once we have that, we can move forward on a sensible basis towards having a stable and fair system in the UK. However, I will end on a note of caution. In a previous exercise I looked at other countries that operate some form of fiscal transfers between different parts of the country, such as Australia, Canada and Germany. There are different models in each country, but in all of them the spending relationship between the constituent parts is still a big political issue. I fear that we will never get to a point where everyone is completely happy with the relationship, but I believe that we can arrive at a stable solution.

Mr Davidson: It is important to put on the record that even under devolution Glasgow clearly gets far less than its fair share from a Scottish Government based in Edinburgh. I have just been to the Shetlands with the Scottish Affairs Committee, and people there feel that they are equally badly treated by Edinburgh. We also need a needs-based assessment within Scotland to stop money disappearing and being sucked down into the black hole that is Edinburgh.

Iain Stewart: Having been born and brought up in Hamilton, which is between Glasgow and Edinburgh, I am in something of a no man's land on that point and wary of intruding on private grief. The hon. Gentleman's point is an important one. The analysis should be not only among Scotland, England, Wales and Northern Ireland, but among the regions and cities in each nation. I do not intend to press my amendment to a vote, but I would be grateful if the Minister could suggest some alternative working or make some statement.

Mr Russell Brown: Will the hon. Gentleman give way?

Iain Stewart: One very last time.

Mr Brown: I thank the hon. Gentleman for giving way. My intervening on him is causing disruption behind me. Will he look again at his amendment and explain exactly what it means? I am a little perturbed, and I know that he has mentioned sleeper trains and everything, but will he explain again exactly what it means?

Iain Stewart: My amendment is very simple and would remove any ambiguity. If a passenger were on a cross-border overnight journey, irrespective of when the border was crossed, they would be deemed to be in Scotland at the end of the day when that service departed. It may not be the most elegant or precise of solutions, but I felt that in the debate in Committee there was some ambiguity about the position, so the amendment is my attempt to clarify it.

Mr MacNeil: Will the hon. Gentleman give way?

Iain Stewart: Forgive me, but I am going to finish now. Many other Members wish to speak, and I look forward to the Minister's comments.

Ann McKechin: I welcome the very wise remarks of the hon. Member for Milton Keynes South (Iain Stewart). He always provides us with great expertise on Barnett formula issues, and on the point about having hard evidence, because one key component of our debate about the Bill has been the evidence for the various fiscal arguments that have been proffered over the past few months.

Borrowing powers were not in the original Calman recommendations, but we certainly welcome the inclusion of that tool for the Scottish Government. The Scottish Parliament's Scotland Bill Committee, in its report, and the Select Committee on Scottish Affairs both recommended that the powers be brought forward from the proposed date of April 2013, and as the Minister will be aware, we have already called for their advancement to 2012. That proposal is in amendment 2.

The Government announced in last week's written ministerial statement that they are to bring forward to 2011 pre-payments, in order to allow work on the Forth replacement crossing. That is not the same as bringing forward the capital borrowing powers in the Bill, and it would be helpful if the Minister in his winding-up speech were able to confirm that the full capital borrowing powers will be available from the next financial year, if the Bill is on the statute book by that point.

I also welcome the announcement in the statement that the Government are removing the requirement for Scottish Ministers to absorb the first £120 million of tax forecasting variation within their budget, giving them greater flexibility. A number of comments have been made about extending the borrowing limits, and that should be a matter of negotiation between the two Administrations. The Secretary of State says that he views the figure of £2.2 billion as a floor rather than as a maximum, and that is welcome.

My right hon. Friend the Member for Birkenhead (Mr Field)—

Kate Hoey: He's gone to the loo.

Ann McKechin: My right hon. Friend and my hon. Friend the Member for Vauxhall (Kate Hoey), who I understand has reached a memorable birthday, spoke to new clauses on the Barnett formula, and the hon. Member for Milton Keynes South and others pertinently said that there is no easy solution. *[Interruption.]* I am pleased to see that my right hon. Friend has returned to his seat. In the financial year 2009-10, however, the average per capita expenditure in Scotland was £9,940, while in London the figure was £10,182. Indeed, it has been stated that the move to a needs-based system in countries such as Australia has resulted in the same amount of debate about what is required.

Barnett should not be confused with devolution. Devolution allows the Scottish Government to make their own decisions on a range of issues, such as prescription charges, which do not apply in England, but it is separate from Barnett formula issues. The Barnett formula is relatively simple and objective, and as the Calman commission stated, any changes to it would be difficult to determine and "a highly political process".

On the new clauses on corporation tax, for the record the hon. Member for Dundee East (Stewart Hosie) spoke about fiscal autonomy for 42 minutes, not 14. However, we are not necessarily any clearer about what impact his proposals would have on the electorate in Scotland. The Calman report specifically rejected the devolution of corporation tax. Paragraph 3.113 of the final report says that

"we therefore reject the devolution of corporation tax. Nor, especially in view of its volatility...from one year to another, do we see it as a candidate for tax assignment."

8.45 pm

This matter was raised in an interesting report on Scottish economic growth issued this week by the Centre for Public Policy for Regions, which states:

"The research findings on the issue of the relationship between fiscal autonomy (or decentralisation) are neither consistent nor robust. Overall, the most important finding is that there is no simple and robust relationship between fiscal decentralisation and economic growth."

It also states:

"The traditional drivers of economic growth tend to concentrate on microeconomic factors (such as innovation, R&D, entrepreneurship, and knowledge-based assets in general) as the key determinants of productivity...To a large extent, the policy levers available in this area have been within the control of the devolved Scottish Government since 2000."

Instead of giving us an ill-defined list of extra powers, it would be helpful if SNP Members and their colleagues in the Scottish Government could specify how they wish to use their existing powers to increase Scotland's economic growth and productivity.

Mark Lazarowicz: No doubt there is a theoretical argument that cutting corporation tax for smaller or new businesses would encourage them to grow and expand, but can my hon. Friend explain how cutting the corporation tax paid by Royal Bank of Scotland by 50% would encourage it to bring more jobs into the Scottish economy? Would it not just add to its already large profits?

Ann McKechin: My hon. Friend raises a good point. The Scottish Government are advocating a cut in taxes for banks but not for small businesses that do not pay corporation tax. Many employers in the private sector who employ many people do not pay corporation tax, but income tax. Substantially reducing corporation tax would lead to a large cut in public expenditure or increase the burden on income tax payers.

The Scottish Government already have a considerable number of economic levers. They have decided to cut funding to many Scottish colleges—for example, James Watt college in Greenock faces a cut of £5 million. They have cut regeneration funds in many of the most deprived areas, including a 71% cut in the Inverclyde regeneration fund. The test that the Scots will apply is not how many powers anybody has vis-à-vis someone else but how they use them for Scotland's benefit. *[Interruption.]* SNP Members chunter on, but they do not have any intervention to make because these are decisions that they have made and they do not wish to take responsibility for them.

Fiona O'Donnell: Does my hon. Friend regret the macho element that has crept into this debate? Does she, like me, regret the fact that when Alex Salmond came to Downing street with his two friends and sat down with Government Ministers, there was not a single woman around that table?

Ann McKechin: My hon. Friend raises an interesting point about the issues that the Scottish Government have decided not to speak about. They did not come down here to speak to Ministers about the cuts in the welfare reform that will impact particularly heavily on women. They did not come down here to talk about the crisis in our care homes as a result of the imminent collapse of Southern Cross, which affects elderly people and their families right across the country. They did not come down to talk about the increase in the pension age, which will impact on women in particular. My hon. Friend is right that when it comes to issues that affect tens of thousands of people and women in particular, who make up the majority of the Scottish population, the SNP is sadly silent.

Dr Whiteford: The last time I looked, welfare reform and pensions were matters reserved to this House. I certainly contributed to the debates on those matters in this House, and the last time I looked I was a woman. It is sad that when we discussed the uprating proposals in the Pensions Bill, most Labour Members, with a few honourable exceptions, sat on their hands. It was left to just a few of us on the Opposition Benches to oppose the increases proposed by the Government.

Ann McKechin: I do not discredit the hon. Lady for making strong statements in this Chamber. However, I find it extraordinary that the First Minister, who feels that he can speak about any issue that impacts on Scotland and who has more powers, does not take the opportunity to speak about the issues that matter to ordinary people in Scotland every day of the week.

I will return to the Bill, as I am sure you would wish, Madam Deputy Speaker.

Mr MacNeil: Will the hon. Lady give way?

Ann McKechin: The hon. Gentleman is jumping up to speak.

Mr MacNeil: Will the hon. Lady clarify whether she is saying that she would welcome the First Minister coming to Downing street to talk about welfare reform and pensions?

Ann McKechin: If the First Minister had anything sensible to say, I would, but as yet, I have not heard it. It is a bit like the corporation tax issue—*[Interruption.]* The hon. Member for Na h-Eileanan an Iar (Mr MacNeil) needs to calm himself and not get over-excited. The Scottish Government have had many weeks to produce detailed analysis. They have complained that things

[Ann McKechin]

have been rushed and that we have not had figures from the UK Government on a variety of issues throughout the passage of this Bill, yet they cannot produce the detailed evidence and analysis that would allow people in Scotland to judge whether their calls have validity.

The hon. Member for Dundee East was given five opportunities this evening to explain what the impact would be on Scottish public expenditure if there was a cut in corporation tax. He said in Committee:

"I would like it cut over a number of years".—[*Official Report*, 14 March 2011; Vol. 525, c. 70.]

Members may be interested to hear that that has not always been the Scottish National party's policy on corporation tax. In 1988, a certain Alex Salmond was suspended as an MP from the House of Commons for attacking the Tory Government's reduction in corporation tax.

Pete Wishart (Perth and North Perthshire) (SNP): I am grateful to the hon. Lady for the history lesson. Is this what we are going to get from the Labour party for the next few years? I want to encourage her, because the negativity and can't-do attitude that has permeated the Labour party is partly responsible for the overwhelming defeat that it suffered at the Scottish elections. Please carry on.

Ann McKechin: If that is the level of intellectual debate that we can anticipate from the Scottish Government and their colleagues at Westminster over the next five years, I think Scotland will be in a pretty poor state. Of course, we now have a hierarchy in the Scottish Government depending on whether one is a good Scot or a bad Scot. That is a level of debate that extends even up to judges in the Supreme Court.

If corporation tax was cut in Scotland, public spending would have to be cut in line with it, as we have heard today. The hon. Member for Dundee East suggested that the Scottish Government would take the power, but apply the same rate. That suggests that the power would not provide any benefit or disbenefit, except that they would have to administer the tax at a cost. At some point in the future, they would then apply the tax.

There are questions to which people in Scotland want answers. By how much would the Scottish Government cut corporation tax? The hon. Gentleman spent 42 minutes talking this evening and did not confirm that figure once. What would be the time scale for the cut in corporation tax? Would it be done over two years, three years or four years? We do not know. That is despite the fact that the Treasury, in its evidence to the Scotland Bill Committee in Holyrood in March, stated:

"A 10% cut in corporation tax in Scotland might cost about £600 million per year for an indeterminate period."

That is understandable given the maturity of the Scottish economy and, as the Exchequer Secretary mentioned tonight, the many large plcs that already have their registered offices in Scotland. Even Northern Ireland's First Minister, Peter Robinson, believes that Northern Ireland is a special case and has warned Alex Salmond that Scotland could lose up to £1.5 billion if it follows through the bid to set its own corporation tax. Anyone would need answers to the questions I have asked if they are to decide that that is a good idea.

The SNP is reluctant to say whether it thinks Scotland should be a high-tax nation or a low-tax nation. Does it believe in high-quality, good value public services, or does it want a lower public expenditure base, which would mean fewer nurses, doctors and police? There are consequences to that. Does it want an increase in income tax? *[Interruption.]* The hon. Member for Na h-Eileanan an Iar chunters about scaremongering, but he has failed to answer any of those questions. He should feel free to educate us about the detail of the SNP proposals.

Fiona O'Donnell: May I issue a word of caution to my hon. Friend about encouraging SNP Members to talk for any longer? The hon. Member for Perth and North Perthshire (Pete Wishart) said in his opening remarks that he could talk for days and days about the Bill. Is that not exactly the problem? Every hour the SNP spend talking about these ideas in the House is an hour when we are not talking about the issues that the Scottish people really need us to address.

Ann McKechin: I can understand my hon. Friend's frustration. It is disappointing that the SNP has not taken the opportunity this evening to provide an explanation and analysis of why they think the change would be helpful.

Dr Whiteford: Will the hon. Lady give way?

Ann McKechin: I would like to continue this point.

Does the SNP believe that a further tax cut for banks, which pay the majority of corporation tax in Scotland, is a progressive policy? Does it believe that there should be a shift from corporation tax to personal income taxation, as has been the case in Switzerland, for example?

Mr MacNeil: That's a poor country, isn't it?

Ann McKechin: Actually, there has been very little increase in growth in Switzerland. There is no direct correlation, and the evidence is weak.

As I have said previously, and as a report that came out this week clearly indicated, many different levers of economic growth are already in the hands of the Scottish Government, but they have either chosen not to use them at all, or when they have chosen to use them it has had a detrimental effect as well as sometimes having advantages.

Dr Whiteford *rose—*

Ann McKechin: The Scottish Government have to make those choices, and like my hon. Friend the Member for East Lothian (Fiona O'Donnell), I would like to get on with the businesses of discussing how they are going to use their powers, what they intend to do with them and how they will benefit people. Instead, the SNP has obsessed over process for an indeterminate period. *[Interruption.]*

Madam Deputy Speaker (Dawn Primarolo): Order. The hon. Member for Banff and Buchan (Dr Whiteford) has to resume her seat when it is clear that the person who holds the floor, in this case Ann McKechin, is not giving way.

This is not a game, it is a debate, and it would be good if all Members in the Chamber behaved in a respectful way. The heckling is getting a little out of hand, and I am sure some Members would not like me to point out who is doing it at the moment. Perhaps we can return to the debate.

Mr Frank Field: On a point of order, Madam Deputy Speaker. Do you think it possible that by 10 o'clock, I might actually get the chance to speak to my amendment, which has already been dismissed by the Government and debated by other people?

Madam Deputy Speaker: That is not within my gift, Mr Field, but let me say that I sincerely hope so.

Ann McKechin: I certainly hope that my right hon. Friend will have the time to do so, and I hope to conclude my remarks fairly shortly, but I wish to move on to the amendments on excise duty.

The issues relating to excise duty constitute a relatively new demand since the completion of proceedings in Committee. They were not part of the discussions of the first legislative consent memorandum Committee, but will doubtless be discussed in detail by the second LCM Committee. I would welcome further analysis of the proposal's methodology.

9 pm

The Finance Minister in the Scottish Government, John Swinney, was questioned about the proposals on the BBC "Politics Show" on 22 May. He was asked, again five times, how the proposal to devolve excise duty in Scotland would work in practice and what steps would be required to stop the inevitable cross-border traffic if alcohol were suddenly cheaper in Carlisle than in Gretna. It was also pointed out to him that tax is collected not at the point of sale but when it leaves the excise warehouse. Given not only that all Scotch whisky comes from Scotland, but that Scotland accounts for 75% of the UK's gin and vodka production—indeed, Diageo in Fife produces all the Gordon's gin and Smirnoff vodka that one may see in shops throughout the UK—there are serious questions about how the proposal would work, the cost of administration and how tax avoidance and evasion would be tackled.

Stewart Hosie: Notwithstanding the hon. Lady's questions, do I take it from her answers that she sees some potential to remove the obstacle that Labour in Scotland found to minimum pricing? The Labour party's argument was that an increase in only the retail price went straight to the UK Exchequer and did not benefit the economy generally or the Government in tackling some of the consequences of drinking cheap alcohol.

Ann McKechin: The hon. Gentleman is right to raise the serious problem of alcohol consumption in Scotland. As the Labour group in Holyrood pointed out, simply raising the price and allowing supermarkets to retain the surplus—I think that that was the Scottish Government's first plan—was neither popular nor logical.

However, it is important to note that excise duty is now subject to an escalator above inflation. The Labour Government introduced it before the general election so that excise duty increases above inflation. Although, following the recession, as might have been anticipated, consumption in England dropped, that has not happened in Scotland to the same extent. There is a significant difference between consumption in Scotland and average consumption in England, despite the identical price and range of products.

Price sensitivity does not seem to apply in Scotland to the same extent as it does in England. That suggests that cultural and social issues are predominantly behind the problem. I do not derive any satisfaction from that. It would be much easier if we could say that a simple price escalation would lead to a reduction in consumption. However, the evidence to date has not shown that that would happen. Indeed, the medical evidence shows that the unit cost would have to be considerably higher than that in the Scottish Government's proposals to make any impact. Obviously, that would have an effect on the drinks industry, particularly given that much of it is located in Scotland.

The subject is serious. The Scottish Government already have a range of levers at their disposal. The one for excise duty is exceptionally complex and I do not think that the argument for it has been made. Certainly, more needs to be done, but it needs to be based on hard evidence. We also need to realise that some of the things that we would like to do and that we think could work might not be sufficiently strong to make an impact. We might have to reconsider our proposals.

I appreciate that the Scottish Government have begun re-examining the issue because I think that they recognise that providing money to supermarkets was not the way forward. However, the issue is much wider and requires several different measures. The power to ban drink discounting, which the Labour group supported, is already on the statute book in Holyrood. That has still to go ahead. I therefore hope that the Scottish Government will enforce the legislation that they already have on the statute book.

Mr MacNeil: First, I observe that on the minimum price of alcohol, the SNP minority Government were supported by a range of professional opinion. However, is not the hon. Lady's point on the differences between alcohol consumption north and south of the border an argument for pricing within cultures, as opposed to uniform, blanket, one-size-fits-all pricing?

Ann McKechin: The hon. Gentleman must recognise that the cost of alcohol has increased by slightly more than inflation over the past 20 or 30 years, when, of course, the increase in incomes has been much greater. The Government's ability to control that gap is limited.

The other problem is that the total price of alcohol is, to a large extent, made up of different forms of tax. When we increase taxation to more than a certain level, we find that there is an increase in black market sales, as we found when we increased taxation on cigarettes. I do not discount the fact that price can have a bearing on consumption, but the evidence to date in Scotland presents us with a much more complex problem, much of which is about cultural and social values. They are the only things that can explain the difference in consumption north and south of the border. The regimes of alcohol selling are more or less the same, but there is increased drinking at home rather than in public houses. The problem is complex, and a range of measures must

[Ann McKechin]

be put in place to deal with it. My Labour colleagues certainly want to make changes that will make an impact, and they are prepared to have a serious debate.

Stewart Hosie: Finally on that point, and for the sake of completeness, I am sure the shadow Secretary of State would want to confirm that all 17 of Scotland's public health directors supported minimum pricing, as did the four UK chief medical officers, the British Medical Association, the royal colleges, the Association of Chief Police Officers and many others, including Tennent's, Molson Coors and Tesco. They saw minimum pricing as an important part of the solution to the problems in Scotland.

Ann McKechin: The supermarkets might well have supported minimum pricing because they would receive a good degree of financial benefit from it. However, some medical experts said that on the evidence, the price per unit would have to be a great deal higher than that proposed by the Scottish Government to have an impact. As I said, although the increase in the excise duty escalator, which the UK Labour Government introduced, has had an impact south of the border in reducing consumption, it has not had the same impact in Scotland. Price sensitivity seems to be different north and south of the border, and there are different patterns of consumption. The focus must be on cultural and social values as much as on simple economic values.

On that basis, there are considerable complexities in any such proposals. The Government's proposals would have an adverse impact on the drinks industry, which has a substantial bearing on the Scottish economy, but the argument for them has not been made.

Mr Frank Field: I rise to move new clause 8 and the consequential amendment 23, which stand in my name and the names of my hon. Friends.

Madam Deputy Speaker (Dawn Primarolo): Order. I am sorry to interrupt the right hon. Gentleman, who has waited very patiently for his opportunity to speak, but what he is doing at the moment is "speaking to" his amendments. He is not formally moving them, which would cause a few problems.

Mr Field: Whatever that means, I shall try to move on, Madam Deputy Speaker. I am grateful for that.

I wish to speak to new clause 8 and amendment 23, but I sense that I am interfering in a family row between different factions. As clearly as possible, I want to put the English case, which seems to be lacking in the debate.

This is the first time I have wanted to join in a debate on Scottish matters in the House. That is my fault, though, and I assure my hon. Friends that I will not let it happen again—I now wish to pursue Scottish matters whenever they arise. I have been struck today, listening to a Scottish debate for the first time, by how many of us—myself included, perhaps—failed to think through what devolution meant, and now we have almost hit an invisible brick wall past which we cannot get our arguments.

It seemed to me from observing the recent Scottish elections—obviously my sympathies lay with the party I have the honour to represent in Parliament—even from the language used by English politicians contributing to the Scottish debate that we had not thought through what the limited measure of devolution would mean. We got a pretty good hiding for our trouble on that score. I plead with the Labour Front-Bench team—this is meant as an encouragement, because I know that, as part of our policy review, they are thinking through what should necessarily follow from a defeat on the scale of the one we suffered at the last general election—not to go into the next general election without seriously thinking about the consequences of devolution, not just for Scotland but for the other parts of the United Kingdom, particularly England, where my seat is situated.

I have also been struck by the fact that although people try to mystify us by using various formulas and by saying, "What was given with one hand is taken by another", I cannot answer, in the light of this debate and the work I have done, the charge put to me by a constituent of mine during the half-term break, when I visited the Scottish Parliament, which is a magnificent building—the extraordinary scale of the domestic architecture was incredibly grand. A constituent of mine greeted me as I went in and asked, "Why is it, Frank, that if I lived in Scotland, I would have free medicines, free long-term care and my children would go to university without paying the fees they pay in England?" Despite all the talk about grants and how we might review them, there is no reply yet to our English constituents on those points. If the explanation is not an unfair distribution of Exchequer grants, I want to know what we have in England that Scotland does not have that might pay for those extraordinary benefits.

Mr MacNeil: The right hon. Gentleman is making an interesting speech and has raised a fascinating point put to him by a constituent of his whom he met in the Scottish Parliament. The only immediate answer I can find to the question he has put to the House about the difference between politics north and south of the border is the existence of the SNP and what it contributes to politics in Scotland.

Mr Field: I said, Madam Deputy Speaker, that I was anxious to speak briefly so that other people might be able to contribute—after waiting many hours—so I will not go down that route. However, the hon. Gentleman knows that his is not the answer.

Mr Russell Brown: I want to put the record straight for my right hon. Friend and his constituents. He talks about free prescriptions in Scotland, which we now have, but I hasten to remind him that there was a period of two to three years when people south of the border with cancer-related problems got their medication free, while people in Scotland were paying for their prescriptions. This is about priorities. The Labour Government rightly made that decision, and it was just a shame that the Scottish Government did not follow suit at the time.

Mr Field: Much as I admire my hon. Friend, I obviously should not have given way, because he is distracting me from the argument that I wish to make, which is a simple one. I am not convinced of the basis for those

differences, and neither are many of my constituents. I have affection for the way our different nations have been grouped into the United Kingdom, but I am anxious, because unless we start to face these questions and answer them soon a general sourness will enter into English politics, and we will not be able to judge where that sourness will lead us.

9.15 pm

In particular, I fear for the electoral standing of my party if it continues to feel, as many do now, that the Scottish Labour party tail wags the English Labour party dog. We stand in danger of being marked indelibly as a party in England that is not prepared to protect or to promote the English question. My new clause 8, which I know others wish to support, makes a plea: that we should move as quickly as we can to a position from which those on the Treasury Bench can spell out what the basis of the allocation of the main grants between the constituent parts of the United Kingdom should be, and, if there are differences, how we can defend them to our constituents on the basis of fairness—something that they feel in their guts—which is not possible at present. If we cannot do that, we should not envisage shortly—because these Parliaments move amazingly quickly towards their close—going into a referendum debate in Scotland about independence, or not until we have spelt out those differences and the logical basis for them, and can defend them to our English constituents.

Pete Wishart: The right hon. Gentleman is making a thoughtful speech and a fine contribution, but I am sure that when he talks to his constituents he will want to ensure that they have the correct facts about this argument. Will he at least acknowledge that there is a debate about relative spending between the rest of the United Kingdom and Scotland? Oxford Economics, for example, found that when unidentified spending is factored in, London and Northern Ireland receive more money than Scotland. Will he at least accept that there is an argument?

Mr Field: I might accept that there is an argument; my plea is that the information should be set out clearly for us, so that we can understand if there are differences and, if there are, establish a basis on which they can be defended. If I manage to conclude fairly quickly, I know that there are Members on the Government Benches who have written and spoken about the need for us to move expeditiously to a needs-based formula, although we all understand that if we did that the period in which we phased in the new formula would be crucial. I am not in favour of doing things that rough people up unnecessarily; timing is important.

Mr Davidson: Like the hon. Member for Na h-Eileanan an Iar (Mr MacNeil), who spoke earlier, I think that these are important points. May I suggest to my right hon. Friend that there are two different aspects that he ought to be picking up? One concerns the allocation of money—to some extent I tried to address that when speaking to the hon. Member for Milton Keynes South (Iain Stewart), because there are divisions in England as well—but the second is the choices made by different jurisdictions. The devolved Parliament in Scotland has clearly made decisions that are different and better than some of the things done in England. However, when it comes to waiting lists, services and education, it is also true that some things in England are better than in Scotland. Does my right hon. Friend, like me, welcome the fact that the Select Committee on Scottish Affairs and the National Audit Office are undertaking an evaluation of

"the progress made in various policy areas, comparing devolved Scotland to other jurisdictions"?

Mr Field: The answer to that, briefly, is yes.

Reference has been made to the incredibly interesting debate held in the other place last week. I was struck not only by the unanimity on the view that the status quo cannot hold but by the fact that the Minister replying to the debate found it terribly difficult to marshal a case against all those contributions.

Mr MacNeil: The right hon. Gentleman has mentioned a sourness creeping into politics, which everyone wants to avoid for a number of reasons. The hon. Member for Glasgow South West (Mr Davidson) has just mentioned comparisons across the jurisdictions, and I hope that that would include jurisdictions outwith the UK. Might the right hon. Gentleman find a solution to his problem in full fiscal autonomy, with spending fully correlated to the ability to raise money? After all, I am sure that his constituents do not want to talk to him about the spending in the Isle of Man, Ireland, Norway or Denmark. They feel a grievance because they perceive an over-closeness in the relationship with Scotland, and that relationship would become healthier with a little more distance.

Mr Field: I shall answer that intervention and finish on that very point. We do not have the information that we require to argue these points, and the sourness could ensue when the Scottish Government hold their referendum on independence. I believe that a large force in this House will insist on other parts of the United Kingdom having a say in that referendum. Given the sourness that will result if we continue the debate in the way we have tonight and certainly before now, the irony would be that the SNP could well fail to carry the Scottish electorate with it on independence, while the English electorate would vote for it.

Mr Reid: The Bill and the Government's new clauses will bring about a substantial increase in the taxation and borrowing powers available to the Scottish Parliament, taking the Scottish Parliament and the process of devolution substantial steps further forward. Since the Scottish Parliament was established in 1999, it has been held back by the fact that it has had very few tax-varying powers and that its role has been largely to spend money rather than to raise it. By giving it these extra powers, we will increase its democratic accountability.

Mr MacNeil: Surely there is more to it than that. I often hear politicians and certain sectors of the media talking about democratic accountability, but is not the bigger issue the need to ensure that we have Governments, in whatever country, who are capable of influencing the economy so that it can grow? More important than politicians being accountable are people having jobs and the economy growing, so that we can live in a more prosperous society.

Mr Reid: Yes, that is certainly very important, and the Scottish Government already have economic development powers. Giving them these tax-varying powers will allow them to choose to use the proceeds of taxation for economic development.

Mr MacNeil: Is not that argument similar to a golfer being told, "Of course you can go and play a round of golf, but you're only getting a putter to play with"?

Mr Reid: The Scottish Parliament already has more than a putter, and the Bill will give it a lot more clubs in its bag.

I support the Government's new clauses. I listened to the hon. Member for Dundee East (Stewart Hosie), who appears to have left us, and I conclude that he has not made a case for his amendments. I want to compare the SNP's approach to that of the other parties in Scotland. The other parties all worked together within the Calman commission and, through deliberation and working towards consensus, came up with a package of measures to give more powers to the Scottish Parliament. The Government are implementing those measures through the Bill. The SNP, however, refused to take part in that process. It has come along tonight with amendments that have no back-up papers, and it cannot make a case to back them up.

When I questioned the hon. Member for Dundee East, I understood his case to be that if corporation tax is cut, more revenue will come in. As I pointed out in my intervention, however, assuming his case to be correct, if one part of the UK were to cut corporation tax, the other parts would be forced to follow suit and there would simply be a race to the bottom, in which businesses would not be paying their fair share of taxes. That would mean either personal taxes going up or services being cut.

Equally, the hon. Member for Dundee East did not convince me on alcohol duties. All the practical problems were put to him and he was not able to answer them. I understand that he thinks the Scottish Government should increase alcohol duties, but if such duties were lower in England, people who lived near the border would simply travel across it to buy alcohol. No doubt when they were in the supermarkets there, they would buy other things as well, which would be a loss to the Scottish economy.

Mike Crockart (Edinburgh West) (LD): My hon. Friend makes a fine case, but it is not just the people living close to the border who would do that. A large black market would undoubtedly be created in exactly this type of goods and it would grow across Scotland and contribute to the difficulties that we have already mentioned about the country's dependence on alcohol.

Mr Reid: My hon. Friend is correct. There would be an incentive for a white van man to drive south, fill up his white van, come up to Scotland and sell the alcohol at a profit. When I intervened on the hon. Member for Dundee East, we heard a sedentary intervention from the hon. Member for Angus (Mr Weir) to the effect that Argyll was not close to the border. However, I would point out to him that for a whole variety of reasons people from Argyll regularly visit England and, if they could buy alcohol cheaper there, there would be an incentive for them to fill up their car with it. That would mean a further loss of income to the Scottish economy.

Mr Weir: The hon. Gentleman is making a case, but for many years people have been going on holiday to other jurisdictions and bringing back alcohol with them; there is nothing unusual in that. The suggestion that all of a sudden there is going to be a massive influx seems to me ridiculous, especially given the cost of fuel in Argyll.

Mr Reid: But they would also fill up their cars with fuel when they were outside Argyll. The hon. Gentleman makes a point. We have heard about booze cruises to Calais, but despite the high price of fuel, it is cheaper for someone in Scotland to drive to England than to go to France. Britain has a certain degree of flexibility over its excise duties because it is surrounded by water. The one land border we have is between Northern Ireland and the Irish Republic and we have all heard the allegations of fuel smuggling. That shows it is more difficult for a country to set its own excise duties where there is a land border than it is when there is only a sea border. With a land border, setting a separate rate of alcohol duties would be difficult.

The hon. Member for Paisley and Renfrewshire North (Jim Sheridan) mentioned that people working regularly in England would be able to take alcohol back to Scotland on the train. That led me to think about what would happen on the train itself—I can imagine the announcement on the tannoy as the train leaves Carlisle: "Get your drink now because in five minutes the price goes up"!

To summarise, the SNP did not make the case for their amendments. Through their new clauses, the Government are giving substantial extra powers to the Scottish Parliament, so I will support the Government tonight.

9.30 pm

Mr Davidson: I would like to speak to the amendments but also to refer to some sections of the Scottish Affairs Committee report. Like other hon. Members, I have attended many of these debates and I recognise that this is not the end of the process. We are just mid-way through it.

My first point follows on from my intervention on the Minister about making more information available. It is essential that we try to raise the tone in these debates rather than lower it. Our debates should be based on argument and figures rather than on the yah-boo politics that we see too often in the Chamber between Scottish Members on these issues.

Some Members may remember the "magic bullet" theory. Professors Hughes Hallett and Scott—all three of them—*[Laughter]*—suggested that simply devolving financial powers to Scotland would result in an automatic boost. That was seen as a panacea and a deal-breaker. Only after a substantial amount of debate did they reach a conclusion. The Select Committee report states:

"when questioned on the relationship between the devolution of fiscal powers and economic growth, Professor Hughes Hallett said that: 'the empirical evidence is inconclusive on the question of whether it does or doesn't lead to an increase in the growth rate

systematically. Some studies say yes, and some studies say no'... Professor Scott stated clearly, however, that 'the actual act of giving power does not in itself create a bonus'."

The exchanges that resulted in that conclusion advanced the debate considerably, and I think that many other matters that we have discussed, such as corporation tax and excise tax, ought to be dealt with in the same degree of detail.

When our Committee produced its report, we said that we were conscious that the misuse of figures resulted in a sense of manufactured grievance which suited some participants in the debate. The way in which to defeat manufactured grievances is to produce accurate figures, and I think that the Government have been slow in producing the full details and slow in producing the facts.

One of the main issues identified by the Committee, which is relevant to some of the new clauses and amendments, is the key principle of transparency. Another is evolution. We need to recognise that the Scotland Bill, and the relationship between Scotland and the rest of the United Kingdom, will constantly evolve. Most people in Scotland believe that an obsession with constitutional detail has diverted attention from real issues on which there is not nearly as much division as many suggest. On a number of issues there is substantial common ground between the nationalists, Labour and the Liberals—the Tories, of course, are beyond the pale—but that is often masked by the obsession with small difference.

At the last moment, points about such matters as excise duty have been produced like rabbits out of a hat. There may not be much division between us in terms of the objectives that we wish to achieve, but there may be much more when it comes to method, and more still when it comes to the interpretation of what are only partial statistics. The Committee stated:

"Progress should not be measured solely by the extent by which powers are sucked into Edinburgh and we will wish to look at how reserved responsibilities can be exercised closer to the people they serve."

All bar one of its members agreed with the point that I made earlier about Edinburgh being a black hole into which powers are sucked. All who were not nationalists shared that perspective and that of the report. The issue of whether we are philosophically committed to devolution involves decentralisation beyond Edinburgh. Edinburgh is not an end in itself, except for people who happen to live there. The vast majority of people in Scotland want powers to be transferred closer to them, which does not necessarily involve Edinburgh. As people in many parts of Scotland will recognise—

Mark Lazarowicz: Will my hon. Friend give way?

Mr Davidson: Will my hon. Friend allow me to finish my point, for the avoidance of doubt? Edinburgh as a centre of government is as distant from many people in Scotland as is Westminster—or, indeed, Brussels—as a centre of government. Having said that, I shall happily give way to an Edinburgh Member.

Mark Lazarowicz: I am grateful to my hon. Friend for giving way, and I am glad that he made it clear that when he speaks of "Edinburgh" he actually means the Scottish Government and Parliament based in Edinburgh. Perhaps he should use that longer form in future, rather than give the impression that Edinburgh is benefiting from some largesse from the Scottish Government and Parliament, because we certainly are not.

Mr Davidson: If my hon. Friend is saying that the sucking of powers into Edinburgh has not benefited Edinburgh, things are even worse than I thought, and I will certainly take that into account in future.

The Committee dealt in detail with corporation tax, and we also welcomed the Scottish Parliament Committee's points on the subject. Professor Muscatelli summarised the main reason why, on balance, we came down against the devolution of corporation tax, saying:

"tax competition was the main reason why our group recommended that corporation tax should not be devolved."

He made the point that it was very likely that a reduction in corporation tax in one UK jurisdiction would result in the cannibalisation of tax from other parts of the UK.

Dr Whiteford: The hon. Gentleman and I sat through some very long evidence sessions with any number of erudite professors of economics, none of whom seemed to agree with each other, but who nevertheless managed to find agreement on some pretty simple principles in respect of corporation tax, one of which was that if we lower it too far we will harm revenue, and if we raise it too high we will harm growth. Those very learned people disagreed because there are so many contingencies and uncertainties at any given point in time, and because the interlinking of the economies of various parts of not just the UK, but the European Union and beyond nowadays, makes it very difficult to pin matters down with any certainty, and therefore they become highly theoretical. Does the hon. Gentleman agree that—

Mr Speaker: Order. That is a very long intervention, but I feel sure that the hon. Lady is nearing her final sentence.

Dr Whiteford: Does the hon. Gentleman agree that the way to secure the Scottish economy is to create jobs?

Mr Davidson: Well, that is a hard one, isn't it! Yes, clearly the way to improve the Scottish economy is to create jobs, and as far as I am aware not even the Conservatives are against that. The arguments to which the hon. Lady refers were so complex that it seemed at some points that even Hughes and Hallett were disagreeing. *[Laughter.]*

We did reach conclusions, however. I think everyone agreed that there were risks in devolving corporation tax, and, as we said,

"not least in that this could lead to competition which could result in the 'cannibalisation' of the UK's tax base."

There was a political difference there, because we went on to say:

"We recognise that this is not necessarily a concern for those who wish to consider the financial position of Scotland in isolation."

I understand why a nationalist would not be concerned about the cannibalisation of UK taxes if there were a minor gain to Scotland, but for those of us who take a wider perspective across the whole of the UK, that is a valid point to take into account.

[Mr Davidson]

It is generally agreed that a reduction in corporation tax in Scotland would result in some drawing in of business from the rest of the UK; I have heard no serious opinion suggesting anything else. If we accept that, we can do no other than recognise that that is not likely to improve relations between the jurisdictions, and as we would hope that in the event of an independent, or further devolved, Scotland there would be an ongoing relationship, beggar-my-neighbour politics on corporation tax is not helpful. The risk of driving that divide between England and Scotland by achieving a marginal gain in corporation tax revenue in the short term is not worth the candle.

Mike Freer: I am grateful to the hon. Gentleman for giving way and I pay tribute to his chairmanship of the Scottish Affairs Committee. Does he also recall the evidence we got from the editor and the business editor of *The Scotsman*? The issue was not the cannibalisation of corporation tax but the fact that the business community did not trust the SNP not to drive business out of Scotland with a high tax policy.

Mr Davidson: That is true, but that is a slightly different point. The business community was absolutely clear that it was worried not only about uncertainty but that the SNP might end up having an anti-business or a business-unfriendly regime. For the purposes of this debate, however, I was not going to go down that particular route at the moment. It is fair to say that nobody who was raising arguments in favour of the devolution of corporation tax was suggesting that it should be raised, but there was an assumption that devolution was in order to reduce it. It was noticeable that even with the points that were made in the Committee and subsequently we have not heard an argument about how the initial gap between the moneys that were previously received from the UK Treasury and the reduced amount would be made up. Even if in the longer term corporation tax was going to result in a growth in business taxation, which I doubt, there would undoubtedly be a short-term shortfall, and we have not heard any solution as to how that would be bridged.

I have great reservations about committing, in the current economic difficulties and a time of recession, to a set of policies that give more money to the private sector and rich people and that cut services for ordinary people who depend on those public services. That is the choice we are being asked to make. If we are all in this together, as has been suggested, how reasonable is it at a time when Scotland has economic difficulties and faces cuts in its budget, to suggest that the budget should be cut further to give a gratuitous tax break to business? That has to be further explored.

As I said earlier, I do not think this is the end of the matter—it will run and run. That is why the Government have to make available as quickly as possible as much information as they can. I suspect that the Scottish Government produced their figures some time ago and sent them down and that they have either been misfiled in the Scotland Office or lost in the post. I simply find it impossible to believe that after all the huffing and puffing that was done, those figures have not been calculated and sent down here, and I urge the Minister to search at the very bottom of his filing tray just in case poor staff work has misfiled those important documents. We have to make sure that this issue is resolved as quickly as possible.

The point on which the shadow Scottish Secretary was howled down was a very fair one. The interventions from the nationalists managed to distract her from making the important point that in 1988—it is true that was some time ago—Alex Salmond, who was then an SNP MP, was suspended from the House of Commons for attacking the Tory Government's reduction in corporation tax, calling the proposals an "obscenity". He might have been right then, but the policies he is adopting now seem slightly different, whereas, if anything, the economic situation is the same. I remember seeing that particular pantomime and, if I remember correctly, Mr Salmond decided to have his intervention because he believed that at a time of economic difficulty cutting taxes for business and for those who had most, for the wealthiest, was an inappropriate use of resources. Exactly the same economic situation pertains now and I think we need an explanation as to why what was an obscenity then is not an obscenity now. I recognise that times move on, cultures change and people develop, so if it was a youthful indiscretion, all well and good. If he tells us that, we may forgive and we may forget, but I very much doubt it. It would be helpful to the debate if that was clarified.

9.45 pm

My second major point is on excise duty. It is interesting that, along with others of the six measures, that one appeared at almost the last moment, like a rabbit from a hat. Some of the measures have been dealt with before, but the excise duty proposal has never been put to the House as something that should be included in the Bill. It looks rather like a development of the girn a day strategy—a grievance a day may break up the Union and if it is not one it will be another.

I am at variance with some of the thrust of my party's policy on these measures. Alcohol prices ought to be increased. I am in favour of taking measures that reduce alcohol consumption, and I am willing to look objectively at evidence. If there are fruitful grounds for development, notwithstanding the difficulties, we should look at such measures on a UK basis. I recognise the difficulties in increasing excise taxes and duties in a single jurisdiction—the arguments about cross-border traffic and where the bonded warehouse would be. To be fair, I do not think that the SNP is in favour of customs posts at Berwick, Gretna and elsewhere, and allowing people to bring in only a certain amount of duty-paid English alcohol. I do not think SNP Members are suggesting that, but there is a real danger that their policy, adopted with the best of intentions, would be undermined by the white van trade.

When cigarettes were smuggled, it was not simply that people brought in cigarettes bought in jurisdictions with low tax regimes; fake cigarettes were smuggled in also. They were not manufactured to the same standards and were actually poisonous, yet they were sold under the counter as reduced-tax cigarettes. People thought they were getting a bonus by buying cheap cigarettes, and the implication was that they were a proper product, but in fact often they were not. The cigarettes were produced in China or elsewhere and although they

looked like a good deal they were rubbish and people's health was endangered. There is a real danger that we could be allowing an illicit trade, with smuggled rot-gut Scotch and other liquors marketed under false labels. Differential taxation regimes could take us down that road.

This debate is likely to continue. There has been grave difficulty in Scotland about priorities and powers. The current squeeze on public expenditure means that, as my right hon. Friend the Member for Birkenhead (Mr Field) said, we need to examine spending in different jurisdictions and the choices that are made. We could considerably enhance politics in Scotland by much more meaningful debate about choices. The differences between political parties have been blurred on a number of issues. We are spending ever-growing sums, but there is very little political debate about the choices to be made. We might debate the order in which additional money is spent, but we never debate who should lose as the result of someone else's gain.

The question about different choices was one of the reasons why I signed up to the concept of devolution right from the beginning. If we want to move away from the grievance and dependency culture that so scars Scottish politics, we have to get back, to some extent, to the politics of class, and to the politics of real division—where choices are being made. It seems to me that the Bill and the rejection of all the nationalist amendments is a step towards that conclusion.

David Mowat: I want to make a few points about the excellent speech made by the right hon. Member for Birkenhead (Mr Field) on new clause 8, but before I do so I shall nail a couple of red herrings.

People have talked about priorities. It is absolutely right that the Scottish Government have the ability to set free prescriptions if that is their priority. It is absolutely right that there can be free tuition and almost free social care. Those priorities should be set in Scotland and it is the Scottish Government's right to do that. The difficulty arises if they have a different baseline of spending. Nothing I have heard this evening convinces me or my constituents that there is no problem in that regard.

In the course of their remarks a number of Members said that we need more facts on these matters. Who can argue with that? Everyone is in favour of facts. In my previous career, however, when I heard people call for facts, it was often a delaying mechanism. There have been many reviews of the block grant formula over the past two or three years, most recently a superb piece of work by the House of Lords Select Committee in 2008, whose recommendation was unequivocal; similarly, Holtham. The Calman commission made the point that it was not a proxy for need. Most persuasively, Lord Barnett is clear that the formula was never intended to be used as it has been over the past 30 years. He, I believe, will table an amendment to that effect when the Bill goes forward.

I am not making the case for Scotland or Northern Ireland having less money or Wales having more. I am making case for the consideration to be based on need, and I will go wherever that takes us. "Based on need" means that we take into account relative population changes. One of the problems with Barnett is that over the past 30 years it has not properly reflected the fact that in both Wales and England population has increased more rapidly than in Scotland. Similarly, a needs-based formula would look at indices such as how many old people there are in a community, how many very young and how many disabled, as well as unemployment levels and indices of poverty. It is not rocket science. I do not mind what the answer is, but I will answer the question: what is likely to be the result of a needs-based formula?

The most coherent piece of work that has been done on this, notwithstanding the book by my hon. Friend the Member for Milton Keynes South (Iain Stewart), was by Professor David Bell of Stirling university. In evidence to the House of Lords Select Committee, his estimate was that the current allocation that Scotland receives is roughly 120% of that which is due in England and it should be closer to 105% or 107%. A difference of that order implies a yearly difference of £4.5 billion or, over the lifetime of this Parliament, a difference of £22 billion. I do not know if that is right, but Professor David Bell did a lot of work on that, as did the Holtham committee and others in respect of the House of Lords Select Committee.

The question might arise why we need to fix the problem now. There are a number of reasons—not just the fact that the Bill would be a convenient place to do it, although that is true, and not just because of the resentment that is felt in England and Wales. The right hon. Member for Birkenhead used an important word—"sourness", which debases all of us and it is not the right answer to those of us who are Unionists. If we are not careful, we will be building up a bank of sympathy for devolution or separation in England.

The Bill for the first time equates Scottish levels of income tax to the level of the grant. I am concerned that unless we make the necessary reform to the block grant, it will become almost impossible to do in future. If the figure of £4.5 billion put forward by Professor Bell of Stirling university were correct, that would imply that Scottish basic rate of income tax would have to rise by about 11p in the pound to make up for that shortfall. But that is not the reason that we need to act; there is a moral reason.

I meet my constituents, have seminars and talk about the fact that we have lost Building Schools for the Future money in Warrington. We have lost the education maintenance allowance in Warrington and England. We could pay for an awful lot of things with some of the £4.5 billion. Of course, as many have said, there would have to be transitional arrangements, but that is not a reason for not starting. I think that it would be over 10 years or more.

I am genuinely mystified by the stance of Government Front Benchers on the matter. I have read carefully the replies that Ministers have given when asked about this, and they seem to come back to two basic points. The first, which is often made, is that the formula is expedient. It is true that it is easy to do—my understanding is that the whole thing is done by one guy in the Treasury—but that does not seem a great reason to continue with it. The second is that we are too busy fixing the deficit to make the change and that it must wait. As I said in an intervention, I am prepared to accept that reason, but my understanding is that we are on target to fix the structural deficit by 2015, which is before most of the Bill's financial provisions will take effect, so I see no reason why we do not start to set up the commission

[David Mowat]

that would have to look at a needs-based formula for Wales, England and Scotland. The formula must be fair, transparent and moral.

One final point I wish to make is that I do not support the amendment in so far as it puts a limit of plus or minus 5% on the amount, which I think is wrong. The point is that it should be needs-based. I would be quite happy if a consequence of the needs-based analysis was that Scotland ended up, as I think it would, with more than 105%. I do not support the amendment for the technical reason I have explained, but its basic thrust is right and it is very important that the House addresses this.

Mark Lazarowicz: I want to make a few points on the question of whether corporation tax should be devolved to the Scottish Parliament, as the SNP proposes. Given the time, I will make my comments as briefly as possible.

There is a respectable intellectual argument that cutting business taxes has a beneficial effect on some businesses and encouraging growth, but we cannot assume that that will automatically be the case. What is important is the effect that a cut in corporation tax would inevitably have on tax revenues. SNP Members were asked time and again in the debate how they could cut corporation tax while protecting public spending, and time and again they did not answer. If their theories are right, businesses might grow in time, but they cannot claim that there will be immediate growth that will make up for a loss in corporation tax. That is not because there is a lack of entrepreneurial spirit among the Scottish people. We must accept that any taxation policy cannot just be a general theory that applies in any circumstance. We have to look at the actual situation in a particular location and at a particular time.

The fact is that the biggest beneficiaries of a reduction in corporation tax in Scotland would be the big banks and power companies, not small and medium-sized businesses. Why on earth would cutting bank taxation encourage the banks to invest more in the Scottish economy and promote jobs? There are many other ways to encourage business growth in Scotland, and at the moment the Scottish Government have those powers. The Bill will give them more such powers, which is what should be done, rather than cutting corporation tax for beneficiaries, which we cannot assume will benefit the Scottish economy and Scottish business.

Another point is that if the Scottish Government were to go ahead with a corporation tax reduction, as they suggest, how can we assume that there would be no response from the UK Government? If the Scottish Government's policies were to lead to a substantial transfer of businesses from England to Scotland, there would of course be a response at UK level, and at the end of the day that would lead to an overall driving down of the UK Government's tax base. That in turn would inevitably lead to cuts in public services and public spending, and the SNP has to recognise that if it is to address the issue seriously.

I am not opposed to looking again at taxation and to considering all options, but I do not want us to go ahead with proposals that could have consequences that we cannot reverse. If the SNP is to pursue that line, it has to give us more information about the consequences of its policies. If it does not do so, it will be rightly criticised for coming forward with ideas that are all talk and no reality.

10 pm

Debate interrupted (Programme Order, this day).

The Speaker put forthwith the Question already proposed from the Chair (Standing Order No. 83E), That the clause be read a Second time.

Question agreed to.

New clause 5 accordingly read a Second time, and added to the Bill.

The Speaker then put forthwith the Questions necessary for the disposal of the business to be concluded at that time (Standing Order No. 83E).

New Clause 6

EXERCISE OF FUNCTIONS RELATING TO SEIRBHEIS NAM MEADHANAN GÀIDHLIG

'(1) The Broadcasting Act 1990 is amended as follows.

(2) In section 183 (financing of programmes in Gaelic out of Gaelic Television Fund) for subsection (1) substitute—

"(1) The Scottish Ministers must, for each financial year, pay to OFCOM such amount as they may determine to be appropriate for the purposes of this section."

(3) Omit subsection (8) of that section.

(4) Section 183A (membership of the Gaelic Media Service) is amended as follows.

(5) In subsection (4) after "the Secretary of State" insert "and the Scottish Ministers".

(6) In subsection (6)(b) after "the Secretary of State" insert "with the agreement of the Scottish Ministers".

(7) In Schedule 19 (Gaelic Media Service: supplementary provisions), paragraph 12 (annual reports) is amended as follows.

(8) In sub-paragraph (3) for the words from "the Secretary of State" to the end substitute—

(a) the Secretary of State, who must lay copies of it before each House of Parliament, and

(b) the Scottish Ministers, who must lay a copy of it before the Scottish Parliament."

(9) Sub-paragraph (4) is omitted.

(10) In the Scotland Act 1998 (Transfer of Functions to the Scottish Ministers etc.) Order 1999 (S.I. 1999/1750)—

(a) in Schedule 1 (functions transferred to the Scottish Ministers), omit the entry relating to section 183 of the Broadcasting Act 1990;

(b) in Schedule 2 (functions made exercisable concurrently), omit the reference to paragraph 12(3) of Schedule 19 to that Act;

(c) in Schedule 5 (modification of enactments), omit paragraph 10(4).'.—*(Mr Gauke.)*

Brought up, and added to the Bill.

New Clause 12

EXERCISE OF POWER TO MAKE ORDER DISQUALIFYING PERSONS FROM MEMBERSHIP OF THE PARLIAMENT

'(1) The 1998 Act is amended as follows.

(2) In section 112 (subordinate legislation: general), after subsection (5) insert—

"(6) Section 27 of the Interpretation and Legislative Reform (Scotland) Act 2010 (asp 10) (functions exercisable by Scottish statutory instrument) applies to the function of making an Order in Council under section 15(1) or (2)."

(3) In section 92 (Queen's Printer for Scotland), after subsection (4) insert—

"(4A) For the purposes of subsection (4)(c), the function of Her Majesty of making an Order in Council under section 15(1) or (2) (power to specify persons disqualified from membership of the Parliament) is to be regarded as being exercisable within devolved competence."

(4) In section 104 (power to make provision consequential on legislation of, or scrutinised by, the Parliament), after subsection (2) insert—

"(3) For the purposes of subsection (2)(c), the function of Her Majesty of making an Order in Council under section 15(1) or (2) (power to specify persons disqualified from membership of the Parliament) is to be regarded as being exercisable within devolved competence."

(5) In Schedule 4 (enactments etc protected from modification), in paragraph 11 (general exceptions: subordinate legislation), after sub-paragraph (3) insert—

"(4) For the purposes of sub-paragraph (3)(c), the function of Her Majesty of making an Order in Council under section 15(1) or (2) (power to specify persons disqualified from membership of the Parliament) is to be regarded as being exercisable within devolved competence."'.—*(Mr Gauke.)*

Brought up, and added to the Bill.

New Clause 13

THE LORD ADVOCATE: CONVENTION RIGHTS AND COMMUNITY LAW

'(1) The 1998 Act is amended as follows.

(2) In section 57(3) (Community law and Convention rights: excepted acts of the Lord Advocate), omit the words after paragraph (b).

(3) After section 98 insert—

"98A The Lord Advocate and Convention rights etc: criminal appeals

(1) This section applies to an act or failure to act of the Lord Advocate—

(a) in prosecuting any offence, or

(b) in the capacity of head of the system of criminal prosecution in Scotland.

(2) In this section "compatibility" means the compatibility of such an act or failure to act with any of the Convention rights or with Community law.

(3) For the purpose of determining any question relating to compatibility, an appeal shall lie to the Supreme Court against a determination by a court of two or more judges of the High Court of Justiciary.

(4) An appeal under this section lies from such a court only with the permission of that court or, failing such permission, with permission of the Supreme Court.

(5) Where the High Court's determination was on an appeal under section 106 of the Criminal Procedure (Scotland) Act 1995 (appeal from solemn proceedings), subsections (3) to (3D) of that section apply in accordance with subsections (7) and (8) below.

(6) Where the High Court's determination was on an appeal under subsection (2) of section 175 of that Act (appeal from summary proceedings), subsections (5) to (5D) of that section apply in accordance with subsection (7) and (8) below.

(7) The subsections of the 1995 Act referred to in subsections (5) and (6) above (appeal to be on grounds of miscarriage of justice) apply to the Supreme Court in relation to an appeal under this section as they apply to the High Court in relation to any appeal.

(8) But an alleged miscarriage of justice may not be brought under review of the Supreme Court by virtue of subsection (7) except for the purpose of determining a question relating to compatibility.

(9) In relation to an appeal under this section, the Supreme Court has all the powers of the court below and may (in consequence of determining a question relating to compatibility)—

(a) affirm, set aside or vary any order or judgment made or given by that court;

(b) remit any issue for determination by that court;

(c) order a new trial or hearing."

(4) In paragraph 1 of Schedule 6 (devolution issues), after sub-paragraph (f) insert—

"But a question whether an act or failure to act is, or would be, incompatible with any of the Convention rights or with Community law is not a devolution issue if it is an act or failure to act of the Lord Advocate in prosecuting any offence or in the capacity of head of the systems of criminal prosecution and investigation of deaths in Scotland."

(5) The Criminal Procedure (Scotland) Act 1995 is amended as follows.

(6) In sections 112(6), 121(5)(a), 121A(5), 122(4) and (5) and 177(8), for "paragraph 13(a) of Schedule 6 to the Scotland Act 1998" substitute "section 98A of the Scotland Act 1998 or paragraph 13(a) of Schedule 6 to that Act".

(7) In section 124(2)—

(a) for "and paragraph 13(a) of Schedule 6 to the Scotland Act 1998" substitute ", section 98A of the Scotland Act 1998 and paragraph 13(a) of Schedule 6 to that Act";

(b) after "appeal under" insert "section 98A of that Act or".

(8) In section 288A—

(a) in subsection (1) omit "in pursuance of paragraph 6 of Schedule 6 to the Scotland Act 1998 (devolution issues)";

(b) for subsection (2) substitute—

"(2) Where the Advocate General for Scotland was a party in pursuance of paragraph 6 of Schedule 6 to the Scotland Act 1998 (devolution issues), the Advocate General may refer to the High Court for their opinion any devolution issue which has arisen in the proceedings.

(2A) Whether or not subsection (2) applies, the Advocate General for Scotland may refer to the High Court for their opinion any question which has arisen in the proceedings as to whether an act or failure to act of the Lord Advocate in prosecuting in the proceedings or in the capacity of head of the system of criminal prosecution in Scotland was incompatible with any of the Convention rights or with Community law.

(2B) If a reference is made under subsection (2) or (2A) the Clerk of Justiciary shall send to the person acquitted or convicted and to any solicitor who acted for that person at the trial a copy of the reference and intimation of the date fixed by the Court for a hearing.";

(c) in subsection (6) after "(2)" insert "or (2A)".

(9) In section 288B(1)—

(a) for "paragraph 13(a) of Schedule 6 to the Scotland Act 1998" substitute "section 98A of the Scotland Act 1998 or paragraph 13(a) of Schedule 6 to that Act";

(b) omit "of a devolution issue".'.—*(Mr Gauke.)*

Brought up, and added to the Bill.

New Clause 14

POWER TO VARY RETROSPECTIVE DECISIONS ABOUT NON-LEGISLATIVE ACTS

'In section 102 of the 1998 Act (powers of courts or tribunals to vary retrospective decisions), in subsection (1) at the end add ", or

(c) any other purported exercise of a function by a member of the Scottish Government was outside devolved competence."'.—*(Mr Gauke.)*

Brought up, and added to the Bill.

New Clause 9

TAX ON PROFITS OF COMPANIES

'In Part 4A of the 1998 Act (as inserted by section 24), after Chapter 4 (inserted by section 30) insert—

"CHAPTER 5

TAX ON PROFITS OF COMPANIES

80L Tax on profits of companies

The Secretary of State shall, within one month of the coming into force of section 80B of this Act, lay in accordance with Type A procedure as set out in Schedule 7 to this Act a draft Order in Council which specifies as an additional devolved tax a tax charged on the profits of companies."'.—*(Stewart Hosie.)*

Brought up.

Question put, That the clause be added to the Bill.

The House divided: Ayes 9, Noes 382.

Division No. 302] **[10.1 pm**

AYES

Hosie, Stewart
Lucas, Caroline
MacNeil, Mr Angus Brendan
McDonnell, Dr Alasdair
Ritchie, Ms Margaret
Robertson, Angus
Weir, Mr Mike
Whiteford, Dr Eilidh
Wishart, Pete

Tellers for the Ayes:
Jonathan Edwards and Hywel Williams

NOES

Abbott, Ms Diane
Abrahams, Debbie
Adams, Nigel
Afriyie, Adam
Aldous, Peter
Alexander, rh Mr Douglas
Allen, Mr Graham
Amess, Mr David
Anderson, Mr David
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Bain, Mr William
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barker, Gregory
Baron, Mr John
Barron, rh Mr Kevin
Bebb, Guto
Begg, Dame Anne
Bellingham, Mr Henry
Benn, rh Hilary
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blomfield, Paul
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bottomley, Sir Peter
Bradley, Karen
Brady, Mr Graham
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Brown, Mr Russell
Bryant, Chris
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burns, rh Mr Simon
Burrowes, Mr David
Burstow, Paul
Burt, Alistair
Burt, Lorely
Byles, Dan
Cable, rh Vince
Cairns, Alun
Cameron, rh Mr David
Campbell, Mr Alan
Campbell, rh Sir Menzies
Carmichael, Neil
Carswell, Mr Douglas
Cash, Mr William
Chishti, Rehman
Clark, rh Greg
Clarke, rh Mr Tom
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crausby, Mr David
Creasy, Stella
Crockart, Mike
Crouch, Tracey
Cunningham, Tony
Dakin, Nic
Danczuk, Simon
Davey, Mr Edward
David, Mr Wayne
Davidson, Mr Ian
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
Davis, rh Mr David
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Docherty, Thomas
Donohoe, Mr Brian H.
Doran, Mr Frank
Dorrell, rh Mr Stephen
Dorries, Nadine
Doyle-Price, Jackie
Drax, Richard
Duddridge, James
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Featherstone, Lynne
Field, rh Mr Frank
Field, Mr Mark
Foster, rh Mr Don
Fox, rh Dr Liam
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mr Edward
Garnier, Mark
Gauke, Mr David
George, Andrew
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Gilmore, Sheila
Glen, John
Glindon, Mrs Mary
Goldsmith, Zac
Goodwill, Mr Robert
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Greatrex, Tom
Green, Damian
Greening, Justine
Grieve, rh Mr Dominic
Griffith, Nia
Griffiths, Andrew
Gummer, Ben
Halfon, Robert
Hames, Duncan
Hamilton, Mr David
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Matthew
Hands, Greg
Hanson, rh Mr David
Harper, Mr Mark
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Healey, rh John
Heath, Mr David
Hemming, John
Henderson, Gordon
Hendry, Charles
Hepburn, Mr Stephen
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Hopkins, Kris
Horwood, Martin
Howarth, rh Mr George
Howarth, Mr Gerald
Howell, John
Hughes, rh Simon
Hunter, Mark
Huppert, Dr Julian
Hurd, Mr Nick
Irranca-Davies, Huw
Jackson, Mr Stewart
James, Margot
Jamieson, Cathy
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Graham
Jones, Mr Kevan
Jones, Mr Marcus
Joyce, Eric
Kelly, Chris
Kirby, Simon
Knight, rh Mr Greg
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lammy, rh Mr David
Lancaster, Mark
Laws, rh Mr David
Lazarowicz, Mark
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Leech, Mr John
Leigh, Mr Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, Mr Ivan
Liddell-Grainger, Mr Ian
Lidington, rh Mr David
Lilley, rh Mr Peter
Lloyd, Stephen
Lloyd, Tony
Lord, Jonathan
Loughton, Tim
Luff, Peter
Lumley, Karen
Macleod, Mary
Main, Mrs Anne
Mann, John
Maynard, Paul
McCabe, Steve

McCartney, Jason
McCartney, Karl
McFadden, rh Mr Pat
McGovern, Alison
McGuire, rh Mrs Anne
McIntosh, Miss Anne
McKechin, Ann
McKinnell, Catherine
McPartland, Stephen
McVey, Esther
Mensch, Mrs Louise
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Miliband, rh David
Miller, Andrew
Miller, Maria
Mills, Nigel
Milton, Anne
Moore, rh Michael
Morgan, Nicky
Morrice, Graeme *(Livingston)*
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Mulholland, Greg
Mundell, rh David
Munt, Tessa
Murphy, rh Mr Jim
Murray, Sheryll
Murrison, Dr Andrew
Nash, Pamela
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
O'Donnell, Fiona
Offord, Mr Matthew
Ollerenshaw, Eric
Ottaway, Richard
Paice, rh Mr James
Parish, Neil
Patel, Priti
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Pound, Stephen
Prisk, Mr Mark
Pritchard, Mark
Pugh, John
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Reed, Mr Jamie
Rees-Mogg, Jacob
Reevell, Simon
Reid, Mr Alan
Reynolds, Jonathan
Robathan, rh Mr Andrew
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Rotheram, Steve
Rudd, Amber
Ruddock, rh Joan
Ruffley, Mr David
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Shannon, Jim
Shapps, rh Grant
Sharma, Alok
Sheerman, Mr Barry
Shelbrooke, Alec
Sheridan, Jim
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Skinner, Mr Dennis
Smith, rh Mr Andrew
Smith, Angela
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soames, Nicholas
Soubry, Anna
Spellar, rh Mr John
Spencer, Mr Mark
Stanley, rh Sir John
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Stride, Mel
Stuart, Mr Graham
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swire, rh Mr Hugo
Syms, Mr Robert
Tami, Mark
Tapsell, Sir Peter
Teather, Sarah
Thurso, John
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Umunna, Mr Chuka
Uppal, Paul
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Ward, Mr David
Watkinson, Angela
Watts, Mr Dave
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
Whitehead, Dr Alan
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Williams, Mr Mark
Williams, Stephen
Williamson, Gavin
Willott, Jenny
Wilson, Phil
Wilson, Mr Rob
Wollaston, Dr Sarah
Wood, Mike
Woodcock, John
Wright, David
Wright, Mr Iain
Wright, Simon
Yeo, Mr Tim
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Noes:
Norman Lamb and Stephen Crabb

Question accordingly negatived.

Clause 1

ADMINISTRATION OF ELECTIONS

Amendment made: 13, page 2, line 43, at end insert—

"(5) Before making regulations under this section the Secretary of State must consult the Scottish Ministers."'.—*(David Mundell.)*

Clause 2

COMBINATION OF POLLS AT SCOTTISH PARLIAMENTARY AND OTHER RESERVED ELECTIONS

Amendment made: 14, page 3, line 12, at end insert—

'( ) After subsection (3) insert—

(3A) But subsection (2) does not confer power on a returning officer to determine that a Scottish Parliamentary election and a local government election in Scotland are to be taken together."

( ) After subsection (5A) insert—

"(5B) Before making provision under subsection (5) in connection with the combination of polls where one of the elections is a Scottish Parliamentary election or a local government election in Scotland, the Secretary of State must consult the Scottish Ministers."'.—*(David Mundell.)*

Clause 3

SUPPLEMENTARY AND TRANSITIONAL PROVISION ABOUT ELECTIONS

Amendment made: 30, page 3, line 32, leave out 'instrument containing the'.—*(David Mundell.)*

Clause 27

INCOME TAX FOR SCOTTISH TAXPAYERS

Amendment made: 31, page 22, line 9, at end insert—

'( ) In section 989 (definitions), in the definitions of "additional rate", "basic rate" and "higher rate", after "section 6(2)" insert "or (2B)".'.—*(David Mundell.)*

Clause 32

BORROWING BY THE SCOTTISH MINISTERS

Amendments made: 15, page 25, line 8, after 'taxes', insert ', or from income tax charged by virtue of a Scottish rate resolution,'.

Amendment 32, page 25, line 16 at end insert—

'( ) After subsection (4) insert—

(5) The Secretary of State may by order made with the consent of the Treasury amend subsection (1A) so as to vary the means by which the Scottish Ministers may borrow money."'.

Amendment 33, page 25, line 42, at end insert—

'( ) In section 114(1) (powers which may be exercised by modifying the 1998 Act), after "sections" insert "66(5),"'.

Amendment 34, page 26, line 1, leave out 'place' and insert 'places'.

Amendment 35, page 26, line 1, at end insert—

"'Section 66(5)	Type E"; and'.

Clause 37

TRANSITIONAL PROVISION FOR SCOTTISH STATUTORY INSTRUMENTS

Amendment made: 36, in page 28, line 5, leave out Clause 37.—*(David Mundell.)*

Third Reading

Queen's consent signified.

10.15 pm

The Secretary of State for Scotland (Michael Moore): I beg to move, That the Bill be now read the Third time.

I am very grateful to Members who have taken part in all the different debates on the Bill, in particular those from the Opposition parties, members of the Scottish Affairs Committee and the many others who have examined the Bill closely during its passage through the House. Today, we have had important additional contributions by the hon. Member for Dundee East (Stewart Hosie), my hon. Friend the Member for Milton Keynes South (Iain Stewart) and the right hon. Member for Birkenhead (Mr Field), among others.

The Bill delivers the key coalition commitment, set out in our programme for government, to implement the proposals of what we know as the Calman commission. The commission, established in the last Scottish Parliament, had the support of a wide cross-section of society in Scotland. Its membership included representatives of the three main United Kingdom political parties, local government, experts in Scots law, business, education and the trade unions.

Under the chairmanship of Sir Kenneth Calman, the commission gathered evidence from a wide range of sources and engaged directly with people in Scotland through detailed consultations, public engagement events, oral evidence and survey evidence. The commission reported to both the Scottish Parliament and the previous UK Government. At the general election in 2010, all three main UK-wide parties had manifesto commitments to take forward the recommendations made by the commission. Those commitments are being delivered in the Bill.

As Members are aware, the Bill will introduce a new Scottish rate of income tax, and it will fully devolve responsibility for stamp duty land tax and landfill tax to the Scottish Parliament. It will provide for new tax-raising powers to be created at the request of the Scottish Parliament, and it will introduce a new capital borrowing power and extend the current borrowing powers of Scottish Ministers. When combined with the existing tax-raising powers of the Scottish Parliament, it will provide Scottish Ministers with a total of £12 billion-worth of financial powers. That is a hugely significant package, which represents the largest ever transfer of financial powers from Westminster to Scotland. It is a radical but responsible step.

The Bill is not about transferring power for power's sake; it is about creating accountability. By taking on the responsibility for raising the taxes required to fund the spending decisions that they take, the Scottish Parliament and Scottish Ministers will be more accountable and better equipped to respond to Scotland's needs within the UK.

The Bill has been the subject of detailed scrutiny on the Floor of the House and by the Scottish Affairs Committee. The debate has been animated, even lively at times, such is the strong feeling and the keen interest in it that is felt throughout the House. However, our proposals have not just been scrutinised at Westminster. After the introduction of the Bill, the Scottish Parliament established a Scotland Bill Committee to assess the measure and the supporting package set out in the Command Paper, "Strengthening Scotland's Future". The Scotland Bill Committee issued a detailed 240-page report on the measure. The Committee's first and main conclusion was that the Scottish Parliament should support the Scotland Bill. In the subsequent plenary vote, the Scottish Parliament voted overwhelmingly in favour of a legislative consent motion, agreeing to the Bill by a margin of 121 to three, with support from the Scottish Government. I am grateful to all parties for their support.

Since then, there have been elections to the Scottish Parliament, and I congratulate the Scottish National party on its victory. A new Scotland Bill Committee—meeting for the first time today—will examine the measure in the Scottish Parliament. I welcome that further scrutiny. However, given the previous Scottish Government's support for the Bill, I look forward to that support continuing. In fact, I expect that it will have been strengthened by the package of amendments that the Chancellor and I announced on 13 June.

The amendments were based on the valuable report of the Scottish Affairs Committee, and also on the report from the Scotland Bill Committee that the Scottish Parliament endorsed so strongly. The amendments that we tabled on Report were based on the evidence that we received from the two Committees. The amendments to the package will ensure that Scottish Ministers have greater flexibility to exercise their new powers effectively.

We continue to believe that the package set out in the Bill and the Command Paper, based on cross-party consensus, meets the objective of strengthening Scottish devolution within the United Kingdom.

Sir Menzies Campbell (North East Fife) (LD): May we take it that, as a result of the earlier proceedings, Government new clause 13 is now part of the Bill? If so, is that a confirmation of the fact that in any matter involving human rights, the Supreme Court is the final arbiter, notwithstanding some of the childish and petulant outbursts that we have heard north of the border in recent weeks?

Michael Moore: First, I confirm what my right hon. and learned Friend suggests. New clause 13 is now part of the Bill that will go to the House of Lords for scrutiny. Like him, I regret the tone of some of the remarks made against judges in the Supreme Court in

recent weeks. I welcome the broad support for the idea that people in all parts of the United Kingdom should enjoy the same rights under the courts.

Mr William Cash (Stone) (Con): On the application of the Human Rights Act 1998 in this context, and conceding that the Supreme Court has a special role to play, does the Secretary of State accept that some Government Members, and an increasing number of people throughout the country, feel that the Human Rights Act should be repealed, and furthermore that the whole basis on which it operates and the European convention on human rights should be reviewed?

Michael Moore: I welcome the hon. Gentleman to the proceedings on the Scotland Bill, albeit belatedly, and commend him for his ever sharp eye, looking for opportunities to raise matters European in the Chamber. Perhaps with some disappointment, we will have to agree to disagree on the fundamentals, but I point out that we are indeed considering human rights legislation in this country. I am sure that we will have a proper debate about that over many days and weeks.

Let me outline the key changes that we introduced on Report. First, we will bring forward to this financial year access to finance to allow work on projects, such as the Forth replacement crossing, to begin. We are removing the requirement for Scottish Ministers to absorb the first £125 million of tax forecasting variation within their budget. That will give Scottish Ministers more flexibility to decide how best to respond to any variations in tax receipts compared with forecasts. We will also allow Scottish Ministers to make discretionary payments into the Scottish cash reserve for the next five years, up to an overall total of £125 million. That will help manage any variation in Scottish income tax receipts, compared with forecasts in the initial phase of the new system.

As debated on Report, we have included a provision in the Bill to enable the Government to amend the way in which Scottish Ministers can borrow to include bond issuance. Without that power, further primary legislation would have been necessary to allow bonds to be issued by Scottish Ministers. Before that power is transferred, the Government will conduct a review of the costs and benefits of bond issuance over other forms of borrowing.

We have also strengthened the non-financial sections of the package to enable Scottish Ministers to approve the appointments of MG Alba board members, and to provide for reciprocal consultation between UK and Scottish Ministers when either make changes to electoral administration that impact on their respective responsibilities. We are devolving the power to make an order to disqualify persons from membership of the Scottish Parliament, and we intend to strengthen intergovernmental dialogue in areas of mutual interest in welfare.

Importantly, as my right hon. and learned Friend the Member for North East Fife (Sir Menzies Campbell) indicated, we are implementing the findings of the expert group appointed by the Advocate-General. There is a consensus that there is a problem with the role of the Lord Advocate under existing legislation. The Scotland Act 1998 did not properly recognise that the Lord Advocate fulfils two separate roles: one as chief prosecutor in Scotland, and the second as a Scottish Minister. Our amendment separates those two roles while retaining the consistent application of the protection of fundamental rights for those in Scotland, as exists for those in the rest of the United Kingdom. We believe that it strikes the correct balance.

We believe that the package of the Bill as amended and the supporting non-legislative measures provides the right balance of powers and responsibility for Scotland within the United Kingdom. Today's debate marks the end of the first stage of debate on, and scrutiny of, the Bill in the House of Commons, but it is by no means the end of the process. There will be further opportunities to consider, debate and amend the Bill in their lordships' House.

However, as hon. Members will be aware, the Scottish Government have asked for further amendments to the Bill. We have made it clear that we will listen and that we are willing to consider further amendments if they satisfy some key tests. First, any further amendments must be based on detailed proposals. We must be convinced, by evidence and detailed analysis, to support any amendments to a package that we believe provides Scotland with the right balance of responsibility and accountability. Secondly, any further amendments must demonstrate that they will deliver clear benefits to Scotland, without prejudice to the rest of the United Kingdom. Thirdly, any further amendments must generate cross-party consensus, which the measures set out in the Bill have achieved.

Mr Russell Brown: The Liberal Democrats, the Conservatives and the Labour party want this legislation, but the Secretary of State is talking about further amendments. Does he recognise that members of the public wonder why we are going ahead with the Bill, when what lies in front of us at some given point is a referendum on independence? The point has been made to me, by an admittedly small number of my constituents, that we should have parked the Bill, waited for a referendum, and resurrected it thereafter if necessary. Does he recognise that some outside this place will have concerns about further amendments?

Michael Moore: I have just set out the criteria against which we would assess any suggested further amendments. There is scope within the passage of the Bill to consider those points further.

On the hon. Gentleman's fundamental point, my argument right from the start, which I believe has had a degree of cross-party consensus, is that it is important that we empower Scottish Ministers and the Scottish Parliament with these new arrangements to enable them to get on with their jobs. The measures enhance Ministers' economic powers and the accountability of the Scottish Parliament. I do not believe that delaying those measures is in anybody's interest. We do not know what the terms of any referendum will be or what type of independence will be offered.

Mark Lazarowicz: Mine is a narrower point. Will the right hon. Gentleman give an assurance that, if amendments come forward from the Scottish Government that the UK Government accept and which go through the Lords, we will have proper time to discuss them in this House? We do not want three or four amendments

[Mark Lazarowicz]

coming here for one hour's discussion during ping-pong. Can we get a guarantee of time to discuss any amendments that come forward? *[Interruption.]*

Michael Moore: My distinguished colleagues the Leader of the House and the Deputy Leader of House were just indicating—I was going to say "muttering", but it would be inappropriate to suggest such a thing—in their typically generous fashion that adequate time would be made available should such amendments come forward. I look forward to holding them to that should it be necessary.

The Bill has been subject to detailed scrutiny in this Parliament and the Scottish Parliament. That scrutiny will, of course, continue, but I am confident that the process in the House has reinforced the central purpose of the Bill: to strengthen the Scottish Parliament so that it serves the Scottish people better. I commend it to the House.

10.30 pm

Ann McKechin: As we made clear on Second Reading and in Committee, Labour welcomes the Scotland Bill because we believe that it will enhance the devolution settlement. As the Secretary of State mentioned, the Bill was the consequence of a lengthy, evidence-based, serious consultative process that sought cross-party consensus from the very beginning. It reflects many of the recommendations made by the Calman commission, which was established by the then Labour Government following the direct call from the Scottish Parliament for such a group to be set up. Important issues of constitutional change should not be marked by megaphone diplomacy and a never-ending series of demands. Constitutional change must always be based on hard evidence, consensus and consultation, and it should be clearly shown how it will improve the devolution settlement. It is not, for us, a marker on the route to separation.

Labour's position is that it is not in Scotland's best interests for the Scottish Government to play constitutional games and demand powers. It is time to start using those they already have, and to knuckle down to the hard task of getting the Scottish economy back on track, lowering record unemployment and generally making Scotland better. Although it is all too easy in the political game to focus on process rather than on policy, the important parts of the Bill are, first, to improve legitimacy and accountability to the Scottish electorate, and, secondly, to use these powers, along with the extensive range of powers granted in the Scotland Act 1998, for Scotland's benefit.

I would like to spend a little time discussing the Supreme Court new clauses, which unfortunately we did not have time to discuss this evening, and which were not available in Committee. We welcome the fact that the Government did, as we requested, table the new clauses before the Commons stages were completed, and obviously we will want to discuss them in more detail when they reach the House of Lords, but I would like to put on the record what principles should be followed in referring cases to the Supreme Court. Labour fully agrees that the UK Supreme Court should retain a role in determining human rights and European law issues. The UK Supreme Court enables Scots to access justice without the expense and delay of having to go to Strasbourg, and without having to wait for years to have their cases heard. We believe that no one living in Scotland should have less access to the enforcement of their human rights than any other citizen living elsewhere in the UK.

Why would the Scottish Government want to make it more difficult for individuals in Scotland to access justice? Let us recall that it was a famous Scottish case to the Strasbourg Court in the 1980s that brought about the abolition of the belt in schools across the UK when the Court found in favour of two Scottish mothers, Grace Campbell and Jane Cosans. In those days, before the Human Rights Act 1998, cases took years to be heard, and in the meantime tens of thousands of children in Scotland and across the UK were belted right around the place in schools. The Human Rights Act is not about protecting bad people or about an easy escape route from jail; it is about protecting everyone from prejudice and harm.

Pete Wishart: I am grateful to the hon. Lady for her history lesson, but she will know, as the Secretary of State does, that the amendments concerning the Supreme Court are totally unacceptable to the Scottish Government, and will be unacceptable to the Scottish Parliament too. May I suggest to her and the Secretary of State that the expert group under Lord McCluskey should be allowed to do its work before anything further is done regarding the Supreme Court in this House?

Ann McKechin: What I would say to the hon. Gentleman is that we are aware that the McCluskey review is ongoing, and we will wish to consider its conclusions carefully when it reports. We will return to further analysis of the report in the Lords, which I hope will be available by the time this Bill reaches the other place.

We cannot continue this evening without mentioning the extraordinary attack that the First Minister and his Secretary for Justice made on both the Supreme Court and individual Scottish judges who sit in it, when they stated that the UK courts should have no jurisdiction in Scottish criminal cases. Let us be clear: no one is attacking the right for Scotland to retain its unique criminal legal system—I declare an interest, as a non-practising member of the Law Society of Scotland. However, on the other hand, those attacks smack of a political establishment that is too ready to attack anyone who dares to contradict its mantra, rather than one that is prepared robustly to tackle institutional complacency. It is entirely demeaning to Scotland's international reputation when Scotland's leading politician uses the language of the playground bully when describing the key relationship between the Executive and the judiciary. Mr MacAskill has referred to the UK Supreme Court as an "ambulance-chasing court", despite it hearing on average only one Scottish case a year since devolution, and he has ignored the fact—or perhaps he was totally ignorant of it—that his own Scottish Crown Office is making referrals to the very same court.

Mrs Anne McGuire (Stirling) (Lab): Does my hon. Friend agree that the furore about the Supreme Court over the past few weeks smacks of opportunism, when what she describes has been the situation since the Scotland Act 1998 was passed by this House more than 12 years ago?

Ann McKechin: My right hon. Friend is right to say that this row has emerged from absolutely nowhere, and has arisen simply for the sake of political expediency.

Mr MacAskill—that well-known expert on making sound judgements—also claimed that Supreme Court judges picked up their knowledge of Scots law during visits to the Edinburgh festival, and threatened to withdraw funding. He can now add to his list of achievements that he is the first Minister in any part of the UK who has threatened to close a court by stopping its cheques. Perhaps after such a long-maintained silence over the last two years, the pressure on him was too much to bear.

Sir Menzies Campbell: Of the two cases that have proved so controversial, the first dealt with the protection of a person once charged and taken into custody by the police. The second dealt with whether there is a continuing obligation on the prosecution to make available all evidence to the defence, including evidence that might have the effect of exculpating someone who has been accused. Are those two principles not right at the very heart of the Scottish legal system, to which the hon. Lady has just referred?

Ann McKechin: The right hon. and learned Gentleman speaks with considerable expertise on legal issues. I do not want to discuss the individual cases, but he is absolutely right that they involved important points of principle that everyone who is concerned about the integrity of Scottish law should take seriously into account.

Mr Salmond has attempted to climb down from the remarks that he made in a *Holyrood Magazine* interview, but has refused to apologise. "Better late than never" should be the new mantra, but the First Minister does not have a reverse gear. Instead, this whole sorry incident has typified a controlling approach that his spin doctors have tried hard to hide. In his view, there is a hierarchy in our national debate between those who are deemed "good Scots" and those classified as "bad Scots", and anyone who speaks directly against his view will always be in the latter category, even if they are one of our country's most eminent legal minds.

Mrs Eleanor Laing (Epping Forest) (Con): I would never claim to be one of our country's eminent legal minds, but, like the hon. Lady, I am a non-practising member of the Law Society of Scotland. I commend her for her defence of Scots law against the current actions of the Scottish Parliament.

Ann McKechin: I am grateful to the hon. Lady, a fellow lawyer. I do not want to turn this into a lawyers' conference, however, lest anyone should suspect that we have vested interests. More seriously, this is about the tone of the debate and about the relationship between the Executive and the judiciary, which forms the foundation of our democracy.

I noted in this week's *Sunday Herald* that some of the First Minister's own Ministers and MSPs apparently refer to him in private as the "Dear Leader". References to any similarity with North Korea might seem comical, but this display fits in better with a paranoid one-party state than with a modern, progressive, advanced 21st-century democracy. I certainly do not believe that everyone who supports the SNP or wishes for independence follows that creed—Jim Sillars is a good example of someone who believes in independence but also believes in listening to other people's arguments—but it certainly has a home within the SNP "cybernat" sphere.

Mr Cash: Does the hon. Lady acknowledge that the real problem is that this dispute is not so much about the Supreme Court as about the application of the Human Rights Act 1998 to the Supreme Court? For practical purposes, the Scots are entitled to their criminal law, and that has been the case since the inception of the Union.

Ann McKechin: The hon. Gentleman has very particular views about European human rights legislation, but I support it 100%. I believe that the Human Rights Act enhances our legal system, and it is important that people in Scotland should receive the same level of protection as everyone else. The Act is a UK-wide piece of legislation, and it is important that judgments should be made consistently. Accordingly, it is right that there should be one ultimate Court of Appeal that makes important decisions on key points of principle. The Cadder decision, which the right hon. and learned Member for North East Fife (Sir Menzies Campbell) mentioned, was one such decision. It is important to have consistency of judgment, which is one of the parts of our judicial process.

Like most people in Scotland, my domicile arises from birth and not from choice, but I believe that I am exceptionally fortunate to have been born in Scotland at this time in history and I am proud to be a Scot. However, I totally renounce any attempt to mould the politics and culture of the country that I love into one that is marked by a constant placing of the "good Scot versus bad Scot" concept into the dialogue of our public life. That is both dangerous and destructive, and represents a threat to genuine debate. The tactics of the playground bully should form no part of a modern, open Scotland.

Scotland's legal systems, like any other area of our public life, need to be open to ideas from the outside, and not just from its own legislature. In fact, many of our oldest precepts and concepts are borrowed from a wide combination of other European systems—French, Dutch and Roman as well as English. We have also learned from cases that have occurred in England. It was because we are part of the United Kingdom that one of the most famous cases of tort and delict in civil law, Donoghue *v.* Stevenson, which took place in my own home town of Paisley, spread across the world. When we genuinely look outwards, we perform at our best; when we revert to inward, defensive complacency, we let our nation down.

This has been an important debate on the future that we see for Scotland. As the Secretary of State has said, the debate will continue over the weeks and months to come, but I want to ensure that it takes place in the context of the hard, reasoned evidence that the Scots demand of us, and that it can be clearly shown to be for their benefit.

10.44 pm

Mr Reid: The Bill brings about a substantial increase in the powers that are devolved to the Scottish Parliament, especially those relating to taxation and borrowing. As

[Mr Reid]

such, it represents a substantial event in the process of devolution. I congratulate Professor Calman and his commission on bringing forward the proposals after detailed consultation, and on achieving consensus among three political parties. His proposals were subject to detailed scrutiny in the Scottish Parliament Bill Committee and by the Scottish Affairs Committee here. I also congratulate the Secretary of State and the Under-Secretary on their hard work in putting the Bill together and taking it through the House.

It is an old saying that devolution is a process, not an event. This is an important process; there will no doubt be further processes to come, but it is important that the subsequent devolution processes follow the same process as the Calman Commission and the Bill. There must be widespread consultation, detailed evidence should be produced and examined and then the Bill should be taken through after detailed scrutiny. The amendments rejected earlier this evening did not have the detailed evidence behind them.

Mr Davidson: I want to pick up on the issue of process. Amendments have been defeated tonight, but they will probably reappear in the Scottish Parliament. Does the hon. Gentleman agree that before they are debated further in this House, the Scottish Affairs Committee and others must examine them forensically to make sure that the gaps in the evidence that were identified earlier this evening can be exposed so that we can have a proper discussion and debate about the choices to be made?

Mr Reid: I certainly agree with the Chairman of the Scottish Affairs Committee and hope that his Select Committee will subject these proposals to detailed scrutiny.

Two of Scotland's political parties took part in the original constitutional convention, which went up to three in the Calman commission. The party that has not taken part in any of these processes is the Scottish National party. I accept that it has a mandate for a referendum on independence and I look forward to that campaign. Where I think the SNP goes wrong is that it makes no attempt to bring about consensus within Scotland. Its referendum will fail and I suggest that in future it works with other parties so that detailed proposals can be subjected to scrutiny and we can take the process of devolution further forward. This Bill represents an important step. I hope that the House of Lords will pass it speedily so that all the important extra powers given to the Scottish Parliament can be put into effect.

10.47 pm

Pete Wishart: We said on Second Reading that we would seek to strengthen and improve the Bill, offer real scrutiny and support any measures that brought significant and substantial new powers to Scotland. We are pleased that, in a number of areas, this is a better Bill today than the one presented on Second Reading.

I would also like to pay tribute to many Members who participated in the debates, particularly to those who participated in the Calman commission, and to thank people for all the hard work that was done in the Scottish Parliament Bill Committee. Although we did not necessarily agree with everything that was said, I appreciated the conscientious and diligent approach to the work.

Is this the Bill that Scotland urgently requires? I have to say that, unfortunately, the answer is no. Although we have managed to secure some more job-creating powers, this Bill falls way short of the ambitions of the Scottish people as directly expressed only a few short weeks ago, and it still lacks the measures that could have helped to develop our economy and make it grow.

Some of the new provisions are, of course, welcome. We welcome the acceptance of the amendments on borrowing as well as the devolution measures on airguns, speed limits and drink-driving, which will make Scotland a safer place. However, the Unionist parties seem almost incapable of preventing themselves from making re-reservations, which are a million miles away from where the Scottish people are in questions about their constitutional future.

Mr Russell Brown: I thank the hon. Gentleman for giving way; he obviously has some time left. I hope that in the next few minutes he will explain what Bill the people of Scotland are looking for.

Pete Wishart: I think that we had something a few weeks ago that was called an election, and manifestos were presented for it. One manifesto had plans for including job-creating powers in the Scotland Bill and the other manifesto was produced by the Calman commission parties. I think that the Scottish people made clear which direction of travel they support.

Mr Brown: Will the hon. Gentleman give way?

Pete Wishart: I will not give way to the hon. Gentleman again.

We know what the Scottish people want when it comes to such matters. I was disappointed to hear what was almost a rant from the hon. Member for Glasgow North (Ann McKechin). Members' personal attacks on the First Minister suggest that they have learnt absolutely nothing. Negativity does not win elections, but we hear continued, incessant negativity.

Sir Robert Smith (West Aberdeenshire and Kincardine) (LD): Will the hon. Gentleman give way?

Pete Wishart: I do not have time to give way.

I can only ask Members to continue down that route so that we can continue to secure victories such as the one we secured only a few short weeks ago.

Sir Robert Smith *rose—*

Pete Wishart: I have only 10 minutes left.

The Bill contains unpalatable measures that are totally unacceptable to the Scottish Government, and which were aired a moment ago, concerning the Supreme Court.

Sir Robert Smith *rose—*

Pete Wishart: I will give way, for the very last time.

Sir Robert Smith: The hon. Gentleman spoke of a personal attack on his leader from the Opposition Front Bench. Does he not think that the head of a Government in a proper, modern, functioning democracy should show respect for the courts, which protect the individual citizen from abuse of power by the state?

Pete Wishart: I am almost grateful to the hon. Gentleman, because he has referred to a measure I want to deal with. The measure relating to the Supreme Court that was passed today is totally unacceptable to the Scottish Government, and will be unacceptable to the Scottish Parliament as well. When the last Scottish Parliament Bill Committee considered the Government's proposals, even that Unionist-led Committee did not see fit to pass them. I do not think that a new Scottish Parliament Bill Committee will be any better disposed towards them.

Had I been given an opportunity to debate the issue, I would have suggested a sunset clause, so that nothing could be done until the expert group in the Scottish Parliament finishes its work under Lord McCluskey. That is the time for us to discuss how to resolve what is a real issue.

Sir Menzies Campbell *rose—*

Pete Wishart: I have said that I will not give way again, and I will not, even to the right hon. and learned Gentleman. Others wish to speak.

There are real difficulties, but the solution offered by the Secretary of State will not be acceptable to the Scottish Parliament. The most critical aspect of the Bill, however, involves not the unpalatable measures that we have discussed today, but the measures that the Bill omits: measures for which the Scottish people voted when the Bill was last considered by the Scottish Parliament. What they want are job-creating powers and control over the Crown Estates so that we can further the renewables revolution in Scotland.

Given our mandate, the Scottish National party will revisit those issues in the future. On balance, however, we accept that the Bill contains substantial new powers, and we will not oppose its Third Reading.

I suppose that we can look at the Bill in two stages—pre and post its testing by the Scottish people. The Calman parties stood on their record and presented it as a major constitutional issue when they fought the election, while the Scottish National party stood on a programme involving the creation of new jobs and powers for the Scottish Parliament. The Scottish people gave the Scottish National party an overwhelming mandate to pursue that agenda, and we will continue to present the case for real job-creating powers. We will not be satisfied until we have those powers in the Scottish Parliament.

The Bill will now go to the House of Lords before it is returned to the Scottish Parliament for a further legislative consent motion. I say to the Secretary of State and the Government—

Jim Sheridan: Will the hon. Gentleman give way?

Pete Wishart: I will not give way again. I say to the Secretary of State—

Jim Sheridan *rose—*

Pete Wishart: I am not going to give way to the hon. Gentleman. Must I say that a third time?

I say to the Secretary of State that he should not use the fact that there are no Scottish National party members in the House of Lords to introduce any further unpalatable measures, because that would be totally unacceptable. It is democratically elected Members who should decide the fate of our nation, not unelected appointees, donors and cronies.

Jim Sheridan *rose—*

Pete Wishart: I am not going to give way to the hon. Gentleman. As he is standing right next to me, I do not know why he cannot hear me.

Mr Speaker: Order. The hon. Member for Paisley and Renfrewshire North (Jim Sheridan) must resume his seat.

Pete Wishart: Thank you, Mr Speaker. It takes a long time for Members to understand that I am not going to give way.

Once the Bill has completed its passage in the House of Lords it will return to the Scottish Parliament, and a further legislative consent motion will be required because of the many amendments passed by the House of Commons. I know that colleagues in all parties in the Scottish Parliament will want to look closely at a number of those amendments, and I know that the Secretary of State and the House will respect the views of the Scottish Parliament. I know they will accept that the Scottish Government have a massive mandate.

Many Members have talked about this being part of the devolution story, and it is. This is the second major Bill on devolution to have come before the House. The devolution story will continue to unfold, and we will continue to go down that road, but a new story is now also starting to emerge. It is about a new journey that Scotland is about to embark upon, because at some point over the next few years we will have a proper referendum on the future of Scotland—a proper, constitutional referendum that will be about independence, and I am absolutely sure that the Scottish people will make the right choice and that Scotland will once again join the nations of the world.

Several hon. Members *rose—*

Mr Speaker: Order. In calling Mr Iain Stewart, I ask him to consider the merits of allowing a couple of minutes for the Chairman of the Select Committee, but it is up to him.

10.55 pm

Iain Stewart: Thank you, Mr Speaker, I shall make a very brief contribution. I just want to congratulate the Government on introducing this Bill, as its provisions are a sensible evolution of the devolution settlement.

From an English perspective, I think the Bill will go some way towards allaying the concerns felt by many of my constituents about a perception of unfairness in the spending arrangements. I agree that the Scottish Parliament should be responsible for raising a significant chunk of the revenue it wants to spend on services, and this

[Iain Stewart]

presents a sensible way forward. It will not be the end of the matter, however. There will be further debates on the arrangements between Scotland, England and the rest of the United Kingdom.

I am an unashamed Unionist. I believe that the strength of the United Kingdom is greater than that of the sum of its parts, and I want it to continue always. Others on both sides of the border disagree with that, but I make this plea: whatever further changes are suggested, let them be based on evidence, be sensible, be practical and not be part of some silly constitutional game-playing. The economy of Scotland, and indeed of the whole United Kingdom, is still fragile, and the last thing we need is years and years of constitutional uncertainty. As we send this Bill to the Lords for further consideration, I congratulate the Government again and make that plea for a sensible, evidence-based, common-sense solution.

10.57 pm

Mr Davidson: It is very difficult to summarise several months of work in three minutes. I commend the Scottish Affairs Committee report to the House, and I hope everyone will read it carefully.

A number of points are worth repeating at the conclusion of our debate. Although I recognise that this is not the end of the story and that discussion will continue, the question of transparency in the figures is vital; that cannot be over-emphasised. If amendments from the Scottish Parliament are to be debated, they must be scrutinised as the proposals from Professor Hughes Hallett and Professor Scott were scrutinised—and, of course, in the end those proposals fell by the wayside because they were found to be wanting.

We must also recognise that financial pressures on the Scottish Parliament are likely to result in pressures for decisions in areas that did not previously have to be addressed. Hard choices are going to have to be made, so it is therefore again essential that the necessary information and arguments are put forward.

We must also be clear about what the verdict of the Scottish people was. Some 50% of the people in Scotland did not vote in the election. *[Interruption.]* Of those who did vote, fewer than half voted for separation. *[Interruption.]* We must remember that more people voted for my right hon. Friend the Member for Kirkcaldy and Cowdenbeath (Mr Brown) to be Prime Minister than voted for Alex Salmond to be First Minister.

Not everything the Scottish National party proposes is accepted, therefore. We must remember that Alex Salmond called clearly for a yes vote in the alternative vote referendum and was roundly defeated. *[Interruption.]* I notice that efforts are being made to shout me down. That is what has traditionally happened in Scotland when people have challenged the nationalists, and those of us who want to challenge the narrow neo-fascism of the nationalists have got to be prepared to have discussions—

Stewart Hosie: On a point of order, Mr Speaker.

Mr Speaker: I hope it is a point of order.

Stewart Hosie: The use of this neo-fascist description is absurd, offensive and wrong in every single regard. What powers, Sir, do you have to ensure that this nonsense is not said or repeated?

Mr Speaker: My powers do not extend to the refutation of nonsense.

Mr Davidson: Is it not neo-fascist to attempt to shout down speakers with whom one disagrees? We have had robust debate in the House on several occasions, but it has frequently been the case in my constituency, after I won it from the nationalists, that they have attempted to shout me down.

11 pm

Debate interrupted (Programme Order, this day)

The Deputy Speaker put forthwith the Question already proposed from the Chair (Standing Order No. 83E), That the Bill be now read the Third time.

Question agreed to.

Bill read the Third time and passed.

Mr Speaker: We are about to come to the Adjournment and I appeal to right hon. and hon. Members who are leaving the Chamber to do so quickly and quietly to afford a fair hearing to Mr David Amess.

Volunteering

Motion made, and Question proposed, That this House do now adjourn.—*(Stephen Crabb.)*

11.1 pm

Mr David Amess (Southend West) (Con): It is an absolute delight to have the opportunity tonight to celebrate in the House the work of the hundreds, thousands and millions of volunteers who work throughout the country and whose work we simply could not function without. Volunteers add a commitment and level of care that money could never buy. Everyone should be encouraged to volunteer and people should not be put off by form-filling. I therefore say to my hon. Friend the Minister that I hope the Government will continue to do whatever they can to reduce the red tape around volunteering.

Having spoken to many charities, I know that they say that Criminal Records Bureau checks help them to protect vulnerable people from individuals who might be at risk, so I no longer think that that is the problem it originally was. However, it is clear that the Government should be encouraged to incentivise volunteering and encourage businesses to recognise the full benefits of volunteering. If businesses helped to promote volunteering and allowed their staff the time to train and undertake volunteering, there would no doubt be a significant rise in the number of volunteers. I know that my hon. Friend and other Members present would be the first to say that when we visit volunteering organisations, they tend to say that they are getting older and to ask where the new volunteers will come from, and that is what I hope we can achieve from this debate.

I make no criticism whatever of the honours system. I would simply say that all Members of Parliament are continually written to by constituents suggesting that fellow constituents should get an honour, but that is very difficult to achieve. I think of my friend Bruce Forsyth and the fact that it has taken him many years to get a knighthood. I want to mention some of my constituents whom I think should receive honours, such as Ivan Heath, a 95-year-old widower, who is going to leave all his money to charities and is doing so already, and Donald Neil Fraser, a member of Leigh town council, who is over 80 and works as a volunteer morning, noon and night. Con Donovan, the owner of a successful business—a Choice Discount store—does an enormous amount of volunteering, along with his family, and Mark Foster, the famous Olympic swimmer, who comes from Southend, is currently doing an awful lot of volunteering. Joan Alfreda Matthews, a remarkable woman in her 90s, who is the founding member of the Saint Francis hospice, has worked tirelessly as a volunteer for the hospice since 1978 and helps families to come to terms with limiting illnesses. The list is endless.

Some of us who have been here for a while recognise the frustration of getting honours for individuals. We used to have the opportunity to nominate local heroes through the Experience Corps. I telephoned that organisation to ask why we did not have the opportunity to do so this year. Unfortunately, this is the first year in which we will not have that opportunity because the Experience Corps is not doing it any more, so tonight I am announcing that if no one else is prepared to take on this particular exercise, I am more than happy to do it. I simply appeal to some businesses to help us, so that in future, we can honour our local volunteers—the heroes and heroines in our constituencies. I hope we can organise something by the autumn.

The hon. Members for Ealing North (Stephen Pound) and for Colchester (Bob Russell) and I are officers of the all-party scout group. On 7 June, Mr Speaker hosted an event and the Deputy Speakers assisted with the presentations and the photographic opportunities afterwards, so I realise that you, Madam Deputy Speaker, have already heard what I am about to say. Four hundred thousand young people are scouts and they rely on 100,000 volunteers.

The scouting organisation is absolutely wonderful. Scouts are less likely to drink or smoke. They are more likely to participate in physical activities and they normally make a great success of their lives. Fifty-six per cent. of youth members volunteer for another charity. The number of adult volunteers in scouting is more than the combined work forces of the British Broadcasting Corporation and McDonald's. If we paid them for their work, it would cost us about £500 million. They do a splendid job.

At the reception on 7 June, there was a suggestion, which I pass to my hon. Friend the Minister, that the Government consider brokering some form of volunteer incentive card that would entitle its holders to offers donated by businesses. One scout, Stefan Prest, mentioned the success of Orange's RockCorps as an example of good practice.

This evening, I attended a charity event at Spencer House, which was a fantastic occasion sponsored by the Chinese company Huawei, in conjunction with the National Society for the Prevention of Cruelty to Children, to organise the relaunch of Childline. They appealed for the ambitious number of 5,000 volunteers. The appeal is backed by the Rothschilds and the Spencer family and I hope we will do whatever we can to assist in gathering the 5,000 volunteers.

How many events do we go to where the St John Ambulance is in attendance? Many people think the staff are paid. In Essex, Lord Petre is the president of St John Ambulance. Its members do a fantastic job. They administered first aid to 800,000 people last year and they can be the difference between a life lost and a life saved. There are 23,000 adult members and nearly 20,000 young members. The organisation trains 575,000 people a year and it has more than 1,000 ambulances and support vehicles.

A few years ago, through the Industry and Parliament Trust, I undertook a volunteer attachment with the WRVS. It coincided with the Queen Mother's centenary. The WRVS does a wonderful job. It runs trolley services at Southend hospital and Southend meals on wheels. It has an emergency service and there are 45,000 volunteers.

Jim Shannon (Strangford) (DUP): The hon. Gentleman has not yet mentioned Church youth organisations, where many people volunteer. Does he feel that they need recognition and should also be considered for honours?

Mr Amess: The hon. Gentleman is a wonderful attender and supporter on these occasions. He is right to remind me of that group. The only Church organisation I shall have time to mention is the Salvation Army, but I endorse everything he said.

[Mr Amess]

With 16 other parliamentarians, I was recently made a national parliamentary patron of the YMCA, although we failed the audition for Village People. It does a fantastic job with housing and homelessness, promotes sport, health, exercise and fitness, works to combat crime, helps with safety, provides education and skills, offers advice on money, tries to get young people jobs and helps with citizenship, personal development, parenting and family difficulties. The YMCA reaches out to more than 1 million people each year, working with them at every stage of their lives and offering support when and where they need it most. The movement has grown to become one of the biggest Christian charities in the world, working in over 120 countries, with 30 million members worldwide.

The Salvation Army is a wonderful organisation. I happen to be a Catholic but I always say that the Salvation Army does a wonderful job. It certainly does in Leigh-on-Sea. It was founded in the east end of London, where I come from, in 1865. It has 50,000 members, 4,000 employees and 1,500 Salvation Army officers. It serves 3 million meals a year, carries out prison visits, helps 3,500 homeless people and runs 709 local church and community centres. It runs 636 centres for the elderly, 300 youth clubs and 120 drop-in centres. The list goes on and on. If ever we feel gloomy at Christmas, we go to the Salvation Army and it cheers us all up.

When Dame Cicely Saunders set up the hospice movement, did she ever realise what wonderful work hospices would do in the United Kingdom? All hon. Members have hospices in their constituencies. I have Fair Havens, which was founded in 1983. It employs an army of volunteers. Supporting families who have lost loved ones is very draining.

Mr Angus Brendan MacNeil (Na h-Eileanan an Iar) (SNP): May I mention VSO—Voluntary Service Overseas? I was told tonight that the average age of VSO volunteers is 44, although many are young people. Those who are past their careers and are grandparents have an awful lot to give. Volunteers go overseas and give in a targeted and intelligent way, capacity building in other societies, and they deserve special mention for the work that they do.

Mr Amess: I entirely agree. Believe it or not, VSO is on my list, but I will now shorten my comments on it.

When I was Member of Parliament for the area where St Luke's hospice is situated, one of the miracles that happened there was that we built the hospice from nothing at all. Princess Diana came and opened it and it still does wonderful work.

This weekend in all our constituencies was armed forces weekend. I am president of our local branch of the Royal British Legion, as are other hon. Members in their areas. The Royal British Legion does a fantastic job. It was founded in 1921. We had the armed forces parade to Parliament today, and I know that the hon. Member for Colchester has a great deal to do with the Anglian Regiment. We salute the armed forces and thank them for their work.

On VSO, I declare an interest. Last year, VSO paid for me to do voluntary work in the Philippines. I was there as an advocate for Filipino nurses. One of my children, Sarah, has just come back from doing voluntary work in the Maldives as a teacher. It sounds glamorous, but when there are cockroaches coming into the rooms and all sorts of other things happening, it is quite a difficult job in a Muslim country. I agree that the work of VSO is first class. If any hon. Members have some free time this summer, I hope they will contact VSO and join it.

Mr MacNeil: I echo the hon. Gentleman's sentiments about VSO wholeheartedly. I had the privilege and the enrichment of a VSO placement in Cambodia in 2008. I hope more Members take up his suggestion and give time to VSO.

Mr Amess: It was a wonderful experience for me. We went to Ifugao and we were stationed in Manila. For three days nurses were queuing up to get their qualifications—it is very tough to get jobs there. When one comes back to the UK, one realises how jolly lucky we are.

At the weekend we had a Southend community in harmony event.

Ian Paisley (North Antrim) (DUP): Many of the voluntary groups that the hon. Gentleman has mentioned, and indeed many such groups in my constituency, make a major contribution to economic well-being as well as social well-being. For example, in North Antrim we have the North West 200, which is the Coleraine and district motorcycle voluntary group, which we share with the adjoining East Londonderry constituency. It generates £6 million a year for the local economy. If that was not there, our economy would not be as strong as it is. He is absolutely right that those groups need more than a pat on the back; they need to be commended, encouraged, supported and endorsed.

Mr Amess: The hon. Gentleman is absolutely right. It is not a case of take, take, take, but of give, give, give, and they really do help business and other activities. I could not agree more. The Southend in harmony event was attended by Jewish people, Muslims and a whole range of other people, and it included an older people's assembly and an army of volunteers, each and every one of whom I salute.

I end with these thoughts for my hon. Friend the Minister. I ask the Government to do all they possibly can to help youth organisations such as the scouts to attract more volunteers. The national citizen service, which will begin in just a few weeks, offers an ideal opportunity. If those young people who complete the eight-week national citizen service schemes are then signposted to organisations like the scouts to continue their community involvement and enhance their skills as young leaders, everybody would benefit. That would ensure that the NCS is not simply an eight-week long experience, but an excellent start to a young person's volunteering journey, which can be enhanced by the range of opportunities that scouting and other youth organisations offer.

Another way that the Government can support organisations such as the scouts is through their considerable influence with business and employers. More than 80% of employees, when questioned, said that they would like to get involved in a staff volunteer scheme if

their employer allowed it. The Government should consider whether a person who devotes time to volunteering should be entitled to a small amount of time off to fulfil their obligations, similar to that which is afforded to councillors and magistrates.

This is the toughest time, certainly in my lifetime, for young people to get a job, despite their wonderful qualifications. Having worked in recruitment for many years before becoming an MP, I know that it is far better for young people to do some volunteering, rather than have a blank space on their CV, as that will go a long way in assisting them to get a permanent job.

I ask the Government to consider where they stand on the right to take time off to train. Many organisations offer first-class training schemes for volunteers and support them to improve their performance both as volunteers and in their professional careers. In a survey, the Scout Association found that 93% of volunteers believed that the skills, training and experienced gained through scouting had been relevant to their working and personal lives. Businesses should be encouraged to see the benefits they gain from their employees' volunteering interests and to enable them to take a reasonable amount of time off to train, safe in the knowledge that the skills they will acquire will benefit the business in the longer term.

Let the House unite in thanking all our volunteers in our constituencies for the wonderful work they do, and let the Government support us in encouraging a new generation of volunteering.

11.18 pm

The Parliamentary Secretary, Cabinet Office (Mr Nick Hurd): I start by offering my utterly genuine congratulations to my hon. Friend the Member for Southend West (Mr Amess) not only on securing the debate but on the passionate way he used it to celebrate people who give time to help others in our communities, because their contribution is absolutely enormous. It is right that we celebrate them and take the opportunity to ask what more we can do to encourage, support and value them.

My hon. Friend knows that this question is central to our vision of a society in which people feel more power and responsibility not only for their own lives but for the communities they live in and the services they use. It is the big society vision. Of course, we are not inventing something. As his powerful speech and the contributions of other Members made clear, there is already a huge range of amazing voluntary work being undertaken by individuals and groups across the country.

My hon. Friend referred to several organisations very worthy of mention and celebration in this place, including the scout movement and its work to engage and develop young people in communities, to which my hon. Friend has contributed throughout his chairmanship of the all-party scout group. It is genuinely impressive to see how the movement goes from strength to strength with the essential support of its volunteers.

We cannot be complacent or take the movement for granted, however. Statistics demonstrate that giving has flatlined and shows some worrying signs of decline. In all our constituencies, we wonder how we will replace the people who have taken a lead in our communities, but the Government are ambitious and we do not accept that decline is inevitable. We want to work with the voluntary community sector and, critically, with business, as my hon. Friend mentioned, to connect more people with the opportunity to make a difference.

I will set out some of our initial plans, which I hope will give my hon. Friend some reassurance that the Government are ambitious and extremely committed to the agenda, and perhaps address some of his specific issues.

Last month we published a giving White Paper, which sets out our stall. We want to focus on three things: making it easier to give; making it more compelling to give; and giving better support to the charities and voluntary groups that channel our generosity. That involves public investment, so we have said that we will invest more than £40 million in volunteering and social action over the next two years.

That investment will include a new social action fund to support some of the most creative and effective schemes that are being developed to inspire more giving in priority areas and to inspire groups, including young people. My hon. Friend suggested new incentives to get more people involved, and he may be interested to know that that includes piloting such initiatives as Spice "time credits", which introduce new incentives for people to give time, including discounts and preferential access to local services. We are piloting, because new incentives may be required just to tip new people over the edge and into giving time.

We are also announcing challenge prizes to reward the best solutions for breaking down the barriers that get in the way of more giving, and we have announced a local infrastructure fund to help the amazingly valuable and important infrastructure that is out there to support community organisations and volunteering, and to help it become more efficient and more effective. Further details of how organisations can apply to those funds will be announced over the coming months.

I am delighted to say that the White Paper has received significant support from key figures in the voluntary and community sector. Sir Stuart Etherington, the chief executive of the National Council for Voluntary Organisations, says:

> "This Paper draws together a wealth of intelligence on what can be done to stimulate greater levels of giving...in the UK."

The chief executive of Volunteering England says:

> "The White Paper deserves to be warmly welcomed by the...movement. It promises to make a positive advance in how people volunteer in our society and in how organisations support them."

My hon. Friend mentioned the national citizen service, which is a hugely important initiative. It was launched this year, with more than 10,000 places available for 16-year-olds this summer, and is a fantastic opportunity to connect young people with their own power to make a contribution to their communities. Of course my hon. Friend is right: once we have lit the spark in those young people, as we hope to, we must ensure that it is the start of a journey into other opportunities to develop skills and experiences and to make a positive contribution. So, yes, we do want to work with our providers to signpost those opportunities, and I have personally delivered that message to the scouts and to Youth United, because they are entirely complementary to the national citizen service.

[Mr Nick Hurd]

It is not just young people we want to inspire, however. We believe that throughout communities in Britain there are people who would get more involved in changing things in their neighbourhood if they were encouraged and supported to come together. That is especially true of relatively disadvantaged neighbourhoods where there is less obvious so-called social capital, and that is why we are investing in training 5,000 community organisers, who will bring people together in their areas and encourage and support them to make the differences they want to see in their communities. That is why we are also launching a new neighbourhood grants fund, Community First, which will incentivise local people to work together to create the change they want to see.

As my hon. Friend says, we should look to cut some of the red tape that gets in the way, while making sure that we continue to protect the vulnerable. That is why I asked Lord Hodgson to lead a joint Cabinet Office and Department for Business, Innovation and Skills red tape taskforce. Part of the role of that taskforce was to look at how to remove barriers to those wishing to become more actively involved. He recently published his report "Unshackling Good Neighbours", and we are reviewing the recommendations that relate to addressing barriers to the giving of time. I heartily recommend the report to my hon. Friend, because I think he will appreciate that it oozes common sense from every page. It is a thoroughly good read. As I said, we are reviewing the recommendations and seeing what we can action as quickly as possible.

My hon. Friend mentioned CRB checks. He will be aware that we have completed reviews of the criminal records and vetting and barring regimes. As outlined in our programme for government, the aim of the reviews was to scale back these regimes to common-sense levels. It is clear from my conversations with the sector and across communities that there is still frustration about how the CRB process works in relation to the time it takes and the restrictions on portability around the system. The main recommendations of the reviews, which are being taken forward under the Protection of Freedoms Bill currently going through Parliament, are to reduce the coverage of the schemes to individuals who have close and regular contact with vulnerable groups; to place a greater onus on employers and voluntary organisations to decide when to carry out checks and to make it easier to carry them around the system; and to introduce continually updated CRB checks to reduce the need for employees and volunteers to have new checks when they move positions.

In addition, we announced in the Budget—this is all in the context of trying to make it easier to volunteer—that all drivers who use their vehicle for work or volunteering will now be able to claim 45p per mile for the first 10,000 miles, an increase of 5p per mile. I am sure that my hon. Friend will know that there was frustration across constituencies about the rising cost of giving time in this regard, and we think that this will help. The Department for Work and Pensions and Jobcentre Plus have been working with the Cabinet Office and key representatives of the voluntary sector to tackle the real and perceived barriers to unemployed people volunteering.

We are very conscious of the need to lead by example. That is why we are encouraging civil servants to volunteer by turning the civil service into what we call a civic service. They will spend more time out of Departments and in communities working with organisations, and we believe that we will get better civil servants as a result. We are taking a lead in encouraging civil servants to do at least one day of volunteering each year using special leave. We hope that this sets a good example to other employers. One of the reasons I am so optimistic about this agenda is that increasingly businesses are recognising that it is in their commercial interests to encourage their human resources to give time and stretch themselves in different contexts. It is not just about PR value or community value but about developing their most important assets, which are human. We want to lead by example with the civil service, and we are very much encouraging business to follow.

I recommend to my hon. Friend an excellent speech made by the Prime Minister—of course, every speech that he makes is excellent, but this one is particularly good—called "Every Business Commits", which speaks very strongly to businesses about what we expect as regards encouraging more social responsibility.

My final point concerns a matter on which my hon. Friend placed a lot of importance. In addition to implementing these programmes, it is essential that we recognise and reward inspirational examples of good practice in volunteering and social action. To achieve this, the Government have created the big society awards. I do not know if he is aware of that, but I can write to update him on how every single Member of Parliament can nominate individuals and organisations in their constituencies for these awards. We also continue to support and promote the Queen's award for voluntary service. I was delighted to hear about his own personal initiative on celebrating local heroes, and I wish him every success with that.

I would again like to thank my hon. Friend for calling this debate this evening. As I highlighted, there is already a lot of excellent voluntary work taking place across the country. In the years to come, we hope to grow volunteering and social action and enable the existing good practice to become the norm. I hope that I have reassured him that the Government are extremely ambitious about and very committed to encouraging more people to get involved in their communities.

Question put and agreed to.

11.29 pm

House adjourned.

House of Commons

Wednesday 22 June 2011

The House met at half-past Eleven o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

SCOTLAND

The Secretary of State was asked—

Inflation

1. **Graeme Morrice** (Livingston) (Lab): What recent discussions he has had with the Chancellor of the Exchequer on the effects on Scotland of the rate of inflation. [60308]

The Parliamentary Under-Secretary of State for Scotland (David Mundell): I have regular discussions with my right hon. Friend the Chancellor of the Exchequer on a wide range of issues, including the state of the economy. Inflation is being pushed higher by rising global commodity prices. This is a global problem that requires global solutions.

Graeme Morrice: I thank the Minister for his answer. It is now clear that the Government's VAT hike in January helped to drive up inflation, which is squeezing family incomes, hitting consumer spending and holding back strong growth. Will the Minister now speak up for families and businesses in Scotland and urge the Chancellor to reverse the VAT rise to help to boost consumer confidence and bring down inflation?

David Mundell: As the hon. Gentleman knows, the former Chancellor, the right hon. Member for Edinburgh South West (Mr Darling), said that he would have done exactly the same in relation to VAT, and a cut in VAT would do nothing to reverse global commodity price rises. It would, however, do a lot to reverse the Government's hard-won credibility for getting the deficit down. Of course, credibility on economic matters does not seem to be important to the Opposition.

Mr Mike Weir (Angus) (SNP): In answer to my written parliamentary question, the Office for National Statistics confirms that, in four of the past five years, the rise in domestic gas prices far outstripped the rate of inflation—this is before the latest rise—while family incomes are at best static. What steps can the Government take to protect already hard-pressed families from these escalating costs in the coming winter?

David Mundell: The Government are concerned about the rise in fuel prices, especially gas prices. One of the measures we have taken is to ensure that the poorest families have protection in relation to their fuel costs.

Ann McKechin (Glasgow North) (Lab): I am sure that the Minister will welcome the inquiry Ofgem announced today into Scottish Power's price rise and the way in which it announced the change to consumers. Does he agree that it is completely inappropriate for energy companies to add to the increased cost of living in Scotland by deciding to hike domestic bills? What personally is he doing about this?

David Mundell: There is widespread concern in Scotland about these actions, especially about the recent fuel cost rises announced by Scottish Power. As the hon. Lady knows from previous questions, the Secretary of State and I have raised these issues with the energy companies.

Ann McKechin: Although it is very nice to meet up, I think that Scottish consumers are looking for action as they face a rise of an average of £198 a year in their bills while wages are being frozen, prices are rising at well above the target inflation rate and borrowing is now £46 billion higher than expected because of the decrease in economic activity. Does the Minister agree that it is now time for a plan B, and for the temporary cut in VAT that Labour has called for?

David Mundell: It will not surprise the hon. Lady when I say most certainly not. In setting out those woes, she has not acknowledged her part as a Minister, and that of her party, in bringing this country to the verge of bankruptcy, or the need to take the tough action that this Government have taken. She also knows that the shadow Chancellor is in a majority of one in setting out his proposals—

Mr Speaker: I thank the Minister, but we must move on.

The Union

2. **John Stevenson** (Carlisle) (Con): What recent assessment he has made of the benefits to Scotland of the Union; and if he will make a statement. [60309]

11. **Graham Evans** (Weaver Vale) (Con): What recent assessment he has made of the benefits to Scotland of the Union; and if he will make a statement. [60318]

13. **Mr Philip Hollobone** (Kettering) (Con): What recent assessment he has made of the benefits to Scotland of the Union; and if he will make a statement. [60320]

The Secretary of State for Scotland (Michael Moore): The Government firmly believe that Scotland benefits from being part of the United Kingdom, and that the United Kingdom benefits from having Scotland within it.

John Stevenson: I agree wholeheartedly that Scotland benefits from being part of the Union. I represent a seat that is just over the border in England. Does the Minister agree that England benefits from being part of the Union, and that it is in the interests of all of us that Scotland and England remain part of the United Kingdom?

Michael Moore: I wholeheartedly endorse what my hon. Friend has just said.

Graham Evans: The Union is of great benefit to all the United Kingdom, but my constituents still want fairness between Scotland and England. Bearing that in mind, what plans does the Secretary of State have to review the Barnett formula?

Michael Moore: My hon. Friend will recall from last night's debate on the Scotland Bill that we recognise that this is an issue across the United Kingdom. However, we are committed to reviewing it when we have resolved the current financial problems that we inherited from the Labour party.

Mr Hollobone: Would not a separate Scotland simply not have been able to survive the global banking crisis on its own, and if it had been separate would it not now be heading the way of Ireland and Greece?

Michael Moore: The hon. Gentleman makes an important point because the scale of the financial disaster that befell the Royal Bank of Scotland and Halifax Bank of Scotland would have placed a crippling burden on Scotland. By being part of the United Kingdom we shared the risks; we are now sharing the recovery, which is the right way forward.

Angus Robertson (Moray) (SNP): Does the Secretary of State agree with me that while the future of the constitution is hotly debated, there is no place for leading Unionists to describe the supporters of Scottish independence as neo-fascists?

Michael Moore: I think it is incumbent on us all to ensure that we use moderate and appropriate language in this debate.

Angus Robertson: In view of what the Secretary of State has just said, is it of benefit to the Union and Scotland that the Scottish Affairs Committee is chaired by someone who last night described Scotland's majority party of government as neo-fascist?

Michael Moore: The hon. Gentleman should take up the issue with the hon. Gentleman himself. In this House, we do not challenge one another's honour or otherwise. It is a matter for the hon. Gentleman to raise as he will. *[Interruption.]* I have made my position clear—it is important to be careful about our language and to debate the substance of the issues.

West Lothian Question

3. **Harriett Baldwin** (West Worcestershire) (Con): What recent discussions he has had with the Deputy Prime Minister on establishing a commission on the West Lothian question. [60310]

5. **Mr Andrew Turner** (Isle of Wight) (Con): What recent discussions he has had with the Deputy Prime Minister on establishing a commission on the West Lothian question. [60312]

The Parliamentary Under-Secretary of State for Scotland (David Mundell): My right hon. Friend the Secretary of State and I have regular discussions with my right hon. Friend the Deputy Prime Minister on a range of issues. The Government remain committed to establishing a commission later this year to consider the West Lothian question.

Harriett Baldwin: Does the Minister agree that timing is of the essence here? This is a difficult question and the commission will need to consider its recommendations, after which this House will need time to consider the outcome. It would be much better if this were done at a time of constitutional peace rather than at a time of constitutional crisis.

David Mundell: I respect my hon. Friend's passion on this subject. She, of course, has a Bill before the House that touches on these issues. I understand that it will be heard on the first Friday of the September sitting, which will give the whole House an opportunity to debate the issues. I will convey my hon. Friend's call for urgency to the Deputy Prime Minister.

Mr Turner: Does my hon. Friend agree that the last thing we want, having passed the Scotland Bill and with new powers devolved to Wales, is another expensive parliamentary assembly or talking shop in England, as the British Parliament here can cope with English matters, but decided by English MPs?

David Mundell: I agree with my hon. Friend. I have always expressed the view that there is no desire for an English Parliament—and the same two people have always written to me afterwards to say that I am wrong.

Sheila Gilmore (Edinburgh East) (Lab): Does the Minister agree that this issue is much more complex than Conservative Members sometimes allow? A good example arose in the debates on university tuition fees before Christmas. That might have been regarded as a purely English issue, but it had tremendous consequences for Scotland.

David Mundell: I acknowledge the hon. Lady's point. This is a complex issue, which is why the coalition Government are committed to establishing a commission to look at it. I hope that it will be able to take evidence from people such as the hon. Lady.

Mark Lazarowicz (Edinburgh North and Leith) (Lab/Co-op): I am sure the Minister is right when he says that there is no great demand for an English Parliament. Does he not accept that the proposal to have two classes of MPs in this House, which is coming from many supporters of the proposals of the hon. Member for West Worcestershire (Harriett Baldwin), effectively amounts to setting up an English Parliament in this building? Is that not inevitably the road that his Government will go down if they accept having two classes of MPs in this House?

David Mundell: I do not acknowledge the hon. Gentleman's point because the devolution settlement means that different MPs in this House already have different responsibilities, depending on whether they are from Scotland, England, Northern Ireland or Wales. The Government are committed to look at the West

Lothian question, which is a substantive issue that the previous Government ignored, and will set up a commission later this year.

Economic Environment

4. **Alun Cairns** (Vale of Glamorgan) (Con): What steps the Government plan to take to ensure a stable economic environment for businesses in Scotland. [60311]

12. **David Rutley** (Macclesfield) (Con): What steps the Government plan to take to ensure a stable economic environment for businesses in Scotland. [60319]

The Secretary of State for Scotland (Michael Moore): "The Plan for Growth" published in the March Budget set out a programme of reforms to create the right conditions for private sector-led growth. This month the Government launched the next stage of the growth review with the central purpose of creating the right conditions for businesses to be established, to invest, to grow and to create jobs.

Alun Cairns: At a time when the Treasury is bringing about stability to the banking sector and banking regulation, does my right hon. Friend agree that the SNP's drive for further independence in Scotland could destabilise Scotland's financial markets?

Michael Moore: There is no question but that uncertainty over the nature, number and timing of the questions that will be asked about independence will be no good for the Scottish economy.

David Rutley: In Scotland and across the United Kingdom, small and medium-sized companies are vital engines of growth and job creation, for which improving access to funding is a vital priority. Will my right hon. Friend tell the House what steps he is taking to address the challenge and whether those steps include working with organisations such as the Federation of Small Businesses in Scotland?

Michael Moore: My right hon. Friend is absolutely right to highlight the critical issue of access to finance. Unless we get enough lending to small and medium-sized businesses, among others, we will not get the economy growing again. That is why creating the conditions in which businesses start, grow and invest appropriately is central to "The Plan for Growth", and it is why Project Merlin sets out very tough targets for lending to businesses across the UK.

Cathy Jamieson (Kilmarnock and Loudoun) (Lab/Co-op): Does the Secretary of State agree that businesses' access to fast broadband is also essential for business growth? Does he share my concern that many constituencies in Scotland, such as mine, do not have such access? What discussions has he had with the Scottish Government regarding that?

Michael Moore: That was one of the key issues that the hon. Lady wanted to raise when I met her a week or so ago to discuss the economy in Ayrshire. As a Government, we are committed to the implementation of superfast broadband across the United Kingdom, and we are in discussions with the Scottish Government on how they should go about that in Scotland. Such provision is vital in Ayrshire, the borders and all parts of the country. I am happy to work with her and others, including the Scottish Government, to ensure that we achieve it.

Dr Eilidh Whiteford (Banff and Buchan) (SNP): Has the Secretary of State had an opportunity to read the Government expenditure and revenue study published this morning, which shows that the Scottish economy is outperforming that of the UK and carrying a lower deficit? Will he take the opportunity to congratulate the Scottish Government on their efforts to promote stability through economic growth and recovery?

Michael Moore: That is a typically interesting interpretation of the figures in this morning's report, which show that, on pretty well every measure, Scotland is running at a deficit. That highlights the volatility and difficulties associated with the different measures. It is vital that we get Scotland's economy back on the right footing. That is why, as a Government, we are cutting corporation tax, keeping interest rates low and reducing the burden on national insurance. I am happy to work with the Scottish Government, who have fantastic powers at their disposal to ensure that the economy grows. We need to work in partnership.

Clyde Coastguard Station

6. **Mr Alan Reid** (Argyll and Bute) (LD): What recent discussions he has had with the Secretary of State for Transport on the Clyde coastguard station in Greenock. [60313]

The Parliamentary Under-Secretary of State for Scotland (David Mundell): I have regular discussions with my right hon. Friend the Secretary of State for Transport on a range of issues of mutual interest, including the future of Scottish coastguard stations.

Mr Reid: May I pay tribute to David Cairns, who had been campaigning to save the Clyde coastguard station before his tragic early death? The waters around Argyll and Bute, with all its islands, peninsulas and sea lochs, present a unique challenge to seafarers. If the Clyde coastguard station is closed, however, all the valuable local knowledge of the area held by the people who work there will be lost. Will the Minister draw that to the attention of the Secretary of State for Transport and urge him to keep Clyde coastguard station open?

David Mundell: It is appropriate that there is mention of David Cairns, who gave distinguished service as a Scotland Office Minister, at this first Scottish questions since his tragic death. I assure my hon. Friend that his points will have been heard, as they were in the recent Westminster Hall debate in which he took part. The Department for Transport will make no announcement on the future of coastguard stations until the Transport Committee has reported.

Tom Greatrex (Rutherglen and Hamilton West) (Lab/Co-op): I associate myself with the comments that have been made about David Cairns.

As the Minister will know, concern is sometimes expressed in Scotland about what he actually does. In a spirit of co-operation, may I offer him an opportunity to allay that concern by expressing, in clear and unambiguous terms, his opposition to the disastrous plans of the Department for Transport to close the coastguard centre in Greenock? Will he stand up for Scotland in that regard?

David Mundell: As the hon. Gentleman knows, the Scotland Office always makes the case for Scotland, and for facilities and resources in Scotland. I welcome the approach of my colleagues in the Department for Transport, who say that they will listen to all representations following their consultation and await the report of the Select Committee on Transport.

Mr Angus Brendan MacNeil (Na h-Eileanan an Iar) (SNP): Clyde coastguard is important to the west coast of Scotland. As one who represents a west coast constituency, I believe that we have already suffered from the loss of Oban coastguard a decade or so ago. Does the Minister agree that—as the doughty fighter Anne McLaughlin is always reminding me—we need Stornoway, Shetland and Clyde coastguards on the west coast as a maritime insurance policy?

David Mundell: I would characterise the hon. Gentleman himself as a doughty fighter for the station in Stornoway. He has made significant representations, and they have been heard. My colleagues in the Department for Transport will announce their conclusion after the Select Committee has delivered its report.

Corporation Tax

7. **Ian Lucas** (Wrexham) (Lab): What recent discussions he has had with the Secretary of State for Business, Innovation and Skills about the transfer to the Scottish Parliament of the power to set rates of corporation tax. [60314]

The Secretary of State for Scotland (Michael Moore): I have regular discussions with Cabinet colleagues on a wide range of issues. The Scottish Government included the devolution of corporation tax among its requests for amendments to the Scotland Bill. To date, the Government have not received any detailed proposals from the Scottish Government.

Ian Lucas: On the same day the Business Secretary said that the logic of devolving corporation tax was irresistible, he subsequently said that he fully supported the Government's position in opposing it. Is not the Business Secretary a bit of an embarrassment both to Scottish business and to the Government, and is it not about time he started speaking to the Secretary of State for Scotland about important matters such as corporation tax?

Michael Moore: I assure the hon. Gentleman that the Business Secretary and I are at one on the issue.

Agriculture Industry

8. **Anne Marie Morris** (Newton Abbot) (Con): What recent discussions his Department has had with representatives of the Scottish agriculture industry. [60315]

The Parliamentary Under-Secretary of State for Scotland (David Mundell): My right hon. Friend the Secretary of State and I regularly discuss a range of devolution issues with the Advocate-General. We regularly discuss devolution issues in relation to the Scotland Bill, which is delivering the Government's commitment to strengthening the devolution settlement.

Anne Marie Morris: No doubt the Minister is acutely aware of the importance of reform of the common agricultural policy to farmers both in Scotland and elsewhere in the United Kingdom. Given the importance of agriculture to the economy, does he agree that it is essential that we secure a deal for our farmers that is fairer and more transparent?

David Mundell *rose—*

Mr Speaker: Order. The Minister's mellifluous tones diverted me from the fact that the content of his answer did not relate to the question that had been asked. I am sure that he will now talk about agriculture and not about devolution.

David Mundell: Thank you, Mr Speaker. I can inform the hon. Member for Newton Abbot (Anne Marie Morris) that my right hon. Friend the Secretary of State for Scotland was in Brussels last week, where he made the very points that she has just made.

Devolution

9. **Miss Anne McIntosh** (Thirsk and Malton) (Con): What recent discussions he has had with the Advocate-General on devolution issues. [60316]

David Mundell: I refer my hon. Friend to my previous answer.

Miss McIntosh: As ever, I am grateful to my hon. Friend. Has the Advocate-General yet received an update on the progress made by the expert group set up by the Scottish Government, which is examining the role of the United Kingdom Supreme Court?

David Mundell: The Advocate-General wrote to the chair of the Scottish Government expert group, Lord McCluskey, offering a meeting, but has now received a response from the group's secretariat saying that, owing to their timetable, members of the group have not had time in the first instance to receive submissions or hear evidence. What appears to have happened is that an expert group is set up by the First Minister one week, meets the following week—with no evidence taken in any week—and reports the week after.

Pete Wishart (Perth and North Perthshire) (SNP): That was a most disappointing response. Will the Government start supporting the integrity and independence of Scots law, work constructively with the Scots group chaired by the eminent Lord McCluskey and promise to do nothing to reform the Supreme Court until the group has reported?

David Mundell: I should have hoped that the hon. Gentleman, like his colleague, Jim Sillars, the former deputy leader of the Scottish National party, would

have sought to disassociate himself from the appalling comments that the First Minister has made about Lord Hope, which Jim Sillars described as "foolish" and "juvenile". *[Interruption.]*

Mr Speaker: Order. There are far too many private conversations taking place in the Chamber. It is very discourteous to the Member asking the question and to the Minister answering it. I want to hear Sir Menzies Campbell.

Sir Menzies Campbell (North East Fife) (LD): What possible confidence can we have in the findings of a group that is unwilling to meet the Advocate-General, who last year established an inquiry for precisely the same purpose as this group has been established?

David Mundell: The right hon. and learned Gentleman makes an extremely good point. As I said in my initial response, it seems incredible that a group set up to consider this very complicated issue is not going to take evidence or receive submissions. I am pleased that the Advocate-General has in any event made his information available to the group, so that might give us some confidence in the report it produces.

International Inward Investment

10. **Mark Menzies** (Fylde) (Con): What steps he is taking to promote Scotland as a destination for international inward investment. [60317]

The Secretary of State for Scotland (Michael Moore): The trade White Paper sets out a strategy for creating opportunities and providing the conditions for private sector growth through trade and international inward investment. My hon. Friend the Minister for Trade and Investment will visit Scotland in July.

Mark Menzies: Does the Secretary of State share my fear that the Scottish Government's plans for a referendum on separation will undermine this Government's efforts to create jobs in Scotland?

Michael Moore: My hon. Friend is right to highlight what we are focusing on as a Government. "The Plan for Growth" seeks to give us the most competitive tax system in the G20, to ensure we are the best place in Europe to start, grow and finance a business and to bring about further investment and a flexible work force. None of that can be done if we have the uncertainty that the independence referendum casts over the Scottish economy.

John Thurso (Caithness, Sutherland and Easter Ross) (LD): Does my right hon. Friend agree that the Olympics offer a splendid opportunity for promoting inward investment to Scotland? In that regard, is it not tragic that the torch, having visited Land's End, will fly over John O'Groats?

Michael Moore: My hon. Friend makes his point as eloquently as I would expect him to and I am sure that those who are organising the trip will have heard his points.

Central Ayrshire

14. **Mr Brian H. Donohoe** (Central Ayrshire) (Lab): What assessment he has made of the outcomes of his recent visit to Central Ayrshire. [60321]

The Secretary of State for Scotland (Michael Moore): The seminar I hosted in Irvine last month discussed how to tackle the high level of youth unemployment in Ayrshire. The Scotland Office is working with key partners such as Jobcentre Plus to focus resources on the most challenging areas identified at the seminar. We look forward to working with the Scottish Government on this complex issue.

Mr Donohoe: I thank the Secretary of State for that answer. One of the areas of major concern identified at the seminar was the high unemployment among those aged between 16 and 18, which seemed to have slipped off the radar. It was the Secretary of State for Work and Pensions, who was present at the meeting, who made that very important point. What is the situation, what assessment has been made by the Secretary of State for Scotland and what is going to be done about that issue?

Michael Moore: First, may I thank the hon. Gentleman for his full participation in the seminar? It was the first in a series that we will hold across Scotland to tackle a deep-rooted problem, not just in Ayrshire but elsewhere, that has defied Governments through the ages. He rightly points out that my right hon. Friend was at that seminar; we continue to discuss the serious challenges in relation to youth employment and I will be happy to discuss those further with the hon. Gentleman in due course.

Katy Clark (North Ayrshire and Arran) (Lab): As the Secretary of State knows, Ayrshire has some of the worst rates of unemployment and youth unemployment in Scotland. In 2007, Scotland had the highest levels of employment in Britain, but it now has the lowest levels of employment and the highest levels of unemployment. What more can the Westminster Government do to work with the Scottish Government to take concrete steps to address the problem?

Michael Moore: I make two observations to the hon. Lady. First, we need to get the economy into a place from which we can see sustained, strong and balanced growth, which would be a complete contrast to the situation we inherited from her Government. On her second point about working with the Scottish Government, she is right to highlight the serious economic powers that they already have and it is vital, as I said to the hon. Member for Kilmarnock and Loudoun (Cathy Jamieson) earlier, that we work together to ensure that we do the best for people across Scotland.

Forth Road Bridge Replacement

15. **David Mowat** (Warrington South) (Con): What discussions he has had with members of the Scottish Executive on the funding of the Forth road bridge replacement. [60322]

The Parliamentary Under-Secretary of State for Scotland (David Mundell): This issue was raised in discussions between my right hon. Friends the Deputy Prime Minister and the Secretary of State for Scotland and the First Minister on 9 June. As announced by my right hon. Friends the Chancellor and the Secretary of State on 13 June, the Government are bringing forward to 2011 the power for Scottish Ministers to make prepayments, which will allow work on the Forth replacement crossing to begin.

David Mowat: I thank the Minister for that reply. He will be aware that two major bridge schemes are about to take place in the UK: the Forth road bridge, to be funded by the Treasury and by the means that he has just given us, and the Mersey gateway in Cheshire, to be funded substantially by tolls. How can the Government justify that difference in the same country?

David Mundell: The justification is devolution; it is a decision of the Scottish Government to proceed with the Forth replacement crossing on the basis that there will be no tolls on it.

PRIME MINISTER

The Prime Minister was asked—

Engagements

Q1. [61068] **Kerry McCarthy** (Bristol East) (Lab): If he will list his official engagements for Wednesday 22 June.

Happy anniversary, Mr Speaker.

The Prime Minister (Mr David Cameron): I was unaware of that event, Mr Speaker, but I join the hon. Lady in wishing you a very happy anniversary.

I am sure that the whole House will wish to join me in paying tribute to Craftsman Andrew Found from the Royal Electrical and Mechanical Engineers, Corporal Lloyd Newell from the Parachute Regiment and Private Gareth Bellingham from 3rd Battalion the Mercian Regiment. They were talented, brave and dedicated soldiers who have made the ultimate sacrifice overseas for the safety of British people at home. We send out our deepest condolences to their families, their friends and their colleagues.

This morning, I had meetings with ministerial colleagues and others, and in addition to my duties in the House, I shall have further such meetings later today.

Kerry McCarthy: I thank the Prime Minister for that response, and may I associate myself and my constituents with the moving tributes that he has just paid.

A year ago today, the Chancellor stood up in the House to deliver his first Budget. Given that on the Government's own assessment, their efforts will have a statistically insignificant impact on child poverty, may I recommend that the Prime Minister watch the BBC documentary, "Poor Kids" to find out how the other half lives? Does he regret allowing his Chancellor to take money away from families with children, rather than from the bankers who caused the financial crisis in the first place?

The Prime Minister: I will certainly look at the programme that the hon. Lady mentions; but even in a difficult time, this Government put more money into child tax credits for the poorest families. We have frozen the council tax, and we have actually taken steps to help working families. Neither that Budget nor the subsequent Budget actually raised child poverty, because of the steps that we took. We inherited a complete mess from the Labour party, but we are dealing with it in a way that protects families.

Angie Bray (Ealing Central and Acton) (Con): Can the Prime Minister confirm that this country will not contribute a penny towards the Greek bail-out, other than what we contribute to the International Monetary Fund?

The Prime Minister: My hon. Friend is right. We are senior members of the IMF. We sit on the IMF board. We obviously have responsibilities as members of the IMF, but what I am clear about is that we were not involved in the first Greek bail-out; we are not members of the eurozone; and we are not going to become members of the eurozone as long as I am standing here. I do not believe that the European financial mechanism should be used for Greece. We have made it very clear within Europe that we do not think that that is appropriate, and I do not think that that should happen.

Edward Miliband (Doncaster North) (Lab): May I join the Prime Minister in paying tribute to Craftsman Andrew Found from the Royal Electrical and Mechanical Engineers, Corporal Lloyd Newell from the Parachute Regiment and Private Gareth Bellingham from 3rd Battalion the Mercian Regiment? They all served their country with dedication and bravery, and our hearts go out to their families and friends.

Armed Forces day is coming up this Saturday, and that is an opportunity to remind us all of the service that is provided by our armed forces in Afghanistan, Libya and all around the world. It is a moment to recognise the service that they provide with honour and courage for our country.

We support the mission in Libya, but in the past week, both the First Sea Lord and the Commander-in-Chief, Air Command have raised concerns over the prospect of an extended campaign. Will the Prime Minister take this opportunity to assure the House that sufficient resources are in place to maintain Britain's part in the mission at the current rate of engagement?

The Prime Minister: I join the right hon. Gentleman in paying tribute to our armed forces and particularly in looking forward to Armed Forces day on Saturday, when we will be celebrating the contribution they make to our national life and the enormous amount they do to keep us safe.

The mission in Libya, similar to the mission in Afghanistan, is funded out of the reserve, so it does not put additional pressures on the defence budget. I have sought and received assurances from the Chief of the Defence Staff, General Sir David Richards, that we are capable of keeping up this operation for as long as it takes. That is vital. I would argue that the pressure is building on Gaddafi. Time is on our side, not on Gaddafi's side. When we look at what is happening in

Libya, where we see a strengthening of the revolt in the west of Libya, more people deserting Gaddafi's regime, the growing unpopularity of his regime and our coalition holding strong, I think time is on our side, the pressure is growing, and I believe we will take it to a satisfactory conclusion.

Edward Miliband: I am absolutely with the Prime Minister that we should keep up the pressure on the Libyan regime. As he knows, we provide our full support for the mission, but do not the concerns that have been expressed by members of our armed forces point to something very important—the need to look again at the strategic defence and security review, precisely to make sure that we have the right capability and the right focus? The Foreign Secretary described the Arab spring as a more important event than 9/11, but the national security strategy published last year does not mention Libya, Egypt or Tunisia. Is it not right, in the light of the changes we have seen, to look again at the strategic defence and security review to make sure that we can sustain the conflict in Libya?

The Prime Minister: I am grateful for the question, because that is an important point. One of the reasons for having a National Security Council that sits weekly is all the time to ask whether we have the right resources and the right strategy. We have had a review of the national security and defence review over the past year, but that strategic defence review put in place mechanisms to take account of the fact that we may well be fighting two conflicts at the same time. It also established the necessity of having very flexible armed forces for exactly the sort of operations that we are fighting and dealing with in Libya. Having not had one for 10 years, it seems strange to want to have two strategic defence reviews within one year. We have the right flexibilities in our armed forces and they are performing magnificently in Libya. If anything, I would like to speed up the implementation of the strategic defence review because so much of the new equipment that we are looking to have—drones and so on—would be more helpful if we had it right now. So, far from being the wrong strategic posture, it is right and it is good that we are putting it in place.

Edward Miliband: I think it will come as news to the wider defence and security community that there has been a review of the original strategic defence and security review. If indeed there has been a review since the Arab spring took place, why does not the Prime Minister publish the results of that review? Let us have a consultation with the experts who know about these issues. As he will see, there is clear concern across our military about some of the issues. Finally, let me say to the Prime Minister in all sincerity that when our military chiefs raise legitimate concerns about the conduct of our operations, surely, "You do the fighting, I'll do the talking" is not the right thing to say. In retrospect, was that not very crass and high-handed?

The Prime Minister: I have huge respect for the people who run our armed services. They do an incredibly good job. They are highly professional people and they are involved in the National Security Council. They were involved in drawing up the strategic defence review. The only point that I have tried to make in recent days is that when we are at war, as we are in both Afghanistan and Libya, it is extremely important, whether one is a political leader or a military leader, to think very carefully about what one is about to say.

John Thurso (Caithness, Sutherland and Easter Ross) (LD): Is the Prime Minister aware of the decision, abruptly made, to close the passport office in Wick, which has obliged a six-year-old boy to make a 300 mile round trip for an interview and another constituent to travel to Newcastle? Is that acceptable?

The Prime Minister: Obviously, I will look closely at the point my hon. Friend raises, but in the modern age we have all sorts of ways of carrying out interviews that do not necessarily involve people having to travel to a passport office. What matters is having an efficient service so that people can get the documentation they need so they can go on the holiday they want.

Q2. [61069] **Mrs Mary Glindon** (North Tyneside) (Lab): Given the number of U-turns the Prime Minister has made, including on sentencing, NHS reform, the forestry sell-off and school sports, it is a wonder that he knows which way he is facing, but will he now have the front to ensure that relief measures are put in place for those women who are hardest hit—*[Interruption.]*

The Prime Minister: I am afraid I did not hear the entire question, but that is the trouble with—*[Interruption.]*

Mr Speaker: Order. It is a reminder of the importance of Government Back Benchers keeping calm and quiet, not least so that the Prime Minister can hear what is being said. How helpful that would be!

The Prime Minister: It would probably also help if Members did not read out the Whips' bit at the beginning of their question, so that we could hear the second part of the question, which in this case was, I think, about the important issue of women and pensions. I do think it is right to equalise the pension ages of men and women at 65, and that is going ahead, and I also think it is important to raise the pension age to 66, because the fact is that people in our country are living longer. That is a good thing, but we have to make sure we can pay for good and decent pensions for the future. The alternative is that we stick our head in the sand and end up either cutting pensions or building up debts for our children, which, frankly, would be irresponsible. This Government are taking difficult decisions, but they are the right ones.

Iain Stewart (Milton Keynes South) (Con): Does the Prime Minister agree that there is still too much homophobia in sport, especially football, and that the event he is hosting today in Downing street will go some way towards tackling that prejudice?

The Prime Minister: I completely agree, and I am delighted to be hosting a party for Britain's lesbian, gay and transgender community at No. 10 Downing street today. That there are so few out players in all sports is an issue. I applaud those who have come out and will be attending my party tonight, and I hope that that will encourage schoolchildren to recognise that homophobic bullying is completely unacceptable in our society today.

Q3. [61070] **Jessica Morden** (Newport East) (Lab): If the Prime Minister is serious about tackling the issue of runaway fathers, as he said last week, why is he making it harder for single mothers to get maintenance payments, by charging them to use the Child Support Agency?

The Prime Minister: We are going to carry on funding a child support agency mechanism—it is right that we do—but it is not wrong to ask people to make a contribution to that. Taxpayers are currently putting in a huge amount of money, and they will carry on doing so, but to ask the people concerned to pay towards the costs does not reduce the impact of what I said last week at all. People walking away from their responsibilities and not funding their children should not be allowed to happen in Britain today.

Q4. [61071] **Oliver Colvile** (Plymouth, Sutton and Devonport) (Con): Next year will be the centenary of the death of Captain Robert Falcon Scott of the Antarctic. Does my right hon. Friend recognise that this brave historic son of Plymouth left a significant scientific legacy that is still helping to shape the world's environmental agenda today?

The Prime Minister: I thank my hon. Friend for raising that issue. That centenary is important, and I am very pleased that so much is going on across the country to celebrate it, especially in his home city of Plymouth. It is not just the scientific discoveries that are important; so too is the inspirational figure—the adventurer, the explorer—and Captain Scott's incredible sense of duty and adventure. That is what inspires young people today.

Edward Miliband: The Prime Minister has been forced to abandon his original sentencing plans. Will he now change his mind on the proposal to prevent police from holding the DNA of those arrested for, but not charged with, rape?

The Prime Minister: We inherited an unacceptable situation, with a DNA database that had grown out of control, and without proper rights for people. We put in place a better system. There is always room to see whether it can be further improved, but we have taken a big step forward from the mess we were left by the last Government.

Edward Miliband: It is a bit late to be looking at the proposal; it is in the House of Commons and about to have its Report stage. Let me explain to the Prime Minister his own policy. Around 5,000 people each year are arrested on suspicion of rape but not charged—*[Interruption.]* I know he wants some help from the Home Secretary. In certain cases those individuals have gone on to commit further offences and been convicted as a result of their DNA being held on the national database, but his proposal is that the DNA of those arrested but not charged will be disposed of straight away. I ask him again, why is it right to discard the DNA of those arrested but not charged with rape?

The Prime Minister: I know that there is some concern—*[Interruption.]*

Mr Speaker: Order. The answer of the Prime Minister will be heard. I remind the House that the more noise there is, the greater the difficulty in getting down the Order Paper.

The Prime Minister: I understand that there is some worry that in this Government we actually talk to each other. That is clearly not the case—*[Interruption.]* The shadow Chancellor has raised this issue, but it is perfectly clear that he and the leader of the Labour party do not speak to each other at all. I have the proof, because this week the shadow Chancellor made a huge announcement on a massive VAT cut, and yet it was only—*[Interruption.]*

Mr Speaker: Let us focus on an answer to the question, or we will move on to the next question. I call Mr Ed Miliband.

Edward Miliband: Let me give this lesson to the Prime Minister: it would be better to talk to his colleagues before they put forward a policy, not after. Instead of listening to the Home Secretary, why does he not listen to Angie Conroy from Rape Crisis? She says:

"with the reporting of rapes on the increase and conviction rates still shockingly low, the evidence this database provides is vital. The more of this data we hold, the more chance we have of catching rapists."

She goes on to say:

"This really is a no brainer."

Is this not another policy on crime that is careless, not thought through and out of touch? Why does he not think again?

The Prime Minister: First, if the right hon. Gentleman actually understood the policy, he would know that the police are allowed to apply to keep DNA on the computer, which is not something he mentioned. What we tend to find with his questions is that he comes up with some idea, gets it completely wrong in the House of Commons and we all find out afterwards that he has given us a partial picture. That is what his questions are all about. It is not surprising that he does not want to talk—*[Interruption.]*

Mr Speaker: Order. The answer of the Prime Minister must be heard.

The Prime Minister: I am not surprised that he does not want to talk about the issues his party has put forward this week, because I do not suppose he knew about them.

Several hon. Members *rose—*

Mr Speaker: Order. The House needs to simmer down and take whatever tablets are necessary.

Mr Marcus Jones (Nuneaton) (Con): As a parent, I am appalled that the Labour party advocates burdening our children with ever more unsolicited debts, which it is putting forward with its reckless raft of unfunded tax cuts and spending commitments, of which the VAT cut is the latest—*[Interruption.]*

Mr Speaker: Order. The hon. Gentleman will now resume his seat. I call Valerie Vaz.

Q5. [61072] **Valerie Vaz** (Walsall South) (Lab): There are 400 avoidable deaths from epilepsy and related conditions each year. My ten-minute rule Bill asks for two things: an immediate referral to a tertiary specialist and; in education, support for children, with an assessment and additional support so that they can fulfil their potential. Will the Prime Minister meet me, the Joint Epilepsy Council and Professor Helen Cross to see how we can progress those provisions, which will save not only costs, but more importantly, lives?

The Prime Minister: I would be delighted to meet the hon. Lady and Helen Cross, whom I know well. She works at Great Ormond Street hospital and is an absolutely brilliant clinician. I am keen to improve the support that we give to people with epilepsy. Obviously, one of the steps that we are taking is to put in place more personal budgets and more single assessments, which I think will help with epilepsy. My understanding is that, although there are many good things in the hon. Lady's Bill, there is some concern that it could have too much of a medical approach to special educational needs, something that I actually have some sympathy with, but which I know many professionals have concerns about, so perhaps we could talk about that when we meet.

Stephen Phillips (Sleaford and North Hykeham) (Con): Could my right hon. Friend tell the House whether the Government have made an assessment, and if so the results, of what a proposed cut in VAT would do to the British economy at this stage of the cycle?

The Prime Minister: My hon. and learned Friend makes an important point, which is that to make an unfunded cut in VAT right now, when the concerns are about debt and deficit, would actually be the height of insanity. What is now clear is that Labour's plan B stands for bankruptcy.

Q6. [61073] **Helen Jones** (Warrington North) (Lab): The Prime Minister frequently tells us that we are all in this together, so can he explain why banks have been rewarded with a £2 billion tax cut on their obscene bonus pools while parents of disabled children are being penalised with a benefit cut of £1,400 a year? How is that fair?

The Prime Minister: I will tell you what this Government have done, and that is to put in place a £2.5 billion bank levy, raising more than Labour's bonus tax every single year, but I have to say that, if Opposition Members want to see irresponsible people who are earning a lot of money pay proper taxes, perhaps they will explain this: why did they vote against the measures on disguised earnings in the Finance Bill,which will raise £800 million from people who are giving loans to themselves to dodge taxes? *[Interruption.]* Well, I think that that is probably a detail that the leader of the Labour party was not really aware of.

Andrew George (St Ives) (LD): Although of course we should not make a unilateral contribution to the Greek bail-out, does the Prime Minister not agree that we have something which would help regenerate the Greek economy and put right a 200-year wrong—the marbles, which we should give back?

The Prime Minister: I am afraid that I do not agree with the hon. Gentleman—*[Interruption.]*

Mr Speaker: Order. I want to hear the Prime Minister's views on marbles.

The Prime Minister: The short answer is that we are not going to lose them.

Q7. [61074] **Mr William Bain** (Glasgow North East) (Lab): Is the Prime Minister aware that 670,000 people, two thirds of whom, according to his Government's equality impact assessment, have a disability, will lose up to £13 a week because of his changes in housing benefit under-occupancy rules? Is not that a complete betrayal of his Chancellor's promise not to balance the Budget on the backs of the poor?

The Prime Minister: I have looked carefully at that issue, and I know there are concerns, but the point I would make is this: I think it is right that we reform housing benefit, because the costs had got completely out of control under the previous Government, rising to £22 billion; and I think it right that housing benefit reflects the size of a family rather than the size of a house. But, we have actually made an exception for people with carers so that allowance is made for that in housing benefit. So, I think that that is fair, but I have to say to Opposition Members, it is no good saying that you are in favour of welfare reform and cutting the costs of welfare while never being able to find a single part of the Bill to agree with.

Q8. [61075] **Greg Mulholland** (Leeds North West) (LD): Will the Prime Minister join me in welcoming the new report by the all-party paediatric mobility reform group, "My Wheelchair is My Shoes", showing how, through partnership working, we can deliver the wheelchairs that transform young people's lives? Will he meet me and Whizz-Kidz ambassadors to discuss how the Government might take that forward?

The Prime Minister: Certainly. I know Whizz-Kidz well. It is an excellent charity that does a brilliant job, and I will certainly arrange a meeting for the hon. Gentleman. The point I would make on wheelchairs is that that is exactly where the health reforms, with greater choice and with greater opportunities for GPs and patients to choose, should come in, so that people can get the wheelchair of their choice when they need it, rather than as it is at the moment where you have to take what you are given.

John Mann (Bassetlaw) (Lab): In four of the last five years, there have been no mistakes made in setting school examination papers. Since 16 May this year, there have been 10 such mistakes made. What does the Prime Minister intend to do for those among the 250,000 young people affected who will lose out either on their university of choice or on university completely because of this staggering incompetence?

The Prime Minister: The hon. Gentleman is right; this is not an acceptable situation. I have discussed it this morning with the Education Secretary, who in turn has discussed it with Ofqual, which is taking the toughest possible action to root out this failure and to make sure that it does not happen again.

Q9. [61076] **George Eustice** (Camborne and Redruth) (Con): The Prime Minister will be aware that the former Labour Secretary of State, Lord Hutton, has described current proposals on pension reform as the best chance we have to deliver a sustainable system that is fair both to scheme payers and to the taxpayer. Does my right hon. Friend agree that when it comes to these major, long-term issues, we should build the broadest possible consensus; and will he seek the support of Members on both sides of the House for his proposals?

The Prime Minister: I thank my hon. Friend for his question and for the way he puts it. The Hutton report is a good report. This is not about attacking or downgrading public sector pensions; it is about a way of making really good public sector pensions affordable into the long term and respecting all the accrued rights that people have. We need to win this argument on the basis of fairness. It is right for the taxpayer to put money into public sector pensions, but we need to know that they are affordable for the long term. The steps that Lord Hutton puts forward are therefore absolutely right. I hope that the Labour party will take a responsible view and recognise that we need to make this change for the long-term good of our country.

Q15. [61082] **Catherine McKinnell** (Newcastle upon Tyne North) (Lab): Eighteen months ago, one of my constituents required knee surgery and was pleased to hear that he had to wait only six weeks. He now needs another operation and has been told that he has to wait 10 months. He is in agony and unable to walk. He is understandably angry and wants to know if this is what the Prime Minister meant when he said that the NHS was safe in his hands.

The Prime Minister: If the hon. Lady gives me the details of the individual case, I will certainly take it up and look at it. The fact is that we have not changed the waiting list targets that have been in place in the NHS for a long time—in particular, the 18-week target that is part of the NHS constitution. Average waiting times have actually come down in recent months. The clear lesson is this: were it not for this Government putting in an extra £11.5 billion—money that Labour does not support—we would see all waiting times going up.

Q10. [61077] **Mr Douglas Carswell** (Clacton) (Con): On 18 July last year, the Economic Secretary to the Treasury stated, with regard to the decision to sign Britain up to the eurozone bail-out mechanism:

"While these decisions were taken by the previous Government, this Government judges them to be an appropriate response to the crisis."

Does this remain the Government's position?

The Prime Minister: I know that my hon. Friend is pursuing this issue with his normal dogged tenacity. The facts of the case are very clear. The last Government—at the death, as it were, after the election but before the new Government were formed—signed us up to the European financial mechanism that we are still having to pay out under. This Government have got us out of that by tough negotiation in Brussels so that we will not have to contribute after 2013.

Dan Jarvis (Barnsley Central) (Lab): May I associate myself with the Prime Minister's and the Leader of the Opposition's expressions of condolence for the soldiers who have fallen in Afghanistan? Those who serve are the lions of our country, and we must always do everything we can to repay the debt of gratitude we owe them.

The October 2010 strategic defence and security review has been overtaken by events, and the world is now a fundamentally different place. May I therefore ask the Prime Minister again: will he do the right thing for the armed forces and for the country and order a new chapter to this now outdated review?

The Prime Minister: I very much respect what the hon. Gentleman says, particularly his fitting tribute to the armed forces, but the idea of totally reopening the defence review at a time when our armed forces are engaged and are doing such a fantastic job is the wrong one. The defence review was all about making sure that we have flexible armed forces so that they can be committed to different parts of the world and have the backing they need. It was about getting rid of the main battle tanks in Germany and putting money into the enablers and the forces of the future. Libya shows that it is working, and I think we should stick with it.

Q11. [61078] **Stuart Andrew** (Pudsey) (Con): Will my right hon. Friend welcome those campaigning outside Parliament today for high-speed rail in order to bring thousands of much-needed jobs to the midlands and help to address the north-south divide, and will he confirm that it will come to Yorkshire?

The Prime Minister: I happily confirm all those things. I believe that if we are really serious about rebalancing our economy and ensuring that we get growth across the country, and not just in the south-east, the time for high-speed rail has come. That is why it has my strong support.

Q12. [61079] **Mr Wayne David** (Caerphilly) (Lab): The Secretary of State for Wales has said that she is prepared to be sacked because of her opposition to Government policy on high-speed rail. Will the Prime Minister take her up on that very kind offer?

The Prime Minister: I prefer to focus on the fact that in one year as Welsh Secretary, she has secured something that 13 years of Labour Welsh Secretaries never achieved, which is the electrification of the line between Paddington and Cardiff.

Mr Aidan Burley (Cannock Chase) (Con): An agoraphobic man from Middlesbrough received so much money from state benefits that he set up his own illegal loans company. At the trial, the judge described him as receiving a staggering amount of money on benefits. Does that not show that our welfare system is broken, and will the Prime Minister pledge to redouble his efforts to reform it?

The Prime Minister: My hon. Friend is absolutely right that the people who send us here want us to sort out the welfare system. They want it to be there for people who genuinely need help, but they want us to ensure that anyone who can work and is offered a job cannot live a life on welfare. Government Members

have put forward the legislation and voted for it. What a pity that the Labour party talks about it, but did not have the guts to back it when the crunch came.

Q13. [61080] **Simon Danczuk** (Rochdale) (Lab): Most people know that Rochdale is the home of co-operation. Next year is the United Nations international year of co-operatives. Will the Prime Minister consider visiting Rochdale to show support for mutualism in the 21st century?

The Prime Minister: I note the excellent record of Prime Ministers visiting Rochdale, and what can happen to them when they get there. I will certainly put it in the diary. I am a strong supporter of co-operatives and mutuals. I think that they have a huge role to play not just in our economy, but in the provision of public services. We will make some announcements about that, perhaps in Rochdale, in the months to come.

Paul Uppal (Wolverhampton South West) (Con): Earlier this year, the Prime Minister demonstrated his strength of character in talking about multiculturalism. In view of the fact that I have a Christian first name and a Sikh surname, I try to combine the best of my traditional Indian values with my core British values. Does he agree that we can learn a lot from our Indian partners in this respect, many of whom define themselves by their nationality first and foremost, regardless of their ethnic or religious background?

The Prime Minister: I pay tribute to my hon. Friend and his work on this issue. It is vital that, as a country, we build a stronger national identity. Of course people can have all sorts of religious and cultural identities, but it is very important that we build a strong British identity. He is living proof of that.

Q14. [61081] **Luciana Berger** (Liverpool, Wavertree) (Lab/Co-op): Tomorrow, the European Parliament will decide whether to increase the EU's carbon reduction target to 30% by 2020. That was a commitment in the coalition agreement. According to reports, the vote will be very close, but it will not pass because just one Conservative MEP out of 25 will vote for the 30% target. Will the Prime Minister guarantee that all his MEPs will honour the coalition agreement and vote for the 30% target tomorrow?

The Prime Minister: Let me be absolutely clear that we are committed to the 30% target and nothing is going to change that. I will do a deal with the hon. Lady. I will work on my MEPs if she promises to work on hers, who in recent months have voted for a higher EU budget and new EU taxes, and against an opt-out on the working-time directive. They even voted against scrapping first-class air travel for MEPs. Perhaps she would like to fly over and give them a talking to.

Mr Speaker: Last but not least, I call Mr Robert Buckland.

Mr Robert Buckland (South Swindon) (Con): With the National Audit Office estimating the cost to the economy of criminal reoffending at £10 billion a year, does my right hon. Friend agree that the need to reduce reoffending from the unacceptably high rates that we inherited from the previous Government must be the priority of any penal policy?

The Prime Minister: I completely agree with my hon. Friend, who has considerable experience in this matter from his career before coming to this place. We have inherited a system in which each prison place costs £45,000, half of prisoners reoffend within a year of getting out, half of prisoners are on drugs, and more than 10% of prisoners are foreigners who should not be in this country in any event. The key thing we have to do is reduce costs in the criminal justice system by making prison work and reforming prison, rather than by cutting sentences.

Points of Order

12.34 pm

Angus Robertson (Moray) (SNP): On a point of order, Mr Speaker. May I seek your guidance? *[Interruption.]*

Mr Speaker: Order. May I ask Members who are leaving the Chamber to do so quickly and quietly, affording the same courtesy to the hon. Gentleman that they would want to be extended to them in such circumstances?

Angus Robertson: I seek your guidance, Mr Speaker, about Standing Order No. 122C, which governs rules for motions of no confidence in a Select Committee Chair, and states:

"A resolution by a committee expressing no confidence in its chair shall not have effect"

unless

"the majority of the membership of the committee, including at least two members from the largest party represented on the committee, and at least one member from another party, vote in favour of the resolution."

Will you confirm that the membership of the Scottish Affairs Committee is five Labour, four Conservative, one Liberal Democrat and one from the Scottish National party? Does that not mean, then, that it will fall to two Labour members of the Committee to decide whether it is acceptable for the Committee Chairman to remain in office after describing the Scottish National party as "neo-fascists"?

Mr Speaker: The hon. Gentleman has quoted the Standing Order and offered his analysis of the situation, and it falls to the Committee to decide what, if any, action it wishes to take. There is no matter of order on which I need rule.

Mr David Winnick (Walsall North) (Lab): On a point of order, Mr Speaker. It is not my wish to extend Prime Minister's Question Time, and I realise the number of Members who were trying to catch your eye. However, in order that there should not be any misunderstanding, may I say that, although the point of view on Libya put forward from the Front Benches may, for all I know, remain the majority view in the House, there is a different point of view? That is the desire to bring about a genuine ceasefire as soon as possible. It should be understood that the view that has been expressed in the House today is not by any means the view of all of us.

Mr Speaker: The hon. Gentleman, in a disorderly but engaging way, has now made the position as far as he and perhaps others are concerned very clear. We are grateful to him.

Smoking in Private Vehicles

Motion for leave to bring in a Bill (Standing Order No. 23)

12.37 pm

Alex Cunningham (Stockton North) (Lab): I beg to move,

That leave be given to bring in a Bill to require the Secretary of State to make provision for a ban on smoking in private vehicles where there are children present; and for connected purposes.

My constituency is ranked 15th in the British Lung Foundation's ranking of constituencies for children at most risk of passive smoking. The parent smoking hot spots table shows that almost 29% of households in Stockton North contain parents who smoke. In addition, the number of adult smokers is significantly higher than the England average, as are deaths from smoking. Also, more women smoke in pregnancy than the national average.

We are all aware that passive smoking is harmful to children's health. According to the tobacco advisory group at the Royal College of Physicians, more than 300,000 children in the UK present to their GP with passive smoking-related illnesses every year. It also estimates that passive smoking causes about 20,000 new cases of wheezing and asthma in UK children each year, and makes a conservative estimate that that costs the NHS £22 million a year in hospital admissions and treatment costs.

In north-east England we are working hard to address the issue, including through action by charities such as Fresh, and we have had some great success. Smoking rates in the region dropped from 29% in 2005 to 22% in 2009, a welcome step forward in the fight against tobacco. Fresh tells me, however, that some 84,000 children in north-east England are still exposed to second-hand smoke in the home, a figure that must come down.

A recent YouGov poll showed that 90% of smokers in the north-east of England worry about the impact of smoking around children, and that 78% support a ban on smoking in cars carrying children younger than 18. That support is even higher elsewhere. When the British Lung Foundation teamed up with Mumsnet to find out the views of parents on smoking, it found that more than 85% of them supported a proposed ban on smoking where children are present. The research also showed that 83% of smoking parents said they would support legislation to protect children.

The science is clear. Experts say that children are particularly vulnerable to passive smoke, as they have quicker breathing rates. It goes without saying that consistent exposure to second-hand smoke can lead to a lifetime of respiratory problems. The Chartered Institute of Environmental Health has shown that smoking in cars is dangerous to children even after the cigarette is extinguished. Levels of second-hand smoke in cars can be extremely high, because of the restricted area in which the smoke is circulated.

A study by Aberdeen university showed that smoking in a car exposes children to levels of smoke that compare with the levels in a smoke-filled pub, which we fortunately no longer have to endure. The fact that children can be exposed to such an environment in cars is reason enough to introduce a ban on smoking in private vehicles when they are present.

In the Government's tobacco control plan for England, "Healthy Lives, Healthy People", they say that they want people to recognise the risk of second-hand smoke and to decide to make their homes and cars smoke free. Frankly, that is not good enough. We need a ban, and healthier children. I am told that the Government's marketing strategy for tobacco control will set out further details on how they will support efforts to encourage smoke-free homes and family cars. Perhaps they will take the right action, but they need to be decisive.

We already have legislation to ban smoking in vehicles carrying passengers in the course of paid or voluntary work, including buses, trains, planes and taxis. I remember when it was considered normal for people to light up on public transport. Most would agree that attitudes have changed significantly. I cannot see how it can be a real hardship to anyone to stop smoking in private vehicles. The benefits will be tremendous. Given the significant health impact on children, who are unable to remove themselves from such cars, the Government should not dismiss calls for a ban.

Some will say that the car is a private space in which the Government should not intervene, but is the space in the back of a car not the child's private space? Some adults invade it with dangerous smoke—*[Interruption.]* They do! They invade it with dangerous smoke. Some have asked why I am not pushing for a blanket ban on smoking in private vehicles. I believe that adults can make up their own minds about the dangers of smoking. We need to protect children.

Opinion research by the British Lung Foundation highlights the growing consensus among parents and children for legislation to protect children from passive smoke while they are travelling in cars. Its petition calling for legislation has already been signed by more than 16,000 people. The foundation's research shows that just over half of eight to 15-year-olds surveyed were exposed to cigarette smoke when confined in a car, and that 86% of children in the UK want people to stop it. Rather worryingly, almost a quarter of the children surveyed reported that they had said nothing when someone smoked in the car, because they were too embarrassed. One in 10 said that they were too scared to say anything.

I would ask those who believe that legislation would be ineffective to look at car legislation on seat belts, mobile phones and drink-driving. Most if not all people adhere to such laws without the police becoming heavy-handed. For example, information provided to me by the House of Commons Library demonstrates that when wearing seat belts was made compulsory in 1983, the wearing of seat belts increased significantly. Before the law, 40% wore a seat belt, and 90% afterwards. A 1985 report estimated that that change saved around 7,000 fatal or serious casualties, and 13,000 slight casualties in the first year alone.

There are precedents from elsewhere for a ban such as the one I propose. Were such a ban introduced, we would be joining several countries where smoking in cars carrying children is prohibited. In the USA, legislation has been introduced in states including California and Maine; in Canada, there is legislation in British Columbia and Ontario; and in Australia, Queensland and Tasmania have introduced legislation.

Professor John Britton from Nottingham City hospital has looked at the lessons from Canada, where a national media programme was supported by legislation in some provinces. Data provided to him demonstrate that provinces that implemented legislation on smoking in cars with children saw a dramatic drop in exposure to smoke compared with states that focused only on education. In one case, the proportion fell from 21.4% to 13%.

UK politicians want action too: 36 MPs signed my early-day motion, and 78 signed early-day motion 214, sponsored by my hon. Friend the Member for Gateshead (Ian Mearns), which is on a similar issue. In Wales, the chief medical officer, Dr Tony Jewell, announced that he wants to start a debate on smoking in cars carrying children, and the public health department in Jersey is currently considering whether to ban smoking in cars altogether.

The health costs can be illustrated no better than by someone who has spoken openly and honestly about her smoking. Sharon Gould from Leicester told the British Lung Foundation that she started smoking when she was 14. Throughout her son Ben's childhood she tried to give up smoking but did not manage to quit until three years ago. She would occasionally smoke in the car when he was present—always with the window down—and she also smoked in the home. She always thought, "Just one won't hurt." However, she was not aware of the serious dangers of passive smoking on Ben's health—a child who was found to be asthmatic. Sharon is unaware of any family history of lung disease, so believes that her son's asthma has been caused, in part, by passive smoking. She said:

> "I don't know if passive smoke was the whole cause of Ben's asthma, but I know that it's part of it.... It is vital that all parents understand the dangerous effects of passive smoke on developing young lungs."

I have had particular support for the Bill from many members of the all-party group on asthma, who I am sure have all heard similar stories to the one told by Sharon. I would also like to thank the organisations that have lent their support to this cause, including the British Lung Foundation, Action on Smoking and Health, Fresh in the north-east and the British Heart Foundation. I am especially pleased to have secured support for the Bill from Members on both sides of the House. Polling indicates that the public are strongly in favour of a ban, and I hope that all Members will seek to protect the health of children in their constituencies. That is why I have brought the Bill before the House.

12.46 pm

Philip Davies (Shipley) (Con): My opposition to the Bill is not based on self-interest: I do not smoke, I have never smoked and I am unlikely ever to start smoking. In fact, as it happens, I do not actually enjoy going into smoky places. However, many of my hon. Friends might not be surprised to see me here today, because I also voted against the smoking ban in 2006. My opposition to this Bill is similar to my opposition to the original ban, and is threefold: first, it is rooted in my strong belief in freedom; secondly, it is rooted in my belief in parental responsibility for bringing up children; and thirdly it is based on the complete lack of evidence surrounding the proposal. I am not surprised that the hon. Member for Stockton North (Alex Cunningham) is continuing to champion the extension of the nanny

[Philip Davies]

state into every aspect of the British public's lives, because it is something that the Labour party excelled at during its time in office, and is still trying to do today. The proposal is excessive, intrusive and insulting to British parents who smoke.

In England, smoking has already been banned in a vehicle unless it is used primarily for private purposes by a person who owns it or has the right to use it, or is used at work by only one person or has an open cab. The suggestion of banning smoking in private vehicles while a minor is present is yet another unwarranted intrusion on individual freedom. The Government should have no role in regulating the private lives of adults making decisions as adults. Adults should be free to smoke in a private vehicle providing they do not light up or smoke in a way that distracts from safe driving. Of course adults should show courtesy to others in a private vehicle, but that does not require the nanny-state legislation proposed by the hon. Gentleman.

I would like to know how the hon. Gentleman would implement and enforce his proposal. Perhaps he envisages a scenario where children go around informing the authorities that their parents might have broken the law. Given that the Labour party is so upset about cuts to the police budget, does he really think that the police should be taking time out from catching burglars, rapists and other serious offenders to go around stopping cars to see whether anyone might have smoked in them while a child was on board? Does he think it a serious enough matter for the police to concentrate on? I presume that he would also like cars to go around with tinted windscreens, which might be the only upshot of his proposal. The whole thing is completely ludicrous.

On top of that, there is a substantial lack of evidence surrounding the hon. Gentleman's Bill. The scaremongers have bandied about the claim that second-hand smoke is 23 times more toxic in a vehicle than in the home. However, in a journal for the Canadian Medical Association, MacKenzie and Freeman failed to locate any scientific source for this claim, and it remains unsubstantiated.

I wonder why the Government give such credence to the opinions of people at ASH, or Action on Smoking and Health. Members of the anti-smoking lobby, including ASH and SmokeFree, have received a large amount of Government funding, despite being charities. In 2009, the Department of Health gave ASH £191,000 for a report called "Beyond Smoking Kills", which came on top of a direct grant from the Department to the tune of £142,000. Surely public policy should be protected from the vested interests of any single-issue group, including the pharmaceutical industry on the one hand, and vociferous, substantially taxpayer-funded lobby groups such as ASH on the other. In addition, the Department published a report by Professor Linda Bauld, who was commissioned to provide an academic review of the smoke-free legislation that was implemented in 2007. However, Linda is a member of ASH, so there was surely a clear conflict of interest in the report that the Government commissioned.

This proposal is also a solution looking for a problem. Let us look at the evidence on second-hand smoke exposure. A study carried out by Sims et al concluded that second-hand smoke exposure in children declined by nearly 70% between 1996 and 2006—that is, before any ban on smoking was even introduced, which reinforces the point that this Bill is clearly over the top and unnecessary. A survey of smokers showed that 85.3% do not smoke in a car with children in any event, while 6.5% said that they would seek permission before doing so. Again, this proposal is a solution looking for a problem.

We are here to defend the freedoms of people in this country, not to interfere in every aspect of everybody's lives, as the Opposition would like us to do. This proposal would be one infringement on people's liberties too far. Whether hon. Members decide to vote against it or allow it to wither in the long grass is a matter for them, but one thing I know for sure is that the Government should have nothing to do with such a ludicrous infringement on our liberties.

Question put (Standing Order No. 23).

The House divided: Ayes 78, Noes 66.

Division No. 303] **[12.52 pm**

AYES

Alexander, Heidi
Amess, Mr David
Bailey, Mr Adrian
Barron, rh Mr Kevin
Betts, Mr Clive
Blackman, Bob
Blenkinsop, Tom
Blomfield, Paul
Brake, Tom
Brooke, Annette
Campbell, Mr Gregory
Campbell, Mr Ronnie
Carmichael, Neil
Chapman, Mrs Jenny
Clark, Katy
Clwyd, rh Ann
Cooper, Rosie
Corbyn, Jeremy
Crockart, Mike
Cunningham, Alex
Dakin, Nic
Dodds, rh Mr Nigel
Donohoe, Mr Brian H.
Durkan, Mark
Efford, Clive
Elliott, Julie
Evans, Jonathan
Fovargue, Yvonne
Gapes, Mike
Gilmore, Sheila
Glindon, Mrs Mary
Goggins, rh Paul
Green, Kate
Heyes, David
Hopkins, Kelvin
Horwood, Martin
James, Margot
Jamieson, Cathy
Jarvis, Dan
Kelly, Chris
Lavery, Ian
Leech, Mr John
Long, Naomi
Lucas, Caroline
McCartney, Jason
McCrea, Dr William
McDonnell, Dr Alasdair
McDonnell, John
Meacher, rh Mr Michael
Morrice, Graeme *(Livingston)*
Morris, David
Mudie, Mr George
Munt, Tessa
O'Donnell, Fiona
Parish, Neil
Pearce, Teresa
Phillips, Stephen
Poulter, Dr Daniel
Raynsford, rh Mr Nick
Reid, Mr Alan
Riordan, Mrs Linda
Ritchie, Ms Margaret
Ruddock, rh Joan
Russell, Bob
Shannon, Jim
Sheerman, Mr Barry
Simpson, David
Skinner, Mr Dennis
Smith, rh Mr Andrew
Smith, Henry
Tomlinson, Justin
Turner, Karl
Vaz, Valerie
Williams, Hywel
Williams, Mr Mark
Williams, Roger
Williams, Stephen
Winnick, Mr David

Tellers for the Ayes:
Ian Mearns and
Mr Andrew Love

NOES

Aldous, Peter
Bacon, Mr Richard
Baker, Steve
Bingham, Andrew
Bone, Mr Peter
Byles, Dan

Cairns, Alun
Carswell, Mr Douglas
Clarke, rh Mr Tom
Coffey, Dr Thérèse
Danczuk, Simon
Davies, David T. C. *(Monmouth)*
Davies, Philip
Doyle-Price, Jackie
Ellis, Michael
Eustice, George
Evans, Graham
Freer, Mike
Fullbrook, Lorraine
Gilbert, Stephen
Godsiff, Mr Roger
Griffiths, Andrew
Halfon, Robert
Hancock, Mr Mike
Hart, Simon
Hemming, John
Henderson, Gordon
Hollobone, Mr Philip
Hughes, rh Simon
Johnson, Gareth
Johnson, Joseph
Jones, Mr Marcus
Knight, rh Mr Greg
Kwarteng, Kwasi
Main, Mrs Anne
Maynard, Paul
McIntosh, Miss Anne
Mercer, Patrick
Metcalfe, Stephen
Mills, Nigel
Morris, James
Mosley, Stephen
Nuttall, Mr David
Offord, Mr Matthew
Ottaway, Richard
Pincher, Christopher
Robertson, Mr Laurence
Rosindell, Andrew
Sanders, Mr Adrian
Smith, Sir Robert
Soames, Nicholas
Stewart, Rory
Stuart, Ms Gisela
Stuart, Mr Graham
Sturdy, Julian
Swales, Ian
Tredinnick, David
Tyrie, Mr Andrew
Walker, Mr Charles
Walker, Mr Robin
Watts, Mr Dave
Wharton, James
Whittaker, Craig
Whittingdale, Mr John
Williamson, Gavin
Zahawi, Nadhim

Tellers for the Noes:
Jacob Rees-Mogg and Ben Gummer

Question accordingly agreed to.

Ordered,

That Alex Cunningham, Mark Durkan, Caroline Lucas, Mrs Jenny Chapman, Ian Mearns, Julie Elliott, Stephen Lloyd, Mrs Sharon Hodgson, Bob Blackman, Stephen McPartland, Mr David Amess and Bob Russell present the Bill.

Alex Cunningham accordingly presented the Bill.

Bill read the First time; to be read a Second time on Friday 25 November, and to be printed (Bill 207).

Opposition Day

[18TH ALLOTTED DAY]

The Economy

Mr Speaker: I should notify the House that, as a consequence of the fact that no fewer than 38 right hon. and hon. Members have applied to speak in the debate, I have imposed an eight-minute limit on Back-Bench contributions. There is no time limit on speeches from the Front Benches, but it would be appreciated by the House if Front Benchers would tailor their contributions accordingly. I inform the House that I have selected the amendment tabled in the name of the Prime Minister.

1.6 pm

Ed Balls (Morley and Outwood) (Lab/Co-op): I beg to move,

That this House notes that on 22 June 2010 the Chancellor announced his first Budget with a target to eliminate the structural deficit by 2015-16 through an additional £40 billion of spending cuts and tax rises, including a VAT rise; further notes that over the last six months the economy has not grown, in the last month retail sales fell by 1.4 per cent. and manufacturing output fell by 1.5 per cent. and despite a welcome recent fall in unemployment, the Office for Budget Responsibility predicts that future unemployment will be up to 200,000 higher than expected; believes the Government's policies to cut the deficit too far and too fast have led to slower growth, higher inflation and higher unemployment, which are creating a vicious circle, since the Government is now set to borrow £46 billion more than previously forecast; calls on the Government to adopt a more balanced deficit plan which, alongside tough decisions on tax and spending cuts, puts jobs first and will be a better way to get the deficit down over the longer term and avoid long-term damage to the economy; and, if the Government will not change course and halve the deficit over four years, demands that it should take a step in the right direction by temporarily cutting VAT to 17.5 per cent. until the economy returns to strong growth and by using funds raised from repeating the 2010 bank bonus tax to build 25,000 affordable homes and create 100,000 jobs for young people.

A year ago today, in his first Budget statement to the House, the Chancellor of the Exchequer made a clear choice. He said that rapid deficit reduction was the overriding priority, and that it would involve fiscal tightening of such scale and severity that it would have to begin immediately. He said that the faster we cut, the better it would be for confidence. He said that there was no choice, and that the markets demanded this action. He also said that no alternative was possible, and that anyone who said otherwise was a deficit denier.

The Chancellor ignored the evidence that budget deficits had risen rapidly in every country after a global financial crisis caused by the irresponsible behaviour of banks around the world, claiming instead that the root cause of Britain's deficit was too much spending on the NHS, schools and the police. He ignored the evidence that Labour's balanced deficit reduction plan to support jobs and halve the deficit over four years was working, that the UK economy was already recovering, that tax rises and spending cuts had been pre-announced, and that we were over-achieving on our deficit reduction plan in line with the G20 commitment.

Christopher Pincher (Tamworth) (Con) *rose—*

Nadhim Zahawi (Stratford-on-Avon) (Con) *rose—*

Ed Balls: I will give way in a moment.

The Chancellor claimed that he would cut faster than any other major country—

Several hon. Members *rose—*

Ed Balls: I will take as many interventions as hon. Members want me to, but I am going to establish my argument first. I think that the House knows that I enjoy interventions, and I will absolutely take them all—Members should not worry!

The Chancellor also ignored the fact that we were not in the euro, that our debt maturity was long—

Nadhim Zahawi: Will the hon. Gentleman give way?

Ed Balls: No; perhaps I need to say this to the hon. Gentleman again. I will take his intervention after I have established my argument.

The Chancellor ignored the fact that we were not in the euro, and that—*[Interruption.]*

Mr Speaker: Order. I know that I have done this many times before, but I appeal to right hon. and hon. Members to have some regard to the way in which our proceedings are viewed by the people whose support we were seeking only 13 months ago. I do not care whether this sort of behaviour was traditionally thought to be a good thing; it is not, and if people behave like this and expect to be called, they will be disappointed.

Ed Balls: Thank you, Mr Speaker.

In the Budget debate, I took 16 interventions from Members on the Government side of the House. I will take interventions, but not from people who shout and are aggressive while I am still establishing my argument. Let me establish my argument; then I will take interventions. I will start with the hon. Member for Sevenoaks (Michael Fallon) in just a moment.

The Chancellor insisted, despite the fact that we were not in the euro, that our debt maturity was long and that our long-term gilt yields were historically low and had started to fall well before the election. He made the economically illiterate and preposterous claim that, like Greece, Britain was on the brink of bankruptcy. Having already abolished the child trust fund and the future jobs fund, he announced in the Budget immediate plans to take billions more out of the economy through a combination of deep spending cuts and tax rises. That included an increase in VAT to 20% and a cut in tax credits for thousands of families. It also included cuts to housing benefit, pensions and disability benefits. The Chancellor boasted in that speech that the Budget was progressive, not regressive, and that it would be an extra £40 billion fiscal hit in this Parliament. Labour Members warned him of the dangers, but the Chancellor said it would work. Let me cite what he said a year ago:

"These forecasts demonstrate that a credible plan to cut our budget deficit goes hand in hand with a steady and sustained economic recovery, with low inflation and falling unemployment."—[*Official Report*, 22 June 2010; Vol. 512, c. 168.]

Things did not turn out that way last year.

Since the Prime Minister foolishly said in October that the economy was out of the danger zone, we have had the biggest fall in consumer confidence for 20 years; our economy has flatlined and not grown at all since the autumn; inflation is now higher than in every country except for Estonia and Turkey; the Institute for Fiscal Studies has declared the Chancellor's Budget to be regressive, not progressive; and child poverty is expected to rise this year, next year and the year after, with women hit harder than men and families with children hit hardest of all. I have to say that this anniversary—unlike your anniversary, Mr Speaker—is not one worthy of celebration. It is certainly not an anniversary worthy of a 40th birthday party bash at Dorneywood. I do not know whether you were invited to the party at the weekend, Mr Speaker. I was not, which might be because I am not a Knight of the Garter.

Michael Fallon (Sevenoaks) (Con): I am grateful to the shadow Chancellor for giving way so early in his speech. While we are on the issue of credibility, will he explain why his sudden, completely unfunded £13 billion tax cut did not appear to be either agreed or even discussed with the shadow Cabinet? When the former Labour Chancellor was asked nine times this morning whether he agreed with it, he failed to endorse it. Why is the shadow Chancellor so isolated?

Ed Balls: The former Labour Chancellor is not in the shadow Cabinet, as the hon. Gentleman will know—*[Interruption.]* He chose not to stand for the shadow Cabinet. We voted against the VAT rise earlier this year. The Leader of the Opposition said some months ago that it should be reversed. I repeated that claim last week and what I know, as it happened last week, is that when I go to speak to my leader, he understands the issues and backs me up, which is more than could be said for the Education Secretary, the Health Secretary, the Environment Secretary, the Lord Chancellor—and, I fear, quite possibly for the Chancellor of the Exchequer, too, if things carry on as they are.

Christopher Pincher: I am grateful to the right hon. Gentleman for giving way. He says he talks to his leader, so will he tell us when he released this information about the VAT cut to his leader—was it before he told the shadow Cabinet or did he treat his leader like just any other member of it?

Ed Balls: I have to say that that is a ridiculous question. At a time when the economy has flatlined, confidence is down and our borrowing is up, is it surprising that I am asked questions like that? Of course I discussed all aspects of my speech with the Leader of the Opposition some days before I gave it. We agreed on this strategy because we think this VAT rise is a mistake. Families in the hon. Gentleman's constituency are being hit by having to pay £450 more in VAT, so one would have thought that he would be backing rather than opposing our plan to give them some help.

Christopher Pincher *rose—*

Ed Balls: I am not giving way to the hon. Gentleman again now; I might do later.

The reason why the VAT cut is needed now is that things are getting worse, not better. In recent weeks, we have seen manufacturing output and job vacancies falling and the biggest fall in retail sales for more than a year. The Chancellor likes to boast that a net 370,00 jobs have been created in the last 12 months; what he does not like saying is that 70% of those extra jobs were created in the six months before the spending review and only 29% in the six months after it. That is why his Budget forecasts of a year ago have gone so badly awry.

The Office for Budget Responsibility forecasts for growth have been downgraded three times. Unemployment is now forecast to be 200,000 higher, while inflation is forecasted to be well above target this year and next year. The result of this stalled recovery, higher unemployment and higher inflation is that the Government are now forecast to borrow a further £46 billion more than was forecast in last year's spending review. Public borrowing in the first two months of this year is higher than it was in the first two months of last year.

Toby Perkins (Chesterfield) (Lab): The Chancellor said yesterday that he does not want to comment regularly on the OBR's updates. Given that it is downgrading its forecasts every time he opens his mouth, it is hardly surprising.

Ed Balls: Whether or not the Chancellor comments, the fact remains that since the last OBR forecast, Britain's growth forecasts have been downgraded by the International Monetary Fund, the OECD, the CBI, the British Chambers of Commerce and the National Institute of Economic and Social Research. Everybody else is downgrading growth forecasts; we will have to wait for the OBR finally to catch up.

Nadhim Zahawi *rose—*

Ed Balls: I happily give way to the hon. Gentleman.

Nadhim Zahawi: I thank the shadow Chancellor for finally giving way. I must push him a little bit harder. When did he discuss his VAT cut with the shadow Cabinet? Will he tell us that?

Ed Balls: That tells you, Mr Speaker, how on the defensive Conservative Members are about the economy. The shadow Cabinet decided—*[Interruption.]* Look, just shouting does not get people to listen; the hon. Member for Stratford-on-Avon (Nadhim Zahawi) has got to learn that. The shadow Cabinet decided that the Opposition would oppose the VAT rise. In January, the Leader of the Opposition said it should be reversed. Last week, two days before I made my speech, I discussed the matter in detail with the Leader of the Opposition—[Hon. Members: "Aah!"] What do they mean, "Aah"? I discussed it 48 hours previously with the Leader of the Opposition, who backed me 100%—in marked contrast to the Prime Minister's inability to grasp the detail, to stick with a policy or, most importantly, to support his own Cabinet members.

Several hon. Members *rose—*

Ed Balls: Who shall we have? The hon. Gentleman.

Charlie Elphicke (Dover) (Con): I am grateful to the right hon. Gentleman for giving way. On that particular point, why is the right hon. Member for Dulwich and West Norwood (Tessa Jowell) reported as being unhappy and feeling that she had not been consulted? Why did he not consult the shadow Cabinet?

Ed Balls: I do my politics on the record. I am not going to comment on that kind of trash. *[Interruption.]* In view of all the Cabinet Ministers who have been briefed against in recent weeks by the Treasury—the Defence Secretary, the Health Secretary, the Lord Chancellor—perhaps the Chancellor should take a leaf out of my book on how to do things.

It is the contention of Labour Members that the Chancellor is wreaking long-term, as well as short-term, damage on British investment, incomes and employment. We know from the downgraded OBR forecast that our economy is already £5.6 billion worse off than it would have been if the Chancellor had got it right. The danger is that these policies will have a long-term impact, leading to a return of the long-term unemployment of the 1980s, a new lost generation of jobless young people and a permanent dent in our nation's prosperity.

Christopher Pincher *rose—*

Andrea Leadsom (South Northamptonshire) (Con) *rose—*

Ed Balls: I will give way in a few seconds.

The test for the Treasury is not whether it can eventually get back to growth, but where it will make up the lost ground in jobs and living standards.

In this debate, I challenge the Chancellor to agree with me on three propositions: first, his plan is not working; secondly, he has the opportunity to change course; and, thirdly, there is a better and fairer alternative economic policy for our country—better for jobs, better for living standards, and a better, fairer way to get the deficit down.

Several hon. Members *rose—*

Ed Balls: I give way to my hon. Friend first.

Ian Austin (Dudley North) (Lab): Why does the shadow Chancellor think the Government are so surprised that he has announced a policy of cutting VAT when we cut VAT during the downturn and we voted against the increase in VAT that they imposed? Does he think that it is a sensible political strategy for the Government to highlight the fact that we want to cut VAT and they want to put it up?

Ed Balls: I find that baffling as well. The fact is that cutting VAT was an effective stimulus, as the IFS said, which led to strengthening growth and falling unemployment a year ago. Now that cut has been reversed, and our position on the policy has been consistent. We propose not a move all the way from the Government's deficit reduction plan to halving the deficit in four years, but a step along the road. That would be the right thing to do, and it would deliver for the constituents of Government Members a boost of £450 a year for a family with children, and of £275 a year for a pensioner couple. Why do they oppose action that would put money in people's pockets and help to get the deficit down in a fairer way?

Harriett Baldwin (West Worcestershire) (Con): The right hon. Gentleman says that he likes to do his politics on the record. On the "Daily Politics" show on 14 March, he said:

> "We've made no commitments at all, it would be totally irresponsible for an opposition to behave"

in that way. What is responsible about an unfunded £51 billion tax cut?

Ed Balls: If that was written by the Whips, they will have to do better. What I said was that it would be completely irresponsible for me as shadow Chancellor to make a commitment now to a reverse in the VAT rise for our next election manifesto. Of course I cannot make an unfunded commitment for the next manifesto. The rise in VAT this January was a mistake. It was the wrong tax to raise, it was unfair, and it has depressed confidence and stopped people spending at the wrong time for the recovery. The Chancellor does not have to agree with us that he should not have raised VAT, but he should agree that he did it at the wrong time, and he should temporarily reverse it until the recovery is secure. We now hear from Conservative Central Office that the proposal to cut VAT only temporarily until the recovery is secure would have to be in place for four years of this Parliament. That tells us that the Conservatives think that the recovery will not be secure for the whole of this Parliament, which is precisely the argument that I am making.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): Is it not the fact that the deniers here today are the Government who deny the collapse in consumer confidence? No one on the Government Benches is doing anything about it, and the economy will not kick-start again unless we tackle it.

Ed Balls: My hon. Friend is right, and that is why the Chancellor must break out of his current state of growth denial before it is too late.

Several hon. Members *rose—*

Ed Balls: I will give way in a second.

The fact is that the scale of the fiscal hit to demand and growth in Britain this year and next is unprecedented. It is happening when interest rates are already low, so they cannot be cut, and when other countries are trying to reduce their deficits at the same time. Confidence is also hit by the public debate about when mortgage rates will have to go up because of the Chancellor's own-goal on inflation through the rise in VAT. That is why there is a problem. Instead, all we get from the Chancellor and the Conservative party is excuse after excuse.

Ben Gummer (Ipswich) (Con): The right hon. Gentleman has already mentioned the OBR, the IMF, the EU, the OECD and the CBI, each of which supports the Government's policy and says that any deviation would be a mistake. What is his answer to them?

Ed Balls: It is good to see the IMF supporting the Government of the day. The IMF not supporting the Government of the day would be a catastrophe, and exactly the same has always been true, historically, for the OECD. There is no doubt that business has a growing worry about what is going on. There is also a growing worry in Ipswich, not least shown by a Labour local election victory there just a few weeks ago. I am disappointed that the hon. Gentleman's colleague the hon. Member for West Suffolk (Matthew Hancock) is not in the Chamber, but obviously this local campaign is catching on. I congratulate the hon. Member for Ipswich (Ben Gummer) on his campaign to save school crossings, to get more funding for them from schools or parent-teacher associations, and his lobbying of the Secretary of State for Education to ensure that education in Ipswich gets the extra money it needs. "Save Sure Start from Cuts"—it is obviously all catching on.

Ben Gummer *rose—*

Ed Balls: I have plenty more; we will come to them in a second. Just think, "Good publicity, good publicity, it's all good publicity." It did not do the hon. Member for West Suffolk any harm; it did not do him any good either.

We do not hear much from the Chancellor these days about snow being the explanation for the contraction of the economy at the end of the year, because as he knew at the time, it also snowed in America, Germany and France, and they all posted stronger growth. In fact, Denmark, Ireland, Greece and Portugal were the only other countries with falling output in the last quarter of 2010. The Chancellor of all people, a regular skier on Europe's slopes, should have known that even in winter it does not snow in Greece and Portugal. Instead we hear a new weather-related line. He blames the global headwinds, factors outside his control—rising oil prices, food prices, the eurozone, the Japanese earthquake, all reasons why prudent Chancellors should always be vigilant and choose caution over complacency. It is ironic to hear the Chancellor and the Prime Minister blame the rest of the world for Britain's economic difficulties, as they did the opposite for their last four years in opposition.

Compared with other countries facing the same global headwinds, we are doing worse. We have gone from being in the top half of the EU economic league, to fourth from bottom in the past few months. It is no wonder that the OECD Deputy Secretary-General said a few weeks ago that

"we see merit in slowing the pace of fiscal consolidation if there is not so good news on the growth front".

Even the IMF has said that

"there are significant risks to inflation, growth and unemployment".

The excuses are not working, and the Chancellor is starting to be rumbled.

Andrea Leadsom: Does the right hon. Gentleman recognise that when the Government took office, our country was on credit watch for a downgrade? Does he welcome the fact that this country's borrowing rates are similar to those of Germany and nowhere near those of Portugal and Greece? Does he further recognise the impact that his proposal effectively to reduce VAT rates right now, unfunded, would have on our current national deficit?

Ed Balls: The irony of a Conservative MP opposing tax cuts in VAT for families while allowing a tax cut, compared with last year, for the banks, is almost overwhelming. As everyone who studies the figures and not the political spin knows, we went into the crisis with lower national debt than France, Germany, America and Japan. Every country had a rise in its deficit, so of course we did. The fact is, however, that our gilt yields were very low and falling month by month before the general election, even as the opinion polls narrowed—

Nadhim Zahawi: On that point, will the right hon. Gentleman give way?

Ed Balls: No, no, no.

Three months before the general election, the polls said that the Conservatives would get a majority. As the polls narrowed, our long-term interest rates fell, entirely disproving the point that the hon. Member for South Northamptonshire (Andrea Leadsom) makes.

Kwasi Kwarteng (Spelthorne) (Con): The right hon. Gentleman spoke about responsibility earlier, but does he take responsibility for the appalling fiscal position we were in when we had the largest debt in peacetime?

Ed Balls: It is fine for the hon. Gentleman to be thinking of his intervention rather than listening to the answers, but the fact is that we had a lower budget deficit and lower national debt than we inherited in 1997. The IFS, in its report, "The public finances: 1997 to 2010" said:

"By 2007–08, the public finances were in a stronger position than they had been when Labour came to power in 1997."

That entirely disproves his point.

Andrea Leadsom: Will the right hon. Gentleman give way?

Ed Balls: Not again. I will make a little more progress. *[Interruption.]*

Several hon. Members *rose—*

Ed Balls: I give way to my hon. Friend the Member for Swansea West (Geraint Davies).

Geraint Davies (Swansea West) (Lab/Co-op): Does my right hon. Friend accept that one reason for the remarkable fact that the world economy is growing steadily while Britain is flatlining, is the report from UK Trade & Investment that says that although UK inward investors are coming forward to build factories and growth in Britain, they are not being drawn down as the RDAs have been abolished? The Government are destroying the engines of growth.

Ed Balls: I am sure that was one of the proposals in the so-called strategy in the Chancellor's Budget.

As I have said, there is growing concern in the business community. There is even concern in the Conservative fraternity. As my friends on *The Daily Telegraph* said in a recent editorial:

"These figures should be giving George Osborne some sleepless nights."

They should indeed be giving the Chancellor sleepless nights at No. 11.

Christopher Pincher: Will the right hon. Gentleman give way?

Ed Balls: Give me five minutes.

The Chancellor has clearly been paying some attention. There is no plan B yet, but there has been a change in the rhetoric. Now the Chancellor says that the economy is "choppy", but that

"Changing course would be a disaster for our credibility"

and would lead to a Greek crisis here in Britain—a Greek crisis that the Chancellor now absurdly claims he has narrowly avoided in the past.

Chris Ruane (Vale of Clwyd) (Lab): A Greek tragedy. *[Laughter.]*

Ed Balls: Well, at least that was not an animal noise.

Something has been puzzling me in recent months. Why does this Chancellor have such a love of the nautical metaphor? Navigating through choppy waters, steering a steady course, sailing into strong global head winds—where does he find all those boating metaphors? But this, of course, is the Chancellor who likes to spend his summers gossiping on the yachts of his friends.

I have said many times in the past year that the Chancellor must learn the lessons of history if he is to avoid repeating the mistakes of history. I am sorry to have to raise that rather unfortunate episode in his history again. I know that it is a bit irritating for Members, even a bit annoying, but the Prime Minister said that I was the most annoying person in politics, and I must live up to my reputation.

As a matter of fact, my reign at the top table did not last very long. A few days later, *The Sunday Times* conducted a poll asking the public who was the most annoying person in British politics. It turned out that the Prime Minister is just as annoying as me, it turned out that the Chancellor of the Exchequer is more annoying than me, and it turned out that the Deputy Prime Minister is more annoying than all of us. But who is the most annoying person in British politics today? It is still Lord Mandelson, the Chancellor's yachting partner.

I know Lord Mandelson well. He is a good friend of mine. *[Laughter.]* He is, actually, and I know that he will agree with me on this. If the Chancellor and his friend the Prime Minister have found us annoying so far, they should bear in mind that this is only the beginning; and when the Chancellor boasts that he narrowly avoided a summer Greek crisis, we know what he is really remembering.

Christopher Pincher: A man is known by his friends, and I think the shadow Chancellor has just proved that.

The right hon. Gentleman has talked a fair amount about the newspapers that he reads, such as *The Daily Telegraph*, *The Times* and the *Eastern Daily Press*. It must be very interesting for the shadow Home Secretary in the evenings. Perhaps he has also read the *Tamworth Herald*, which has revealed that unemployment in Tamworth has fallen to the lowest level since 2008 and that investment has been made in Tamworth by Ocado and BMW. If the right hon. Gentleman thinks that we are doing so badly, how does he explain those developments?

Ed Balls *rose—*

Mr Speaker: Order. I am glad that the exchanges so far have been good-natured, but may I remind colleagues of the merits of brief interventions? A lot of Members want to make speeches, and I want to help them to do so.

Ed Balls: I think the question that people will be asking in the hon. Gentleman's local newspaper is this: why does he oppose a tax cut that would provide £450 for every family this year, and would boost failing confidence?

[Ed Balls]

The hon. Member for West Suffolk does not seem to have turned up. It is so disappointing that he is not here, as he was last time, because I had a very good contribution for him.

Let me now set aside the Chancellor's wild and nonsensical political attempts to draw parallels between Britain and Greece, and make a serious point about what is happening in Greece and how it affects the United Kingdom. The issue now is not whether Britain does or does not contribute to a further EU financial package for Greece. Like the Chancellor—I think—I believe that that would be the wrong thing for our country to do. It seems to me that we have reached a point at which talk of more temporary liquidity austerity packages, and further tough talking, is no longer working.

EU Finance Ministers must face the fact that Greece needs economic growth to succeed. Otherwise, it will be stuck in a debt trap. It is now very hard to see how Greece can stay in the single currency without a change of strategy on fiscal austerity and a substantial restructuring. The fact is, however, that it is precisely because the UK is outside the eurozone—and thank goodness we are; I will take an intervention on that if any Member wishes to intervene—and because our banks are less exposed to Greek debts than those in Germany and France that Britain should be an honest broker in these discussions. We are in a position to present an objective argument for immediate and co-ordinated action to restore jobs and growth and start reducing the debt, along with a sustainable, long-term plan for its reduction. However, we can do that without being accused by the people of Greece that we are merely looking after our own interests.

Mr John Redwood (Wokingham) (Con): Will the right hon. Gentleman give way?

Ed Balls: No.

What happened this week when there was the chance to show some leadership? Throughout the crisis, our Chancellor's only concern has been to make short-term domestic political capital out of the crisis.

Mr Redwood: Will the right hon. Gentleman give way?

Ed Balls: No. I am making a serious point.

In every crisis since 1997—the Asian crisis, the dotcom crisis, the Russian crisis, and the global financial crisis of 2008—Britain was constantly at the centre of discussions attempting to establish a solution for the future.

Mr Redwood: Will the right hon. Gentleman give way?

Ed Balls: In one second.

For the first time in 14 years we have a Chancellor and a Prime Minister who are on the sidelines, silent, irrelevant and ignored. I believe that whatever the outcome of the present crisis—whatever happens in the eurozone and to Greece—people will say that we had a Chancellor of the Exchequer who was not there, who did not deliver, who was out of his depth, and who could not contribute to the long-term reforms that were needed.

Mr Redwood *rose—*

Ed Balls: Now I will give way to the right hon. Gentleman.

Mr Redwood: The right hon. Gentleman is making a very important point. The United Kingdom can make an important contribution to the debate, but it obviously should not lend money directly to Greece. Is he saying that he thinks the only way out for Greece now is a rescheduling of its debt and agreement on the fact that there must be a change of pattern to secure the necessary growth and enable the economy to accelerate?

Ed Balls: In a moment I will deal with the parallel with the United Kingdom. Let me say first, however, that the lesson of history shows that it is not possible to deal with a solvency crisis by providing liquidity package after liquidity package, because that does not reach the heart of the issue. On the contrary, it makes the position worse and worse. At some point people will have to face up to that. Package after package has been agreed, but that has not worked. The debt has not gone down; it has gone up.

History teaches us that three things are necessary to the credibility of a plan, whether it involves monetary policy or fiscal policy. First, the plan must be for the medium term; secondly, there must be political support for it; and thirdly, it must work. If it does not work, that will eventually rebound on political support, as we have seen in Greece in recent weeks.

Kelvin Hopkins (Luton North) (Lab): I entirely agree with what my right hon. Friend has said about both Greece and the need for a plan, but if a plan is to be implemented the country concerned must have control of its exchange rates, interest rates and fiscal policy, and that is not possible inside the eurozone.

Ed Balls: Let me deal with precisely that point by returning to the subject of the United Kingdom. Notwithstanding what I consider to be a rather tawdry attempt to use what seems to be a political claim that a sovereign debt crisis exists here in the UK to give the Liberal Democrats an excuse to ditch everything in their manifesto and support a Conservative party policy, the fact is that the plan is not working here either.

The Chancellor likes to play this game. A few weeks ago, he told the "Politics Show" that if he "abandoned" his plan,

"Within minutes Britain would be in financial turmoil."

As I have just said, the Greek Prime Minister's experience shows that simply talking tough does not make someone credible and does not boost market confidence if the plan is not working.

The reason why there is now a question mark over the Chancellor's credibility is that in recent weeks and months we have had an economy that has not been growing; fewer people in work and paying tax than there should be; and more people on benefits than there should be. That makes it harder to get the deficit down. We have had stagnant output for six months and we have forecasts being downgraded left, right and centre. This is not about bad news now and short-term pain. All that makes it harder to get the deficit down and undermines our long-term credibility, investment and

confidence. As the former chief economist at the Cabinet Office, who is now head of the National Institute of Economic and Social Research, said:

"You do not gain credibility by sticking to a strategy that isn't working."

That is the situation we are now in.

Stephen Metcalfe (South Basildon and East Thurrock) (Con): Whichever number we use—the £12 billion or the £51 billion unfunded tax cut—can the right hon. Gentleman tell us where that money might come from, or is he happy to bundle up further debt that we can then pass on to our children and grandchildren?

Ed Balls: I have just made it absolutely clear that if we do not have a credible plan that works, it makes it harder to get the deficit down, not easier. Borrowing is now going to be £46 billion higher because of an economic plan that is not working. That is the reality.

Several hon. Members *rose—*

Ed Balls: No, no, no.

A year ago, we had a balanced plan: people paid their fair share, there were spending cuts and there were tax rises, but it was cautious and was not a pre-ordained political timetable or a headlong lunge. That is what the Chancellor should be doing now. He should be adopting a more sensible approach to deficit reduction, which would allow him temporarily to reverse the VAT change right now. He should also reopen the spending review and have a steady approach to spending cuts. A 20% cut in police budgets, front-loaded, is complete criminal justice madness. He should take up our plan to repeat the bank bonus tax, build houses and get young people back to work. As I have said, a temporary VAT cut now would put money into people's pockets, boost confidence, push inflation down and give our flatlining economy the jump-start it urgently needs. That would be a better way of getting the deficit down.

Barry Gardiner (Brent North) (Lab): My right hon. Friend will know that the UK taxpayer will still be contributing to any bail-out of Greece through the International Monetary Fund, but will he comment on the fact that if Greece does fail and subsequently other countries follow that failure into default, that could precipitate the end of the IMF? The loans that the UK taxpayer is making to the IMF would then never be repatriated.

Ed Balls: The IMF is there to help countries through situations like this. We are a shareholder and a contributor to the IMF and that is quite right. It is a different matter our putting liquidity money into a eurozone strategy that patently is not working because it is flawed. My argument to the Chancellor is that it is ironic to see a British Conservative Chancellor backing the German Finance Ministry's view over sanity and common sense. We have not seen that in our country for a very long time.

Charlie Elphicke: I put it to the shadow Chancellor that this is not just about the business of the unfunded VAT cut that he proposes; it is also about some £10 billion-plus of spending commitments on the Welfare Reform Bill. Billions here, billions there—that does not add up to a credible economic policy from the Opposition.

Ed Balls: "I'll protect border services, blasts Elphicke", reads the headline.

"The UK Border Agency will not suffer due to Government spending cuts,"

claims the Dover MP. If the hon. Gentleman wants to have a debate with me about credibility and support for spending cuts, I will have it every day of the week.

It is the Chancellor's credibility that is in trouble.

Several hon. Members *rose—*

Ed Balls: I have taken lots of interventions and I am coming to my conclusion.

That is why we have consistently said that the Chancellor should have a plan B. At the end of August 1992, three weeks before Black Wednesday, the then Prime Minister and his then special adviser stood in front of the Treasury at 8 am and said:

"There are going to be no devaluations, no leaving the ERM. We are absolutely committed to the ERM. It is at the centre of our policy. We are going to maintain sterling's parity and we will do whatever is necessary, and I hope there is no doubt about that at all."

That was almost certainly written by the current Prime Minister. Hon. Members have to learn these lessons. It is true, as my hon. Friend the Member for Luton North (Kelvin Hopkins) said a moment ago, that back then the pound was constrained by a fixed exchange rate. It was very hard for the Prime Minister and the Chancellor of the day to change course, even though they could see that their policy was not working. Had we joined the euro—and as we have all said, thank goodness we did not—that would have been an even greater constraint on UK economic policy, but neither constraint exists now. The objectives for monetary and fiscal policy have lain squarely in the Chancellor's gift and this is the fundamental problem: he has made a political decision to set a political timetable for a political goal that defies economic logic, and the evidence is growing week by week that he has got this wrong. The lesson of monetary and fiscal policy too, over the past 20 years, is that changing course when things are not working is not a knee-jerk reaction and does not damage credibility. It is the only way of being in control of our destiny and averting the crisis being forced on us.

Let me quote some wise words:

"The weak thing to do is just to keep ploughing on and say, 'I can't possibly change, because I might have a difficult time at a press conference.' The tough, strong thing to do is say, 'Yes, we can make these plans better'."

That is what the Prime Minister said yesterday, explaining the U-turns on sentencing and the NHS. He has obviously learned some lessons from his time as special adviser to Norman Lamont. My only plea today is that the Chancellor starts learning the lessons of history too. The cautious thing to do is not to plough on and hope for the best, but to act now before we lose more ground. Unlike Norman Lamont, who was tied to the exchange rate mechanism, the Chancellor can choose. He does not have to box himself in this way, so stubbornly. He does not need to make the Major-Lamont ERM mistake all over again.

Margot James (Stourbridge) (Con): The right hon. Gentleman referred to the previous Government's policies when they embarked on a very timid programme of tax increases and public expenditure cuts a year and a half

[Margot James]

ago. Does he not accept that that was completely inadequate then and that the only reason it was accepted was because the international markets knew that there was a general election coming and that his party was way down in the polls? They lived for a better day.

Ed Balls: I have been, in a friendly way, critical of the Chancellor's engagement and participation in international affairs and matters of global economic management, but he does go to the meetings and sign up to the communiqués. As the Chancellor in June 2010, after the general election, he went to the G20 and signed up to the communiqué that said that Governments should halve the deficit in the next four years, which was precisely the plan we had; which they tore up. We are not going to take lectures from the Conservatives on credibility. As I have said, the credible approach is not to plough on regardless when things are not working but to change course before it is too late.

This is my conclusion.

Several hon. Members *rose—*

Ed Balls: I have taken loads of interventions and I am not going to do doubles.

The fact is that the path that our economy is being taken down is, I think, the wrong one, and the evidence is supporting that. It could prove very dangerous for growth, for jobs, for public services, for our living standards, for the deficit and for our mortgage rates too.

Several hon. Members *rose—*

Ed Balls: No, I am going to conclude.

At the very least, it looks set to be a path of slower growth and higher unemployment than needed to be the case. There is an alternative, it is more credible than the current plan, not less, and it is not too late to change course. The Chancellor has a choice; he is not stuck, this time, in the ERM or the euro. He cannot fall back on the idea, as back then, that Labour supports his policies, because we have set out a very clear and different alternative, including on VAT, this year. Most of all, he cannot say he has not been warned. We are on a path of slower growth, higher unemployment and more child poverty than was forecast a year ago. The Chancellor has a choice. On the anniversary of his first Budget, he should agree with our motion and admit he got it wrong. If he is prepared to start putting economics before politics, it is not too late to change course.

1.49 pm

The Chancellor of the Exchequer (Mr George Osborne): I beg to move an amendment, to leave out from "House" to the end of the Question and add:

"welcomes the fact that in the last year a record 520,000 new private sector jobs were created, with the second highest rate of net job creation in the G7, exports grew by 13 per cent. and manufacturing activity was 4.2 per cent. higher and the latest labour market data showed the largest fall in unemployment for more than a decade; notes that the Government inherited a budget deficit forecast to be the largest in the G20; further notes that the previous administration and now Opposition has no credible plan to deal with the deficit and that the Shadow Chancellor's recent proposal for a temporary cut in VAT has been widely criticised for lacking credibility and would put the stability of the economy at risk; notes that the Government has introduced a permanent bank levy that raises more revenue than the previous administration's one-off bonus tax and that the Government has set out a credible plan that has been endorsed by the IMF, OECD, European Commission and the CBI, that has led to greater stability, lower market interest rates and an affirmation of the UK's credit rating that had been put at risk by the previous administration; and notes that this stability provides a platform for rebalancing the economy and the Government's Plan for Growth that includes reducing business taxes, investing in apprenticeships, creating a new Green Investment Bank, reforming the planning system, reducing the burden of regulation and reforming the welfare system to make work pay."

I very much welcome this debate, and it was certainly worth attending for that priceless phrase, "I do my politics on the record". That is right up there with, "There will be no whitewash at the White House", "I did not have sexual relations with that woman" and "No more boom and bust". Really, we must put that phrase away, because we will need it in the weeks ahead.

It is good that we are discussing the economy, and the shadow Chancellor made a speech about what has happened to the economy over the past year—the subject of this debate—but he completely failed to mention that exports are 13% up, manufacturing is 4% up, investment is 6% up and, most importantly, the 520,000 net new jobs in the private sector. Remember the question a year ago, "Where will the jobs come from over the next year?" Well, we have had 500,000 answers from businesses around this country—indeed, the second highest job creation rate in the G7—but that is not a fact that we are likely to hear from the Opposition, because they are determined to talk this economy down. That is the truth.

Kevin Brennan (Cardiff West) (Lab): What estimate is the Chancellor using for the time lag between his fiscal actions and their effect on growth?

Mr Osborne: The decisions that we took in the first few weeks on coming to office provided stability for the economy. That can be seen in the fall in market interest rates and the affirmation of our credit rating. Those things happened within weeks. Of course, some of the structural reforms that we are taking will take longer to come into effect, but that is why our package includes immediate action to bring stability; medium-term action to bring down tax rates, which is happening now; and of course the long-term reforms that I will talk about. That is the point that I should like to make to the hon. Gentleman and others.

I said a year ago, not recently, that the recovery would be choppy. How could it be anything other than choppy, when we are recovering from the greatest recession since the 1930s, the biggest banking crisis in our history, landed with the biggest budget deficit in peacetime? That is the inheritance that the Government has had, and yes, there have been other factors—international headwinds, such as the oil price—[Hon. Members: "Oh."] Well, there has been a 60% rise in the oil price, which has apparently passed the Opposition by. In the words of the International Monetary Fund, despite all this,

"the repair of the UK economy is underway",

and the truth is that the Opposition simply do not want to hear it. They broke it, and they cannot bear to see anyone else fixing it.

Nadhim Zahawi: I can inform the Chancellor that, in the west midlands, unemployment has fallen by 28,000 this quarter. At the height of the previous Government's economic drive, employment in the west midlands still shrank.

Mr Osborne: My hon. Friend makes two good points. First, there was a very welcome recent reduction in unemployment—the biggest fall for a decade. Secondly, he draws attention to one of the most staggering facts about the past decade: private sector employment in the west midlands fell in the decade leading up to the financial crisis. That shows how unbalanced the British economy became under the last Labour Government.

Toby Perkins *rose—*

Mr Osborne: I will give way, and then I will come on to the shadow Chancellor.

Toby Perkins: If the Chancellor feels that the economy was so unbalanced, can he explain why he was still saying in 2008 that he would follow Labour's spending plans?

Mr Osborne: We fought the 2005 election and, sadly, lost it, saying that Labour's plans were unaffordable. In 2008, we made it clear that we were coming off Labour's spending plans. [HON. MEMBERS: "You didn't."] We did. I happened to be there—I am not sure that the hon. Gentleman was. We came off Labour's spending plans in 2008, and thank God we did, because we earned a mandate to make the necessary changes to put the economy back on track.

Several hon. Members *rose—*

Mr Osborne: I will take a couple of interventions in a short while, but let me make the point that, since the shadow Chancellor took office, two things have happened. The first thing is that the measured economic credibility of the Opposition has steadily fallen, and the other thing is that the reported divisions in the Labour party have steadily increased. If anyone wants to know why its economic credibility is falling and why the divisions are increasing in the Opposition, the speech that we have heard told it all: not one word of apology, not one passage of serious reflection about why it all went wrong. The shadow Chancellor started talking about the fact that the Prime Minister was the special adviser in the early 1990s. He himself was the special adviser for the past decade in the Treasury—not a mention of the fact that he was the chief economic adviser when the advice was so catastrophic, not one mention of the fact that he was the City Minister when the City exploded. That is the record of the right hon. Gentleman.

The amnesia reached new heights in the right hon. Gentleman's speech last week to the London School of Economics. Consider this recent quotation from the speech that he gave—this is from the man at the centre of British economic policy making for last decade:

"when I am asked in interviews what I would be doing differently to cut the deficit, the first thing I say is that I wouldn't be starting from here."

I can assure him that none of us would like to be starting from here, but the main reason why we are is sitting right opposite me.

Alec Shelbrooke (Elmet and Rothwell) (Con): Does my right hon. Friend agree that it says everything that we need to know about the Opposition's economic policy when the shadow Chancellor's immediate reaction to the IMF report was, "They don't know what they're talking about"?

Mr Osborne: It went beyond that—my hon. Friend makes a good point—not only did the shadow Chancellor attack the IMF, but he also attacked in the speech that I have just mentioned the IMF's acting managing director. So he laid into the Governor of the Bank of England a couple of months ago, and he is now laying into the IMF's acting managing director. Anyone who disagrees with the shadow Chancellor, which means most of the world, has become his political opponent.

Ian Austin *rose—*

Mr Osborne: Of course, I give way to one of the henchmen.

Ian Austin: I want to apologise to the Chancellor for something that I said yesterday. On who said what in 2008, I said yesterday that the Chancellor had praised the previous Government's spending plans in 2008, despite now condemning what he refers as a decade of over-investment. I was wrong, and I want to apologise. In July 2008, it was in fact the Prime Minister who praised Labour's then spending plans. He said:

"we are sticking to Labour's spending totals."

It was in 2007 that the Chancellor said that a Conservative Government would match our spending plans.

Mr Osborne: The hon. Gentleman should get better handouts if he is one of the shadow Chancellor's close advisers. [HON. MEMBERS: "Answer the question."] I have answered the question. At the 2005 general election, we fought against Labour's spending plans. In 2008, the year that he mentions, we came off Labour's spending plans. Thank God that we did, because it has given us the mandate and the power to put the public finances back on track.

The extraordinary thing about the shadow Chancellor is that he takes credit for the things that went right. On Bank of England independence, he has completely written out of the script the then Prime Minister and Chancellor. He now takes sole credit for keeping Britain out of the euro, although, as far as I am aware—I am happy to take an intervention—the Labour party's official policy is still that we join the euro in principle. Is that right? I do not know whether the policy has changed. *[Interruption.]* We have heard quite a lot from the Labour party in the past couple of hours about being on top of the detail. Surely, the shadow Chancellor knows what his party's policy is on the euro. [HON. MEMBERS: "He doesn't."] Oh, dear. Let me give him a clue. When I became Chancellor, I had to close down the euro preparations unit in the Treasury.

Of course, the shadow Chancellor takes credit, but he is nowhere to be seen when the discussion turns to the fiddled fiscal rules, the failed tripartite regulation, the doubling of the debt, the bank collapses and the destruction of our pensions—none of those things has anything to do with him at all. Now, he is at it again. This is what a member of the shadow Cabinet said a couple of weeks ago:

"he increasingly thinks his party is heading for the buffers and doesn't want to be in the cab when the collision comes."

[Mr George Osborne]

His boss was called Macavity, and it turns out that Macavity has a kitten—son of Macavity. There is a reason for all this: because he cannot construct a credible story about the past that does not cast himself as a villain, he lunges forward in opposition from one incredible uncosted policy to another.

Barry Gardiner (Brent North) (Lab): Will the Chancellor give way?

Mr Osborne: I will take interventions, but let me make this point.

Since this is an Opposition day, let us examine the latest idea of a £51 billion—£13 billion a year—unfunded commitment on tax. This means that the shadow Chancellor has presumably abandoned the Darling plan for this year, because the commitment was not funded in that plan, and that members of the Opposition Front-Bench team were not only too embarrassed to mention it at Treasury questions yesterday but, as we now know, they were not consulted. The shadow Cabinet was not consulted.

I will give way on this point. On television at lunchtime, the previous Chancellor of the Exchequer, the right hon. Member for Edinburgh South West (Mr Darling), was asked eight times whether he supported the policy of the shadow Chancellor and he did not give an answer. Perhaps the shadow Chancellor will tell us whether the last Labour Chancellor of the Exchequer supports his plan—yes or no.

Ed Balls: The previous Chancellor was the last man to cut VAT temporarily to get the economy moving. What is the right hon. Gentleman talking about? Let me ask him a very precise question. He says the cost of this temporary VAT cut, which I said should be in place until the recovery is secured, would be more than £50 billion. Exactly how does he get that figure, and how many years does that mean we will have to wait before the recovery is secured, following his reckless deficit reduction plan?

Mr Osborne: The figure is calculated like this: if we implemented it, we would be in a fiscal crisis. That would delay the recovery by at least four years. That is how I come to £51 billion.

Several hon. Members *rose—*

Mr Osborne: I give way to the former forestry tsar.

Barry Gardiner: The right hon. Gentleman will recall that a year ago the predictions in terms of unemployment did not reflect the 510,000 new jobs which he boasted at the Dispatch Box today about having created in the economy. He will also remember that the OBR predicted 2.6% growth, which has not happened. How does he account for the fact that, despite the 500,000 extra jobs in the economy, growth has flatlined and the 2.6% growth predicted has not been achieved?

Mr Osborne: The hon. Gentleman draws attention to the 520,000 net private sector jobs that are being created. It is also the case, as we saw yesterday, that the tax receipts have not only held up, but are ahead of forecast. The IMF said that an interesting question arises when that is put alongside the GDP figures. These forecasts are independent. That is one of the fundamental changes that we made. The Office for Budget Responsibility is independent. It is also a central forecast, rather than a cautious forecast, as used to be the case. That was another important change we made. We shall see as the economic data come in. We should welcome the public finance data last week and we should certainly welcome the unemployment data.

I give way to my constituency neighbour.

Graham Evans (Weaver Vale) (Con): I am grateful to the Chancellor. Does he agree that manufacturing is the key to the long-term prosperity of our country, and that under Labour the number of people employed in manufacturing halved?

Mr Osborne: Indeed. The share of manufacturing as a proportion of our economy halved as well. That is how unbalanced the British economy became. Financial services boomed—we all know that; manufacturing halved as a share of our economy. One of the things that we are seeking to do is rebalance our economy.

Geraint Davies *rose—*

Mr Osborne: Let me make a little progress and then take some more interventions.

We are all being asked to vote tonight on the proposition put forward by the shadow Chancellor. We are all being asked to support his motion calling for a big unfunded tax cut. This is what the *Financial Times* commented when it heard about that. It said that the shadow Chancellor's argument "increasingly sounds irrelevant" and that it is

"favoured by those who are unwilling to face up to the true problems facing Britain's economy today."

The Economist said that the shadow Chancellor's speech was

"steeped in cynical electoral politics, thinly disguised as an economics lecture."

Well, there is always *The Guardian*, isn't there? Not on this occasion. *The Guardian* said that the shadow Chancellor's economic policy was the "wrong prescription" and went on to say:

"The big job for Labour . . . is not to dream up a couple of policies but to work out a cogent position on the deficit"

and that there is

"No sign of that yet."

No sign of a cogent position on the deficit—that was not a comment from the Government, the right-wing press or the IMF, but from *The Guardian*. That shows just how alone the shadow Chancellor is.

Several hon. Members *rose—*

Mr Osborne: Let me make this point, then I will take interventions.

The position is worse even than that. Hon. Members might remember reading a couple of weeks ago about those leaked documents about project Volvo, the secret plan drawn up by the shadow Chancellor to rebrand his party. The president of Volvo Cars rushed out a statement saying:

"If only the Labour Party had been like today's Volvos—dynamic, agile and innovative—perhaps the UK economy would have been in a better place than it finds itself today."

Kevin Brennan: While the Chancellor is on that subject, can he give a simple answer to a question—yes or no? Did he have advance knowledge that *The Daily Telegraph* had obtained the shadow Chancellor's private papers, or any advance knowledge of the stories that it planned to write—as he raised the issue, yes or no?

Mr Osborne: This is a debate about the economy. We all enjoyed reading those papers in *The Daily Telegraph*.

To get the better economy that we all want to see requires the three things that this Government have provided—

Alec Shelbrooke: Is it not also telling that after the Opposition have spent a year banging on about the American model and what the Americans were doing, we heard nothing today about the fact that President Obama had to introduce austerity measures because his massive input of billions into the economy did nothing except raise unemployment and increase the deficit?

Mr Osborne: The interesting thing is that in the United States the debate in the Congress has turned to discussions about the US budget deficit. The proposal from President Obama in his speech at George Washington university bears some striking similarities to the British Government's plan, and is similar in pace, scale and composition between tax and spending measures. It shows that this is the discussion that the world is having, but it is not a discussion of which the shadow Chancellor is a part.

Ed Balls *rose—*

Mr Osborne: Maybe he wants to be part of it.

Ed Balls: To follow up the question from my hon. Friend the Member for Cardiff West (Kevin Brennan), and because this is a serious matter, I would like to give the Chancellor a second opportunity to answer. I answered his questions and questions from the Government Back Benches on my conversations with the Leader of the Opposition. Did the Chancellor have any advance knowledge or sight of papers taken from me which went to *The Daily Telegraph* without my knowledge? I would like him to answer the question.

Mr Osborne: We all read those papers in *The Daily Telegraph*. They revealed that the shadow Chancellor knew before the then Chancellor of the Exchequer came to the House of Commons that the 10p tax rate that Labour Members all voted for would hit the poorest in our country.

Kelvin Hopkins *rose—*

Mr Osborne: The hon. Gentleman may not have voted for it, but the rest of his colleagues did. That is the absolutely astonishing revelation from those papers.

Kelvin Hopkins: I hope the Chancellor will not describe me as a henchman. Writing yesterday, Lord Skidelsky said that taking £112 billion out of the economy in the next four years will be a massive fiscal contraction, and he described it as

"the royal road to stagnation, not recovery."

What does the right hon. Gentleman have to say to Lord Skidelsky?

Mr Osborne: Of course there are economists, including Lord Skidelsky, who have made their views clear, but there are just as many—indeed, more—economists on the other side of the argument. The economic institutions that govern our world—the IMF, the OECD, and the European Commission, which does not govern our world, but produced a recent report on the British economy—all made the same point. We can set ourselves completely against world opinion, as the shadow Chancellor has done, because he cannot admit that the country had huge problems coming up to the financial crisis. He cannot do that or he would put himself centre stage. That is what this is all about, but the world has moved on and the Labour party has not yet moved on with it.

Mr Redwood: The Red Book says that current public spending will rise 3.8% this year in cash terms and it is running a little higher than that at present. Given that there is to be a public sector pay freeze, is it the intention that there should be a real increase in public spending this year? Does that not put the debate into some kind of context?

Mr Osborne: My right hon. Friend draws attention to the fact that although we have had to take very difficult decisions—everybody understands and sees that—we are not facing the sort of catastrophic scenario painted by the Opposition. The shadow Chancellor talked about Greece perhaps having to default and leave the euro, and as it is not in primary balance and it has a big budget deficit, that would lead to even more draconian cuts. The truth is that if we had not put in place a credible, measured, staggered plan to reduce the budget deficit, we would have been forced by the international markets into making much deeper cuts.

Several hon. Members *rose—*

Mr Osborne: I have taken several interventions, and I will take some more after I have made a little progress.

The Government have put in place three measures: first, a credible plan to deal with the deficit; secondly, a plan for growth that supports the private sector and rebalances our economy; and thirdly—astonishingly, the shadow Chancellor did not mention this—a plan for the banking sector, to ensure that we deal with the problems we currently face while also preventing a repeat of the banking crisis in future.

Let me address each of those in turn. In terms of the budget deficit, our understanding is based on the following points. Britain has a large structural deficit; it emerged before the recession began; it will not go away automatically as the economy recovers; and it puts our whole economy at risk. We only have to look at what is happening in other parts of Europe to see that that is the case. Almost all the independent observers of the British economy agree with those points, including the crucial fact that we had a structural deficit before the crisis struck. The OECD and the International Monetary Fund estimate that before the crisis Britain had the largest structural deficit of all the G7 countries.

Tony Blair states in his memoirs that

"from 2005 onwards Labour was insufficiently vigorous in limiting or eliminating the potential structural deficit."

[Mr George Osborne]

[Interruption.] The shadow Chancellor says, "Rubbish." I thought that he conducted his politics on the record, and I am not sure that Tony Blair would have agreed with that; the last time he checked, he was the Prime Minister and First Lord of the Treasury in 2005.

My predecessor as Chancellor, the right hon. Member for Edinburgh South West, says that by 2007

"we had reached the limits of what I thought we should be spending."

What is the shadow Chancellor's view? It is this:

"I don't think we had a structural deficit at all".

No one agrees with him on that; he is in complete denial.

Andrew Selous (South West Bedfordshire) (Con): At that point in 2007, what did the then Government do? They increased spending by £90 billion, far above the level of inflation, and going against the advice we now know they got from the Treasury. Was that not seriously negligent?

Mr Osborne: The entire economic record of the previous Government was negligent, which is why no one is going to trust Labour with the economy again.

Lilian Greenwood (Nottingham South) (Lab): I hear what the Chancellor says, but just before the collapse of Northern Rock in 2007 did he not write in *The Times* that his party would match Labour's spending totals? Why is he now pretending that did not happen?

Mr Osborne: I have already been asked that question three times, and I have answered it, explaining that—*[Interruption.]* Well, I will repeat it. We fought the general election in 2005 arguing that Labour was borrowing too much. We came off Labour's spending plans in 2008, in the approach to the last general election, and thank God we did, because it gave us the mandate to take the difficult decisions we have had to take.

Several hon. Members *rose—*

Mr Osborne: Let me just make the following point before taking another intervention. The majority of Labour Members voted for the right hon. Member for South Shields (David Miliband) to be their leader. He did not get the job however, but this is what he would have said in the acceptance speech he never delivered, and it goes to the heart of the challenge we face:

"Step one is to recognise what is obvious: that we did not abolish the business cycle. We should never have claimed it. You can't in a market economy. And public spending plans cannot depend on it. Nor can you write your own fiscal rules and then be the judge and jury for how they are calculated and when they are met."

That is absolutely right, and it is why last May we created the Office for Budget Responsibility, a step that the shadow Chancellor opposed in Parliament when he was a Treasury Minister, although I hope his party now accepts it. That is also why a year ago we introduced the budget plan to get the deficit down and have a credible programme for recovery—and which is why we are having this debate today.

Mr William Cash (Stone) (Con): The Chancellor's analysis of what went wrong under the Labour Government is completely right. However, does he agree that our current strategy must be about growth as well as reducing the deficit through making cuts? I know he understands that and would like to achieve growth, but we cannot achieve it, either in our own economy or in Europe, if 4% of our GDP is taken up with the costs of over-regulation, as has recently been suggested. The bottom line is that we have to deregulate, but we cannot deregulate European legislation without overriding it, and negotiation is not working.

Mr Osborne: My hon. Friend is absolutely right that a crucial element of our strategy must be to undertake structural reform of the British economy in order to reduce regulation and the burdens on business and make our economy more competitive. We would have to do that in any case, even without the recovery from recession we are having to undertake, but the truth is that it has been made more difficult by the accumulation of all the red tape over the past few years. It is remarkable that when we propose important changes—although not changes that go as far as we would like—to employment tribunal law, Labour opposes them. Those are basic changes that would enable more people to be hired and to be in work, but they are opposed by the Opposition. *[Interruption.]* We can tell by Opposition Members' reactions that they simply do not understand what it takes to create jobs in the private sector.

Charlie Elphicke: The Opposition not only want to hold back the growth agenda; they also have a series of unfunded spending commitments and go in for gimmicks and bandwagon chasing. They will not be a responsible Opposition, or electable at the next general election, if they carry on in this way.

Mr Osborne: My hon. Friend is absolutely right. In the last week alone, not only has the shadow Chancellor made a huge unfunded tax promise, but Labour voted against the welfare Bill, with its billions of pounds of savings. It is perfectly right for an Opposition to say, "I don't agree with that, and I've got an argument with you on this," but Labour's voting against the entire welfare Bill was a catastrophic error of judgment, and we will remind it of its failure to reform the welfare system from now until the end of this Parliament. The Labour leader recently said that his party had become known as the friend of the welfare scroungers and the bankers. He was absolutely right about that.

The shadow Chancellor's central argument was that the reason why we are undertaking this deficit reduction plan is because it is all part of some great partisan ideological plot. I therefore have a question for the shadow Treasury team: presumably therefore, the Bank of England is part of this plot? Is that the case?

Mr David Hanson (Delyn) (Lab): It is a Tory plot.

Mr Osborne: So it is a Tory plot, is it, and the Bank of England is part of it? What about the IMF; is it part of this Tory plot? The right hon. Gentleman probably thinks the CBI is part of it.

What about PIMCO, the world's largest bond fund: is it part of the Tory plot? It is based in Los Angeles, so it must represent the international branch of the Tory plot. It said this:

"We think the UK is implementing what is probably the best combination of fiscal and monetary policies"

in the western world. These groups—the serious commentators—have all come to the same conclusion as the coalition Government: that we need a credible deficit reduction plan to get our market interest rates right—to make sure that, even though we inherited a budget deficit higher than Portugal's, our market interest rates are similar to those of Germany.

Kate Green (Stretford and Urmston) (Lab): Who is paying the price for this approach to reducing the deficit? The Institute for Fiscal Studies recently pointed out that the inflation rate being experienced by the poorest families is 60% higher than that being experienced by the highest-earning families.

Mr Osborne: The truth is that the whole country has paid the price for the disastrous economic policies of the previous Government. There is no easy way to reduce the largest deficit in our history, but the Opposition oppose every single measure we introduce. That is incredible and it is precisely why they have been rumbled—rumbled by the serious economic press and by everyone else.

Mr Aldan Burley (Cannock Chase) (Con): Is the truth not that the Opposition's two policies—cutting VAT and halving the structural deficit over this Parliament, rather than eliminating it—mean just one thing: more borrowing? Does more borrowing not just mean one thing: us paying more interest? Is it not morally disgusting that when we came into government a year ago we were spending £120 million a day just to service the interest on their debt, which they now want to increase?

Mr Osborne: My hon. Friend is right. The debt interest payments would have increased to £180 million a day if we had not pursued our current policies. That became one of the largest Budget items under the Labour Government. Deficit reduction has avoided the interest payments that we would have had under Labour.

Mark Durkan (Foyle) (SDLP): The Chancellor will be aware that Ireland is locked into a serious deficit reduction plan. He may also be aware that next week, as part of its budget for jobs, a targeted VAT cut to 9% will kick in for the tourism sector and last for 18 months. It follows similar cuts made by France and Germany to 7% and 5.5% respectively. Does he rule out targeted VAT cuts to support jobs and growth in particular sectors at the same time as deficit reduction, because that is what other countries are doing?

Mr Osborne: We put forward in the Budget targeted cuts for business. We are cutting corporation tax by 2% this year and a further 3% in coming years. We have put in place more generous research and development tax credits to help businesses. We have cut the small companies tax rate—

Mr Hanson: We supported that.

Mr Osborne: The right hon. Gentleman says that they supported it, but the plans I inherited from Labour's March 2010 Budget, which presumably he voted for, were to increase the small companies tax rate. We reversed that and cut taxes. We are also taking more than 1 million low-paid people out of tax and trying to get the unemployed back into work.

I was in Northern Ireland on Friday, meeting the political leaders and visiting a very successful manufacturing business in Ballymena, and the point I make to the hon. Member for Foyle (Mark Durkan) is that we are consulting on the future of corporation tax rates there, reflecting the fact that it shares a land border with the Republic of Ireland, which has a much lower rate of corporation tax.

Several hon. Members *rose—*

Mr Osborne: Let me make some progress before taking any more interventions.

Chris Ruane: From this side.

Mr Osborne: I have just taken an intervention from that side.

The first requirement to fix the mess is a plan to deal with the deficit. The second requirement is the plan for growth. While the shadow Chancellor was letting the debt build up, the underlying competitiveness of our economy declined and the UK fell from fourth place to 12th in the international rankings. More than 1 million jobs were lost in manufacturing. Regional inequality, which we heard about during Prime Minister's questions, worsened during Labour's 13 years in government as the gap between the regions increased. As I pointed out earlier, private sector employment in the west midlands fell. Those imbalances have become deeply entrenched and cannot be fixed overnight, but we are undertaking the long-term structural reforms necessary to make that happen.

Angela Smith (Penistone and Stocksbridge) (Lab): It is emerging that there has been a 17% increase in home repossessions. How can the Chancellor justify his plan to the families affected and say that it is working?

Mr Osborne: We have extended the mortgage interest relief scheme—I inherited a plan for it, too, to end—and of course are trying to avoid repossessions, but there was a large number of repossessions under the Labour Government, and that is because—*[Interruption.]* I certainly inherited a huge economic mess from the Labour party. The truth is that one of the problems we are having to deal is the enormous housing boom, which was bigger than that experienced in any other major western economy, including the United States of America. We are putting in place those structural reforms, cutting corporation tax, creating more apprenticeships than the country has ever seen, lifting the low paid out of tax, reforming our planning system, reducing the burden of regulation, accelerating education reform, introducing the green investment bank and passing the landmark welfare legislation.

Fiona O'Donnell (East Lothian) (Lab): Will the Chancellor give way?

Mr Osborne: I will make some progress.

All those policies involved difficult decisions, but they have been opposed by the Labour party. There is one live example that I want to raise: public sector pension reform. The Government want to reform our public sector pensions system to ensure fairness for public sector workers and taxpayers. We asked Lord Hutton, Labour's former Work and Pensions Secretary, to propose a solution. He produced an interim report and a final report. It is comprehensive, excellent and fair and the coalition Government back it. As everyone knows, we are in negotiations with the public sector trade unions on how it should be implemented. Sadly, a minority of union leaders seem more interested in strike action than in trying to reach a fair deal. At least their position is clear. What is the view of the Labour party? Complete silence. Will someone intervene and answer that?

Kevin Brennan: Will the Chancellor give way?

Mr Osborne: Right, what is the hon. Gentleman's view of John Hutton's report?

Kevin Brennan: The Chancellor is not asking the questions; I am intervening. Where is the Chief Secretary to the Treasury? Why is he going out in the middle of negotiations and breaching the good faith of those he is negotiating with? That is the question we need an answer to.

Mr Osborne: We are engaged in those negotiations, which the Chief Secretary and the Minister for the Cabinet Office are leading for our side. I have asked a very simple question: does the Labour party back public sector pension reform as set out by John Hutton? *[Interruption.]* That says it all.

Chris Bryant (Rhondda) (Lab): Will the Chancellor give way?

Mr Osborne: Will he answer my question? No? I am not taking an intervention. *[Interruption.]* The question we have here was put by John Hutton himself—

Nadhim Zahawi: On a point of order, Madam Deputy Speaker. Should not the hon. Member for Rhondda retract the disparaging remark he has just made about the Chancellor?

Madam Deputy Speaker (Dawn Primarolo): Nothing has been said that is unparliamentary, but some of the behaviour in the Chamber could be a little better than it is currently. That is not a point of order for me, but a matter for each Member of the House.

Mr Osborne: John Hutton said that he would like the leader of the Labour party

"to endorse the report I produced, yes, because I think it does strike the only fair balance".

Chris Ruane: He would do—it is his report.

Mr Osborne: It is his report, Labour's former Work and Pensions Secretary, and I want to know whether the Labour party backs it. *[Interruption.]* Unbelievable. Will the shadow Chancellor shake his head or nod?

Ed Balls: I set out our position on these matters very clearly on Sunday. We agree that we need pensions reform and are studying the detail of the Hutton report, as everyone is. We thought that the increase in contributions before it was published was a complete abuse of the report and that the way the Government are rushing to increase the age of retirement is deeply unfair, especially to women in their 50s. The whole handling of this by the Chancellor and the Chief Secretary to the Treasury has been totally and deeply shambolic.

Mr Osborne: Let me take that answer and dissect it. First, the shadow Chancellor deliberately confuses the state pension age with public sector pension because he does not want to answer the question. Secondly, he says that he is studying the Hutton report, but how long does it take him to read it, because it has been out for three months and an interim report was produced last year. Unbelievable.

I will end my speech shortly, because Mr Speaker requested that we ensure that many Members get into the debate. The third thing that is required, which was totally unmentioned by the shadow Chancellor, is a plan to reform the banking system and financial services. That is a central part of any British Government's economic policy, but we heard not a word on it from him. We know why, of course. It is the same reason that we discussed on the deficit: he was the man who designed the regulatory system that failed. He was the man in the Treasury who designed the tripartite system of regulation; it was his idea, and it failed.

This is what the former Prime Minister, the right hon. Member for Kirkcaldy and Cowdenbeath (Mr Brown), said—and he does not say this kind of thing very often:

"We set up the FSA believing the problem would come from the failure of an individual institution. That was the big mistake. We didn't understand just how entangled things were. I have to accept my responsibility."

When the former Labour Prime Minister accepts responsibility, is it not time that the man who was advising him accepted his responsibility, too, and admitted that the tripartite system failed and needs to be replaced?

Ed Balls: The tripartite system was put in place following the repeated failure of self-regulation and of the regulation of the Bank of England in the period before 1997. I have said on the record loud and clear that we did not regulate the banks in a tough enough way, but throughout that period the current Chancellor personally attacked me for being too tough with regulation and for going too far. The idea is to replace a tripartite system with a quartet system that is even more complicated and byzantine, and we will look at that in detail in the coming months, but the Chancellor is playing a very dangerous game.

Mr Osborne: The right hon. Gentleman did not apologise for the tripartite system; he defended it. That is what he just did.

Now, the shadow Chancellor has just—I think for the first time—set himself against the regulatory changes that we propose. He says that he wants to study them, but I set them out at the Mansion House not this year, but last year, so he has had more than one year to study them.

Ed Balls: I am really worried about them.

Mr Osborne: And he says that he is really worried about them.

So, there we have it: the shadow Chancellor is against putting the Bank of England back in charge of prudential regulation; against the financial policy committee; and against the financial conduct authority, which is going to be tougher on behalf of consumers. The independent banking commission, which includes experts from throughout the banking field, has been working on the issue and come forward with an interim report. We have backed the principles of that report, but what does the shadow Chancellor have to say? Absolutely nothing—absolutely nothing about the plan that he would put in place. That is the truth.

Alison McGovern (Wirral South) (Lab) *rose—*

Chris Bryant *rose—*

Mr Osborne: Let me conclude—

Nadhim Zahawi: Will my right hon. Friend give way?

Mr Osborne: I will certainly give way.

Nadhim Zahawi: That goes to the heart of this debate—the credibility that the shadow Chancellor talks about. The public are deaf to the Opposition's arguments because of their political opportunism and the cynical way in which they are dealing with the most important issue facing our nation.

Mr Osborne: My hon. Friend is absolutely right, and I am glad that I gave way to him so that he could make that important point.

Alison McGovern: Will the Chancellor give way?

Mr Osborne: Let me conclude—

Chris Bryant: Come on!

Mr Osborne: I think that the hon. Lady is the Parliamentary Private Secretary to the former Prime Minister, and given that he will never be here to speak for himself, she must speak for him.

Alison McGovern: I thank the Chancellor for giving way, and I am proud to be the PPS to my right hon. Friend the Member for Kirkcaldy and Cowdenbeath (Mr Brown).

The Chancellor was so busy yesterday calling me "new" that he did not answer my question, and he did not listen to the shadow Chancellor just then or answer his question, either. Will he explain how his increased complication of the regulatory system will prevent further bank failure?

Mr Osborne: Of course, I welcome the hon. Lady to her—*[Interruption.]* I will answer the question that she puts. I have merely observed in the past that being the Parliamentary Private Secretary to someone who never comes to Parliament is not a very onerous job, but that is good, because she can think up important questions to ask me.

Our judgment, with which the hon. Lady is entitled to disagree, is this: what was missing from the tripartite system was an ability to assess systemic risks throughout the economy. No one was looking at overall debt or leverage levels—*[Interruption.]* The shadow Chancellor says, "Rubbish". When the Royal Bank of Scotland wanted to buy ABN AMRO after the credit markets had closed and after the run on Northern Rock, the regulatory system allowed RBS to do so. That is what went wrong, and if the right hon. Gentleman wants to go on defending the system that led to the biggest banking crisis in our entire history he can be my guest.

Ed Balls: When we reformed the Bank of England in 1997, we introduced a second deputy governor for financial stability. It was the job of the deputy governor in the Bank of England to monitor those things, and what has the Chancellor now done? He has added a third deputy governor, so there are now going to be three, and that is a more complex system. He is making a political case, but I do not know whether he even understands the financial and economic case.

Mr Osborne: What I understand is that the system the right hon. Gentleman put in place to ensure financial stability completely failed, and the scales have fallen—

Margot James *rose—*

Andrea Leadsom *rose—*

Mr Osborne: Let me conclude now.

The scales have fallen from the eyes of Labour MPs. They realise that they have a shadow Chancellor who has to spend the next four years defending his record, and they are completely silent as they realise that they are going to be talking about the past, not the future.

Chris Bryant: Will the Chancellor give way?

Mr Osborne: I am not giving way. Let me conclude my speech.

That is because the shadow Chancellor is a man—

Chris Bryant: Give way!

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. Can we be a little calmer? Mr Bryant, I know you are very excited, but I am sure that people will give way.

Mr Osborne: The shadow Chancellor is a man with a past, but no ideas for the future. The Leader of the Opposition may be uncomfortable having him in the shadow Cabinet, but we are not, because he is going to be a living reminder that people can never trust Labour with the economy again. Meanwhile, the rest of us have got to get on and clear up the mess he left behind.

2.36 pm

Mr Nick Raynsford (Greenwich and Woolwich) (Lab): May I draw attention to my interests as registered in the Register of Members' Financial Interests?

My remarks will concentrate on the housing market, their theme being that that sector, which is fundamental to the healthy operation of the overall British economy, and after showing good signs of a recovery a year ago, is currently stagnant. It is in an extremely parlous position, and there is no evidence of the growth that is

[Mr Nick Raynsford]

fundamental to delivering the jobs and the future prosperity that we need, but while the Government continue with their current policies, we will continue to see a seriously underperforming housing market which, in turn, will contribute to a seriously underperforming British economy.

The interrelationship between the housing market and the wider economy is widely understood. The recession of 2008 had its origins very much in housing. We saw the beginnings in the American subprime housing crisis; the contagion spread rapidly; and it was no coincidence that Northern Rock constituted the first evidence in the UK of the problems that were to engulf us. The crisis was the product of unsustainable lending that had fuelled an unsustainable bubble in this country and a number of others, and the consequences were dire.

That was not the first time we have seen such a process of adjustment after unsustainable growth in the housing market. It has been a pattern over the past 40 years, because there were growth bubbles in the 1970s, the 1980s and the mid-2000s. However, unlike the adjustment after the bubble of the Lawson boom in the late 1980s, the consequences for the public of the recent adjustment—which was painful in many ways and had a dramatic impact, as house prices fell by some 20% and the output of new homes fell by slightly more than a half—were far less damaging and severe than those of the previous recession of 1990-91.

Repossessions have been mentioned, and the following is very telling. Although in 1990-91 repossessions reached some 75,000 annually, with the disaster and tragedy for all people affected matched of course by a huge incidence of negative equity, this time, although the fall in the value of houses was more extreme, the level of repossessions was very much lower—peaking at about 40,000 and falling away, although, sadly, the evidence is that it is rising again—and the problem of negative equity did not blight the lives of millions of people as it did during the 1990s. The difference was that the Government and the Monetary Policy Committee had recognised the importance of swift and clear action to respond to the unprecedented challenges of the recession—through low interest rates plus a series of measures designed to restore confidence in the market, and through public sector investment to help to mitigate the impacts of the declines of private investment and people to retain their homes rather than suffering repossession. All those actions helped to mitigate the impacts of recession.

Dr Thérèse Coffey (Suffolk Coastal) (Con): I recognise that the low interest rate is one of the reasons that the number of repossessions was so low. On the other hand, the Monetary Policy Committee's remit was to tackle inflation, and yet we are now seeing the challenges that an ongoing low interest rate present to people on fixed incomes, whom he seeks to defend because they are suffering as a result.

Mr Raynsford: I will not go into a detailed diversion on the whole issue of inflation. The Governor of the Bank of England has made very clear his view that the inflationary factors are not such as to create a fear of long-term damaging consequences and that it is right and appropriate to maintain the low-interest regime to ensure that we do not damage further the prospects for growth—the main theme of my remarks.

Kelvin Hopkins: I am listening to my right hon. Friend with interest, and I agree with what he is saying. While the interest rate reduction has helped on this occasion, on the previous occasion under the exchange rate mechanism strategy the deflationary effects of high interest rates created 1 million extra unemployed, and that unemployment, certainly in my constituency, caused many people to hand over their keys and walk away from their mortgages.

Mr Raynsford: My hon. Friend makes an important point. These factors are all interrelated. The lower impact of unemployment in this latest recession, compared with those of the 1980s and the 1990s, is undoubtedly one of the factors that has contributed to its having less severe consequences.

A year ago, before the Chancellor presented his first Budget, we were seeing recovery in the housing market. New housing starts were beginning to rise and confidence was returning, and it was reasonable to expect that real growth would be sustained through 2010 and 2011. Instead, the market has stalled. Prices are static or slightly falling. There has been a continuing very low level of starts, and consumer confidence is at catastrophic levels. For only the third time in its 37-year history, the GfK NOP consumer confidence barometer has been below the -30% level. That is an indication of just how devastating is the lack of confidence in current market circumstances.

Why are we in this situation? In part, it is the consequence of the Chancellor's overall economic strategy and the way in which he is managing the British economy and damaging confidence. The confidence issue is not unique to the housing market. It is a much wider issue, as everyone will recognise, although it has a devastating consequence for the housing market. The situation is also the consequence of maladroit policies being pursued by the Government. I would be interested to know how the Chancellor approaches the Localism Bill, which his colleagues from the Department for Communities and Local Government are taking through Parliament with the confident claim that it will devolve more and more control to local neighbourhoods to be able to say no to developments that they do not like. As we heard in his latest Budget, he wants the default position on housing and other planning applications to be yes, but I am afraid that the truth is that most of the communities who have been given the prospect of far greater control over planning decisions want the default position to be no. There is a fundamental tension between the growth aspirations that he talks about and the actions of this Government, which are in many ways damaging growth.

Henry Smith (Crawley) (Con): Does the right hon. Gentleman concede that during the last decade of the Labour Government housing starts were at their lowest since the 1920s because of top-down planning control that did not work?

Mr Raynsford: The hon. Gentleman should be aware that during the period leading up to the recession we saw a continual increase in housing output. Net additions to the housing stock—the measure favoured by the DCLG as the best and most accurate measure—showed growth of 10,000 to 15,000 a year from 2001 to 2007. In 2007, net additions to the housing stock, at over 200,000,

were the highest for 20 years. That was the position: there was a growth trend. We were seeing increased housing output and getting near to the target of 230,000 homes that the Barker report had indicated was necessary. All that has been put at risk. The number of new starts is now only just over 100,000; consumer confidence is absolutely shattered, as I have described; and the confidence of developers is severely damaged by the fear of such maladroit changes to the planning regime.

We have also seen inept cuts in public expenditure. The Homes and Communities Agency played an absolutely vital role in helping the housing sector through the crisis of the recession and giving confidence back to developers through schemes such as Kickstart and HomeBuy Direct and investment in housing associations. All those programmes have been cut back, except one. Six months after HomeBuy Direct was cut, the Government realised that they had made a terrible mistake, so they rebadged it as Firststart, or something like that. However, I am afraid that the others have gone, and the investment levels of the Homes and Communities Agency, at 65% below what they were under the previous Government, mean that the outlook for affordable and social housing is extremely grim.

We have a Government who talk about growth, but their actions are damaging to growth. The housing market, as a microcosm of the overall economy, shows that while current policies continue we have no prospect of getting the growth we need, the homes we need, and the jobs that will come from that, because the housing market has huge multiplier consequences for the economy as a whole. I hope that the Chancellor will not continue to base his case merely on the arithmetic of deficit and will look at what is happening in the real economy and the damage that his policies are doing.

2.47 pm

Sajid Javid (Bromsgrove) (Con): I found many of the comments in the shadow Chancellor's speech absolutely astounding. He began by talking about economic illiteracy despite the facts that he was in the Treasury when the previous Government announced that they had abolished boom and bust, and just a few days ago he proposed an unfunded cut in VAT costing £13 billion a year and £50 billion over the course of the next four years—a £50 billion increase in our national debt. Clearly, when he was talking about economic illiteracy, he was talking about himself.

The truth is that in 1997 Labour inherited a golden legacy. National debt was low, growth was robust, and the budget deficit was a third of what it is today and falling rapidly. Now we find ourselves in a situation that could not be worse. The national debt has grown from £350 billion in 1997 to £920 billion today. Servicing that debt costs £43 billion in interest this year—more than we spend on the defence of our country or on the education of our children—and, despite the effect of the fiscal actions that this Government are taking, it will rise to almost £70 billion in four years' time.

James Wharton (Stockton South) (Con): My hon. Friend is making an excellent point about the levels of debt that the Government inherited. It is also important to put on the record that many economists and observers of the national finances say that the debt may be significantly higher, depending on how we measure it and which liabilities we take into account. The situation we inherited, as bad as it sounds in his description, could be even worse if we factor in all the liabilities that the previous Government left behind.

Sajid Javid: My hon. Friend is absolutely right. There are some very reliable estimates of unfunded liabilities of central Government standing at over £1 trillion, which would more than double the national debt—not to mention private finance initiative liabilities potentially worth £300 billion.

How can we prevent this from happening again once this Government have brought down our debt? There is a possibility that some time in the future, the public may, against their better wisdom, elect another Labour Government. Perhaps we should consider capping the national debt at a percentage of GDP, so that future Governments who think that they can spend like there is no tomorrow are held back. I am pleased to announce that on 12 July, I will present a ten-minute rule Bill, provisionally titled the national debt cap Bill, to suggest just such a measure.

We have heard a lot from the Labour party about the cuts being savage and reckless. It is easy to make those accusations without looking at the facts. The fact is that the cuts have not even started yet. The first fiscal year of cuts will be this year. It is important to go into the specific numbers. There will be cuts of 0.6% in real terms this year, 1.1% next year, 1.3% the year after and 0.8% in 2014-15. That averages out as a cut of about 0.9% in real terms each year. That is a total cut of 3.7% in real terms. Although such a cut cannot be dismissed, that is the absolute minimum that is necessary to bring sanity back to our public finances.

Mr David Anderson (Blaydon) (Lab): The hon. Gentleman has gone through the figures. Will he say what they will mean in reality for public sector workers in Bromsgrove? How many will lose their jobs?

Sajid Javid: What it will mean for all workers in Bromsgrove, including public sector and private sector workers, is that there will be more jobs. They are essential to restore economic credibility. As a result of the announcement of the Government's credible plan, interest rates are lower in Britain than they were before. Importantly, despite the deficit still being at 10% of GDP, which is higher than in Spain and many other European countries that are facing problems, our interest rates are almost on a par with Germany's.

If hon. Members want to talk about savage cuts, why do we not consider the great example of Denis Healey? The country was brought to its knees and a bankrupt Britain was ordered by the International Monetary Fund to make cuts that amounted to 3.9%, not over three or four years, but in one year. If that is not a good enough example, let us consider what is happening in the United States, which failed to put its house in order when it had the opportunity and did not introduce a credible plan to tackle its deficit. As a proportion of GDP, its deficit and its national debt are not too different from ours. It is now being forced to introduce cuts in one year of 3.8% in real terms. It is no wonder that the IMF, the CBI, the Federation of Small Businesses and the OECD are all behind us.

Henry Smith: My hon. Friend makes a powerful point about the United States, where unemployment is rising because it failed to tackle its deficit early enough. In contrast, in my constituency, Siemens has just announced 600 new jobs. That is proof that our Government's policies are starting to work.

Sajid Javid: I absolutely agree with my hon. Friend.

If we want to make the cuts less painful, that is possible. This does not all have to be about losing jobs. I noticed yesterday that local councils are still advertising for walking co-ordinators, obesity strategy officers, cycling officers and energy island administrators. If the public sector wants to make the cuts less painful, it has the power to do so.

Hon. Members talk about the unfairness of the cuts, but let us look at some of the changes that the Government have boldly introduced. We have put a cap on the amount of benefit that people can claim at the equivalent of about a £35,000 gross salary. What is unfair about that? Why should a family on benefits receive more than the average working family receives in salary? We have put a cap on housing benefit to ensure that claimants cannot live in better accommodation than ordinary, hard-working families. We recently suggested a cap on how much someone living in social housing can earn. There are Opposition Members who are earning a household income of more than £100,000 a year and who continue to live in social housing for about £175 a week. That is unacceptable and the public will find it unacceptable too.

The Chancellor asked why the Opposition do not have a policy on public sector pensions. I suggest that one reason is that the leader of the Labour party was elected and put in place by the trade unions and that many Labour Members get the majority of their funding from trade unions. I would therefore expect nothing else from them.

What alternatives do we have? That question brings me back to economic illiteracy. The shadow Chancellor seems to think that we can force the bond markets to buy our bonds. He seems to think that despite this country being forced to issue £4 billion in bonds a week—that is the amount we borrow plus the amount we have to refinance—and despite the competitive nature of the bond market, bond investors will just purchase our bonds willy-nilly. That is unacceptable economic illiteracy. The truth is that bond investors have a choice. Because of that, we are stranded and have no choice but to deal with the deficit.

In my last two minutes, let us look at the countries that have failed to take action. I have already mentioned the United States, which had huge quantitative easing programmes of $600 billion and $1.7 trillion. It has reached the ceiling on its debt cap and is in serious trouble. It will shortly have to follow similar plans to ours. The shadow Chancellor mentioned the eurozone. He was right to point out the problems in Greece, but wrong to suggest that he has never supported membership of the euro. It is the policy of the Labour party to join the euro, and its last manifesto offered a referendum on the euro. The problem with the euro was created by political dishonesty. Politicians in Europe were not willing to tell the truth about the euro and say that there could not be a single currency without fiscal union.

I suggest that there is similar political dishonesty from the Labour party. It is a party that, like Alice, lives in Wonderland. It believes that one can keep spending without any consequences and that one can abolish boom and bust.

2.57 pm

Pamela Nash (Airdrie and Shotts) (Lab): It is said that there are three stages of a Government's life. First, they blame their predecessors for all the wrongs of the world, including the decisions that they are making themselves. They then get into their stride and take responsibility for their own policies. Eventually, they make decisions that make the public unhappy, and things go downhill from there. I suspect that this Government may get through all three stages rather quickly.

As we have heard, today marks a year since the Government gave their first Budget. I hope that this anniversary marks the beginning of the Government entering the second stage and taking responsibility for the pain that they have inflicted on families in my constituency and throughout the country over the past 12 months.

We have heard repeatedly from Government Members that the previous Labour Government were wasteful with taxpayers' money. That is simply not true. The Government should stop patronising the electorate and stop using the unhelpful credit card analogy. The national debt is in no way analogous to a credit card. The balance sheet contains both assets and liabilities. The Labour Government paid for additional infrastructure, roads, schools and hospitals. Even so, until the collapse of Northern Rock, we had a lower national debt than we had inherited from the previous Tory Government in 1997. We should ask how much our assets are worth compared with our liabilities, as one would if one inherited a home worth £200,000 with a £20,000 mortgage on it. The next generation will receive not only the debt, but the assets. One example is Building Schools for the Future.

Government borrowing was invested in production, such as the planned loan to Sheffield Forgemasters, which would have aided an export-led recovery. The country would have seen a return on that investment. Instead, this Government took yet another decision that led to the stagnation of growth and the rotting of assets, which will be passed on to the next generation. That is typical of Government policy over the past year. They have made quick, deep cuts that have saved a little money in the short term, but they have had no adequate plan for the future and blame the Labour party for the consequences.

Labour's bail-out of the banks was universally seen as essential to combat the effect of the global financial crisis on Britain. I will concede that mistakes were made on our part in banking regulation, but the Tories in no way opposed our measures at the time. In fact, until recently deregulation has been central to Tory policy. For months after the collapse of Northern Rock, the Prime Minister continued to promote bank deregulation. He stated that plainly in a speech to the Institute of Directors in April 2008.

It is, of course, more comfortable for the Government to blame everyone else, but it is time they took stock of the effect that they are having on the people of this

country. For example, since last year's Budget consumer confidence has clearly collapsed, with the figures consistently showing consumer spending dropping. That drop in personal spending power is the first since the 1980s.

Margot James: Does the hon. Lady not accept that there is bound to be restraint on the part of consumers considering the enormous level of household debt? Should not the Government learn from the public? The public are holding back, and the Government need to hold back.

Pamela Nash: I would argue that the Government's policies in the past year have done nothing to increase the confidence of this country's consumers. The British Retail Consortium and KPMG's retail sales monitor shows that the total value of retail sales last month represented

"the worst drop in total sales since we first collected these figures in 1995...high inflation and low wage growth have produced the first year-on-year fall in disposable incomes for thirty years."

Worse still, according to the BRC the main cause of inflation is not just wages or consumer-driven increases but external shocks such as the VAT increase.

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): I agree with many of the points that the hon. Lady is making in her thoughtful speech. However, my recollection of last year's Finance Bill debate is that the House divided on a Plaid Cymru and Scottish National party motion to overturn the decision to increase VAT, and the Labour party abstained. Can she explain why?

Pamela Nash: I cannot explain why, but I hope that our shadow team will answer the hon. Gentleman's query at the end of the debate.

The VAT increase has already had a considerable effect on stretched budgets in homes throughout the country. It has hit the poorest in our society hardest, as have this Government's two Budgets as a whole. It has meant that people are living in fear for their personal domestic budgets, as they do not know what the future will hold. The decision to increase VAT, a regressive tax, illustrates the priorities of the Tory-led Government.

The Chancellor's claim in the Chamber a year ago today that the emergency Budget was "progressive" was frankly laughable. The Institute for Fiscal Studies has confirmed that it was regressive, and that half a million more children in the UK will end up in relative poverty by 2013. That is disgraceful. The Government are feeding the cycle of poverty and repeating the mistake of Thatcher's Government in the '80s. The Prime Minister stood at the Dispatch Box today and claimed that his Government were helping people out of poverty, but the experts beg to differ.

Young people are particularly affected, and they have a right to feel victimised by the Government. There have been a series of failures, leading to their generation being hard done by. Thousands of young people will now be saddled with up to £40,000 of debt after completing a degree. I am glad that my constituents still benefit from Government-funded higher education in Scotland, but even they leave university with considerable debt from the living and material costs of what is usually a longer term of four years at university.

When a young person graduates from uni, they then have to find a home. Unfortunately, the average age at which a person in the UK can afford their first home has risen to 37 under this Government. The national drop in house prices has had a smaller effect in Scotland, as the prices were much less inflated originally than in the south of England. Despite that, Scots are still just as affected by the difficulties in obtaining a mortgage without the considerable deposit of about 10% that is often now required.

After leaving university with so much debt, people have to cope with low and frozen salaries, if indeed they are lucky enough to get a job. Many remain without a job, as unemployment is hitting young people and Scotland in particular. We had the lowest unemployment rate in the UK in 2007, but we are now closer to the highest after four years of the SNP's budget mismanagement.

The scrapping of the future jobs fund was yet another massive blunder by the Government. To label it a waste of money and say that the jobs created were not real is frankly offensive. I have met numerous future jobs fund workers in Airdrie, Newarthill and Shotts who enjoyed their six months in the programme, learned essential skills, improved their self-confidence and, in many cases, ended up creating a role for themselves and being kept on. At the very least, they were helped to find a similar job once they left their placement.

Unfortunately, the new Work programme is more likely to make the poor poorer than it is to get Britain back to work. There are two major problems with it. First, the promise that it will give 2.4 million unemployed people jobs over the next five years depends entirely on economic growth, evidence of which remains to be seen. There are currently 2.43 million people unemployed and 2.4 million out of the labour force, but in the last quarter there were only 469,000 vacancies. Secondly, the Work programme operates on a payment-by-results basis. Although I welcome the fact that good results are required for taxpayers' money to be spent, in today's limited job market are not private companies much more likely to pick individuals who are not long-term unemployed?

The majority of unemployed people are looking for a job. Many have the wrong skills, or are in the wrong place, and unfortunately they have little hope of gaining funding for retraining at the moment. The housing market also makes it almost impossible for them to relocate. With limited means, people are supposed to pay for increased food bills and sky-high energy bills. Despite the fact that I now spend almost half my time in Westminster, away from home, I still received a letter last week, like many people in Airdrie and Shotts, telling me that my electricity and gas bill is going up by £20 a month.

Fuel bills are also rocketing, and people are rapidly finding themselves struggling to cope. At a recent meeting with my local citizens advice bureau, we discussed the fact that the people who are now coming to us for advice are not just those on benefits or very low salaries but people in a variety of salary brackets, who are seeing their wallets empty much earlier in the month. If those on half-decent salaries are struggling, how are those on benefits and the minimum wage even beginning to cope?

[Pamela Nash]

The Government have spent their first year in power causing successive growth forecast reductions and prolonging the effects of the recession on both families and businesses, and a generation of young people has been put on the scrap heap. When are the Government going to stop blaming everyone else and find a plan B that will get the UK working again?

3.7 pm

Jackie Doyle-Price (Thurrock) (Con): It is a pleasure to follow the hon. Member for Airdrie and Shotts (Pamela Nash), who spoke with considerable passion about the plight of some of her constituents. However, I am sure she will recognise that the best way of tackling the poverty that she described is by getting our economy working more effectively, incentivising people who want to create wealth and spreading more jobs. That is the way to tackle the problems that she articulated.

On that note, I congratulate the Chancellor of the Exchequer and the Treasury team on sticking with the tough decisions that will rebuild our economy and prevent it from spiralling further into debt, and in so doing lay the foundations for future growth. We must stick with our plan. There is no need for a plan B.

Let us get this correct: we inherited an economy built on credit and public spending. That is not a climate that will encourage wealth creation. We cannot keep taxing private enterprise in order to fund an expanding public sector. We need to incentivise our wealth creators and set the economy free. It is clear from recent economic figures that the economic fundamentals are strengthening. Indeed, John Cridland, the director general of the CBI, said this weekend that we are well into recovery, even though it does not quite feel that way.

Lilian Greenwood: I understand what the hon. Lady is saying, but does she not share our concern that although we are supposed to be in recovery, the growth figures keep being downgraded?

Jackie Doyle-Price: I was just getting to the explanation for that, which is the one that my right hon. Friend the Chancellor of the Exchequer gave at the Mansion House last week. He dissected the growth figures, which showed that although financial services were contracting, in the rest of the economy we were in a period of growth. We need to rebalance our economy, and to take it away from a large financial services sector and more towards manufacturing and other sectors.

I shall continue, because time is brief and many colleagues want to contribute, by bringing the debate to life with some real-life examples, and by drawing the attention of the House to some areas where we are making considerable progress. First, there is a genuine improvement in manufacturing—the Government amendment mentions an increase in activity of 4.2%. I have the privilege to represent a considerable amount of manufacturing industry, which is situated particularly in the west Thurrock area and in Purfleet. Among the large operations in my constituency is a Unilever plant that manufactures, among other things, Hellmann's mayonnaise, Flora margarine and other spreads. The company very recently relocated its manufacturing operation for jars of Hellmann's mayonnaise from the Czech Republic to Purfleet. Why? Because it was more cost effective. Do not let it be said that the UK cannot compete internationally for manufacturing presence.

Owen Smith (Pontypridd) (Lab): The latest manufacturing output numbers show a clear decline, not an increase. There was an increase over the last year, but that was largely because people restocked after running their inventories down during the crisis. Does the hon. Lady concede that manufacturing now is going in the wrong direction?

Jackie Doyle-Price: The hon. Gentleman wilfully ignores what I just said. I gave one illustration of inward investment and an improvement in manufacturing in this country. That decision was taken by a thriving company because it is cheaper to produce here than in eastern Europe. He should look at the evidence instead of constantly talking the economy down.

Jobs are increasing. My father has lived all his working life in Sheffield, and many hon. Members are familiar with the economic problems in South Yorkshire. He has spent his entire working life as a builder and labourer. For much of the past decade, he struggled to find work, and has been in and out of work on short-term contracts. When he was laid off last year, he did not hold out much hope of finding more work, given the prevalence of eastern European gangs in that area of work, but last week, the day before his 63rd birthday, he re-entered the world of work, in Sheffield, so it is clear that the economy is indeed moving in the right direction.

Paul Blomfield (Sheffield Central) (Lab): Will the hon. Lady give way?

Jackie Doyle-Price: I shall press on, if that is okay.

The Government's measures will encourage more people to fill newly emerging jobs. I am delighted that in the last Budget, we began to move towards increasing the income level at which income tax is paid, which will make the most difference at the margin. With our welfare reforms, that will incentivise people to get back into work.

There has also been an improvement in investment. The biggest inward investment in the UK is for the London Gateway port, which is being constructed in the borough of Thurrock. That will add to the area's existing port facilities at Tilbury, which this year celebrates its 125th anniversary—we all wish it many more years of success—and Purfleet, where the roll-on/roll-off container business is again booming. Even before DP World opens, the tonnage landed in Thurrock exceeds that of Dover and Felixstowe. That is a good sign that in my constituency at least, the economy is definitely moving in the right direction.

Having spoken of all that is going well, I would like to tell my colleagues on the Treasury Bench about matters on which the Government need to raise their game, so that we make the most of the economic opportunities that are available to us. First, we need to do more to encourage investment. We need to make investment easy and to ensure that there are no barriers in its way, particularly in the planning system. Some firms have had to pay absolute fortunes to protect species on brownfield sites, and section 106 agreements seem to be used by local authorities, and indeed on

occasion by Government Departments, as cash cows to fund projects that go beyond the benefit needed. Our overall objective is to encourage economic growth and job creation, so we need to ensure that those measures do not act as barriers to investment, but encourage it.

On the banking sector, I thoroughly support the objectives behind Project Merlin and agree that there is a need to ensure that our banks lend to people who want to buy their own homes and to businesses. However, we need to bear in mind that businesses are much less risk averse, and that they are looking at other ways of financing investment where possible. We must avoid putting the taxpayer in the position of lender of last resort for projects that are riskier than projects that we should support.

Mr Andrew Love (Edmonton) (Lab/Co-op): I thank the hon. Lady for giving way before she leaves the subject of Project Merlin. She will have seen the lending figures for the first quarter. To put it mildly, the figures for lending to small and medium-sized business are disappointing. Does she believe, as I do, that the Government need to take firmer action to ensure that the banking sector lives up to its Project Merlin commitments?

Jackie Doyle-Price: We should absolutely encourage more lending to sustainable businesses and business propositions, but we should not encourage banks to lend just to meet that target. Lending must be based on real demand, which, as I said, is falling, because firms are finding other ways to fund investment. It must also be based on an appropriate degree of risk, because it is inappropriate for the taxpayer to stand as guarantor of such loans.

In conclusion, there is more realism in the economy. We are building an economy on real wealth creation, not credit or an inflated public sector. There is much to celebrate, despite the best efforts of Opposition Members to talk our economy down. They must consider the impact of their words. Confidence is central to economic growth—confidence is all, and every negative message undermines it. When confidence is undermined, the recovery will slow. This is not about partisan games; it is too important. We all need to recognise the real progress that we are making.

3.17 pm

Mr Iain Wright (Hartlepool) (Lab): The hon. Member for Thurrock (Jackie Doyle-Price) mentioned last week's speech by the Chancellor at the Mansion house, which came at the end of his first year at the Treasury. He concluded his speech by saying:

> "I believe that sentiment of cautious optimism has been borne out by events in the twelve months...The British economy is recovering."

If current economic performance is cause for cautious optimism, I dread to think what deteriorating performance and cause for pessimism would look like.

The fact of the matter is that the Chancellor has failed even on his narrow policy on growth and investment. In his Budget a year ago today, the Chancellor stated:

> "The Government has set out a credible deficit reduction plan that should provide businesses with the confidence they need to plan and invest, supporting the necessary recovery in business investment."

That simply has not happened. Business confidence is almost 12 percentage points lower than it was a year ago, according to the confidence monitor report by the Institute of Chartered Accountants in England and Wales, of which I am a member, and Grant Thornton. Business investment in the first quarter of this year, according to the Office for National Statistics, was 7.1% lower than the previous quarter and 3.2% lower than a year ago. As the hon. Member for Thurrock said, bank lending to small and medium-sized enterprises—a necessary precondition for growth—is behind schedule, as set out in Project Merlin by the Business, Innovation and Skills Secretary.

Retail sales—an important barometer of the health and confidence of the economy, because the retail sector constitutes one tenth of the economy and employs 11% of our work force—fell sharply by 1.6% last month, which was much worse than commentators' estimates. That reflects consumers' lack of confidence for the future.

Ministers often cite growth in manufacturing, but the purchasing managers index for manufacturing fell to a 20-month low of 52.1 last month. Since a welcome boost in January, the purchasing managers index figure has fallen every month this year, indicating a worrying and slowing pace of growth in the manufacturing sector. After a relatively robust growth spurt immediately after the recession—largely the result of the Labour Government's actions—growth has effectively stalled and stagnated for the past six months. I am pleased that my hon. Friend—my good friend—the Member for Middlesbrough South and East Cleveland (Tom Blenkinsop) is here because I have to conclude that growth predictions are being revised down faster than Middlesbrough's chances in the championship next season.

In the Budget a year ago today, the Chancellor forecast that growth would be 2.3% this year, 2.8% in 2012 and 2.9% in 2013. No credible economic forecast predicts that, and nor does the Chancellor. In November, he predicted that growth this year would be 2.1%, and then, in his March Budget, he forecast that growth in 2011 would be 1.7%. The OECD has recently forecast that growth will be 1.4% this year, not 2.3% as forecast one year ago, and 1.8% in 2012, not 2.8%. Every time the Chancellor stands at the Dispatch Box, confidence in the economy falls. He should stay out of the House more often.

This comes at a time when public service cuts and public sector redundancies have not necessarily started to gain pace, so the problem of no growth is only likely to get worse. The economic growth forecasts are below those for France, Germany, the US and even Japan after its natural disasters and the eurozone after its economic difficulties. Why on earth is this the case? Why is the British economy not bouncing back in the way that our competitors seem to be doing? In his opening remarks in announcing last month's inflation report, the Governor of the Bank of England stated:

> "the recent pattern of revisions to the projections over the next year—downward to growth and upward to inflation—has continued".

The Governor went on to state that risks and negative factors within our economy—high levels of inflation, squeezes on wages and household incomes, weak levels of activity in the economy and uncertainty about the speed at which net exports will pick up—are persisting.

[Mr Iain Wright]

These factors are persisting for far longer than the Treasury and the Bank of England foresaw. Inflation has been much, much higher for a longer period than was anticipated, exports are not as buoyant as they were forecast to be at this stage, especially given the weakness in sterling, and economic activity is weaker than was expected. The Governor concluded:

"the outlook for growth and inflation is likely to remain unusually uncertain. No one knows how the economy will evolve over the next few years; nor how policy will need to respond."

Given those comments and the huge and persistent uncertainties that exist, is it not ridiculous for the Chancellor not to concede that an alternative economic approach might be necessary?

Let us contrast what is happening in the UK with what is happening elsewhere in comparable economies. In Germany, the export-led recovery is leaping ahead, despite a slow-down in global economic growth. Domestic demand and private consumption are increasing, contributing to growth, wage increases are taking place as well as rises in employment levels, and Government finances have benefited from strong economic growth, to help offset the fact that Government debt in Germany rose significantly in 2010 to stabilise the banking sector. Despite all the deep-seated problems that it is facing, even Europe is expected to grow significantly faster than us, at 2.5% this year and 2.5% again the following year.

These economies will grow faster than ours and put themselves in a better position to take advantage of a growing global economy in the years to come, because they realise that a single-minded focus on deficit reduction, to the exclusion of everything else, particularly a disregard for the long-term social and economic consequences of such a move, is detrimental to the long-term interests of their economies. In his remarks today, the Chancellor mentioned PIMCO. Only yesterday, Bill Gross, the manager of PIMCO, which is the world's largest bond fund company, said that to remain on the road to economic recovery, the US needed to focus on job creation instead of fiscal tightening and budget reforms. The conclusion he came to is pertinent to the British experience.

Claire Perry (Devizes) (Con): I am grateful to the hon. Gentleman for giving way because I have just joined the debate—

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. I know that the hon. Lady is an enthusiastic Member, but she should not just walk into the Chamber, give it about five seconds and then intervene. It is not fair. It is up to the hon. Gentleman whether he gives way, but it is discourteous to everyone else who wishes to speak.

Claire Perry: I apologise, Mr Deputy Speaker, but I have been tied up with constituency business. I just wanted to say that I welcomed the reference to Bill Gross, who, as the hon. Gentleman will be aware, also described the UK's economy as sitting on a bed of nitroglycerine ahead of the election.

Mr Wright: I hope that the hon. Lady, who has not listened to the rest of the debate, will take into account the conclusion drawn by the manager of the largest bond fund company in the world. He stated that the budget reforms

"are long-term requirements for a stable and healthy economy, but the move towards it, in fact, if implemented too quickly, could stultify economic growth."

That seems an eminently sensible conclusion.

Alun Cairns (Vale of Glamorgan) (Con): Why should we accept the hon. Gentleman's version of events when the OECD, the CBI, the Institute of Directors and the Federation of Small Businesses are calling for fiscal tightening in order to ensure the stability in the economy necessary to provide growth, as is happening?

Mr Wright: The growth projections are falling rapidly, and have been downcast three times. When I speak to my constituents and businesses in Hartlepool, they are concerned about a lack of confidence and a lack of investment in the future of this country that will undermine our long-term ability to fight the global downturn.

Mr Anderson: Is it not the case that, like me, my hon. Friend has been here before, when the Conservative party did exactly the same thing not just in our lifetime, but our fathers' lifetimes? We know that the actions that the Conservative party takes will result in ordinary people paying the price for its failures.

Mr Wright: My hon. Friend represents a seat in the north-east, as I do, and he knows full well that our region has borne the brunt of this recession, like we bore the brunt of the 1980s recession. It does not have to be like this. We have got enormous economic potential in our region that can really contribute to wealth creation in our country, but that is simply not happening.

Richard Graham (Gloucester) (Con): Will the hon. Gentleman give way?

Mr Wright: No, I am not going to give way, because I do not have long left.

There is an acute need for a more balanced economic policy, focusing not merely on deficit reduction, but on incorporating job and wealth creation measures, on weeding out inefficiencies—that is true—on raising our productivity, on improving our infrastructure and on rewarding enterprise and ambition. In fact, a more balanced view would help to reduce the deficit faster. An emphasis on growth and jobs would increase output, raise tax receipts and reduce benefit bills, thereby helping to cut the debt. Given the lack of growth in the economy and persistent uncertainties about inflation, economic activity and net exports, for the good of our country and economy, will the Chancellor concede that he might—just might—be wrong?

3.27 pm

Stephen Williams (Bristol West) (LD): The hon. Member for Hartlepool (Mr Wright) rightly set much of his speech in the international context. I want to start by doing much the same, by comparing the UK's record with that of our fellow EU member states, particularly the unfortunately named PIGS—Portugal, Italy, Greece and Spain—around the Mediterranean periphery. We have all seen or read about the extraordinary scenes in Greece in recent weeks and hours. The Greek Government debt currently has a triple C rating from Standard and Poor's, which is as low as it can go without it effectively being a recommendation that no one should buy, whereas the UK has a triple A rating. That might surprise hon. Members given the underlying economic data on our budget deficit. Even after the difficult decisions that the coalition Government took in their first year in office,

our budget deficit is currently 9% of GDP for 2011, as compared with the eurozone, where the figure is 4.3%, and Greece, whose budget deficit is lower than the United Kingdom's, at 8.4% this year. That surprising difference in bond ratings is accounted for by the fact that people who want to lend to countries are just the same as those who want to lend to companies and individuals. They are looking for the confidence and certainty that comes when an institution that is in trouble realises that it is in trouble and takes the necessary measures to get to grips with it. That is what this coalition Government are doing.

Sheila Gilmore (Edinburgh East) (Lab): Is the hon. Gentleman concerned that Ireland and Greece, the two countries with the greatest difficulties, have both gone through austerity programmes that were not enough, both had to have further bail-outs and implement more austerity programmes, and both still have difficulties? Does that not give him pause for thought about whether austerity programmes will lead to recovery?

Stephen Williams: I specifically mentioned Greece, and those who have been following events in Greece from afar will know that the reason why the international community is so concerned about Greece is that it has felt until recently that the Greek Government have simply not got to grips with the plan, or have announced a plan but not adhered to it. That is the key difference. This Government have announced plans—difficult plans—to deal with deficit reduction and we are sticking with them, no matter how painful they might be.

Margot James: My hon. Friend mentions the views of the bond market, and the previous speaker talked about what PIMCO thinks. Is he aware that PIMCO said just days ago,

"we think the U.K. is implementing what is probably the best combination of fiscal and monetary policies"?

Stephen Williams: I thank my hon. coalition colleague for her intervention, which reinforces my points.

The Government response to the stark situation that we inherited in May 2010 has been to tackle the deficit—the yawning gap—in our public finances, but also to build a business climate that is conducive to growth, because as several hon. Members have said, it is through growth that the economy will provide the resources to get our finances back on track.

Clive Efford (Eltham) (Lab): Will the hon. Gentleman give way?

Stephen Williams: I have taken two interventions, so I will take no more until near the end, perhaps.

This Government do have a growth strategy: we want to rebalance growth, including rebalancing it geographically. We have just heard about the plight of the north-east. Perhaps it was a failure of the last Labour Government not to rebalance the economy sufficiently, away from the south-east of England and towards other regions and nations of the United Kingdom. Perhaps the hon. Member for Hartlepool (Mr Wright) ought to have a stiff word with some of his colleagues. After 13 years, the economies of some of our regions were still very fragile and unable to withstand external shocks. We also wish to rebalance the different sectors of the economy, away from over-dependence on the City of London, important as it is, and the resources that it generates towards more sustainable parts of the economy, in particular growth from digital media. The Government have announced the establishment of a network of enterprise zones around the country. My local enterprise partnership—the West of England Local Enterprise Partnership—has just announced that it will be based around Temple Meads station in my constituency, where we want to build the country's leading media hub and business growth area, with a particular focus on digital media.

We also want future growth to be sustainable in a green way. This country has a huge economic opportunity to grow a low-carbon economy. In the Energy Bill, which is just completing its passage through the House, we have something quite revolutionary: the green deal, which gives every household in the country a fantastic opportunity to retrofit their houses to reduce energy bills and help us cope with meeting the demanding climate change targets that we have set, on which there is cross-party consensus and agreement. There is also a fantastic opportunity for British business, and for people to be trained in the skills needed to retrofit our housing stock. On a rather larger scale, the Government have also announced—the Chancellor confirmed this in the Budget—the creation of the green investment bank, in order to provide finance for schemes that might otherwise find it difficult to secure funds in the market. As the country's green capital, the city of Bristol has a good case for being made the future home of the green investment bank.

A further way in which the coalition Government are going to make a fundamental difference in turning the economy around and reducing unemployment is by making work pay. My hon. Friend the Member for Thurrock (Jackie Doyle-Price) mentioned that the coalition agreement would deliver the Liberal Democrat policy of reducing income tax and taking out of income tax completely those people who are earning up to £10,000 a year. That will be achieved before the end of this Parliament. Our programme of welfare reform and the introduction of universal credit was mentioned earlier by the Chancellor in his confrontation with the shadow Chancellor. The Opposition rather recklessly voted against the entire Welfare Reform Bill.

Reform is also needed in the banks. The Opposition motion calls for a reintroduction of the tax on bankers' bonuses. It is worth pointing out, however, that the people receiving large bonuses will now pay 50% income tax, rather than 40%, that national insurance has doubled for those on the higher rate of tax, and that employers will pay more national insurance on those bonuses as well. The taxation on those bonuses will certainly increase.

Alec Shelbrooke: If a banker pays 50% income tax on his bonus, does not that represent a greater tax take than if the money were left in the bank, where it would be liable to only 28% corporation tax?

Stephen Williams: My hon. Friend makes a good point.

What should we do with RBS and the Lloyd's banking group, which were bailed out in 2008 adding £67 billion to our national debt? Earlier this year, I wrote a pamphlet on what the Government should do with their holdings in the banks. It was called "Getting your share of the

[Stephen Williams]

banks: giving the banks back to the people" and it was published by the think-tank CentreForum in March. My proposal was to give those shares to every citizen in our country and, when they sold them in the future, the Government would get back the cost of their investment in 2008 while the citizens would keep the result of any growth. That would mean that we would reduce our national debt by £67 billion over time, and that every citizen in the country—each of us who has felt the pain of bailing out the banks—would see some benefit from this upside to the situation. I am pleased that my right hon. Friend the Deputy Prime Minister has been endorsing that proposal today on his trade mission in Latin America.

What have we heard from the official Opposition today? What is their grand idea for turning round the country's finances and getting our economy back on track? They have opposed all the cuts that we have debated in the Chamber. I have never heard a Labour Member of Parliament stand up and say that they are in favour of any of the measures in our Bills, whether in this Chamber or in the Bill Committees on which we serve. Today, the Opposition have come up with a completely reckless proposal for an unfunded cut in VAT. It has no economic justification and there is no evidence that it would make any difference to the economy. Let us contrast that with the record of the coalition Government. We are determined to have a fair tax burden, and we have plans for sustainable growth and deficit reduction. Both plans have international credibility. That is what this country needs right now: credibility at home and abroad, rather than the reckless opportunism that we have seen from the Opposition today.

3.38 pm

Mr Geoffrey Robinson (Coventry North West) (Lab): This is a timely economic debate, and I am pleased that the Opposition have tabled this motion for a whole-day debate at this crucial time. We are one year in, and we can now begin to form a view of whether the Government's policies are working. It is always difficult for the Opposition, particularly on issues such as employment and the impact of economic policies on the well-being of our country and our constituents, when they have to come out and be negative about what is being achieved. Inevitably, and much to the resentment of Opposition Members, that leads to a chorus of unjustified remarks from across the Chamber that we want to talk the economy down or that we do not want good news. In the name of our constituents, we are desperate for good news. We want good news on employment, for example.

Richard Graham: The hon. Gentleman said that his constituents were desperate for good news. May I refer him to the very useful economic indicators update provided by the Library? It shows that consumer confidence rose by 10% in May, that manufacturers' output expectations have risen by 13%, and that the EU economic sentiment indicators for Britain are up by 2.6 points. Does he not agree that those are all positive indicators? I would welcome him sharing them with his constituents and all his colleagues on the Opposition Benches.

Mr Robinson: All we know at the moment is what has happened and many forward-looking forecasts are no better than those of the OBR, which was set up by the Government to provide a so-called independent forecast. Let us be clear that we welcomed and accepted that. All we can look at is what has been achieved; we will come on to the forecasts in a few moments. If we show a moment's hesitation or doubt about them, I hope that Government Members will understand why. I followed the first 10 years of the Labour Government very closely, and I do not think that we ever had to revise any forecast three times in a matter of six months. If we do not listen to the forecasts and do not treat them as if they had already been achieved, I hope that the hon. Gentleman will understand why.

There are some things we can welcome. We can welcome the good effort in job creation in the private sector. According to the Chancellor this afternoon, that means 520,000 jobs, so let us welcome that. The trouble is, however, that the OBR says—this is the bible we have to go by—that before the end of this Parliament, 200,000 more people are going to be unemployed than it originally thought. We have 520,000 on the one hand and 200,000 more on the other. There is always a negative balancing out the positive in all these areas. If we take inflation, for example, it has gone through the roof at 4.5%. Manufacturing output has been a good effort up until the last quarter, but it is now down again. It is not surprising that an intake of jobs in the private manufacturing sector has supported that output, built on the back of the previous Government's policies. *[Interruption.]* No, they do not like to hear it, but it is a fact. Why did more than two thirds of the private sector increase in employment take place before the spending round announcement? It happened on the back of the reflationary policies of the previous Labour Government.

Alun Cairns *rose—*

Mr Robinson: I will give way in a few moments.

Those are the facts and that is the situation. If we look at the balance sheet of the Government's economic policy in its first year, we see that even in the two areas where the Government had until recently done relatively well, the signs are now bad, so I find it hard to believe that there are any factual or objective grounds for thinking that they have done well overall or that their policies are going to work. The Chancellor continues to say that the plan is working, but all he is really saying is that he is retaining the support of those he set out to gain support from in the first place by adopting an essentially old-fashioned, deflationary bankers' policy of cutting demand in the economy. That is what he set out to do and that is what he is doing. The prospects of it succeeding are poor.

Alun Cairns *rose—*

Mr Robinson: I will take the intervention later, if I may.

We are now at the stage where we have to make up our minds whether the Government's economic policies are going to work or not. In a very good article published in today's *edition of The Guardian*, Robert Skidelsky argues that the choice between the two economic policies has to be made by anyone wanting to make a serious stand on these issues. He says that the theories or sets of policies have been set out by all the famous, much-lauded figures in the Bank of England, the International Monetary

Fund and all the rest of them. If we are dealing with what economists think—it is not the only thing that matters—we should also mention people like Stiglitz and Krugman who say that the policy is wrong.

If we look at the history, we find that it tends to be the people who are not part of the conventional wisdom or not part of the establishment, so to speak, who get it right and that the establishment nearly always gets it wrong. There is no attempt to get out of the box into which the Government have so constrained their policies—they like it and feel it is their comfort zone. I am talking about bankers and international organisations that are intent on deflation, which they are inflicting in the present crucifixion of the Greek economy—where they effectively continue to throw good money into failed policies.

Let me briefly read from the article:

"The Keynesians...among whom I number myself"—

and I am happy to be there, too—

"will have to eat their words if growth picks up and unemployment falls in the next 12 months".

That is to say, if the Government's policy comes right, the debt falls and deficit crisis is met, we could then celebrate the success of the policy. On the other hand, it might not work—and it is time for Members to decide where they stand on this. I happen to believe that there is no evidence to suppose that it will, much as I would like it to work: it will not work; it never has worked in history. It is not working in Greece or in Ireland. Greece has had two further doses of deflation and two goes at decreasing VAT, and it is still not working. It is getting worse, because they are not dealing with the root of the problem, as the shadow Chancellor made clear in his speech.

What could be done? Given that the Government will not want to change their policy, they have only one way out: another heavy incidence of quantitative easing. This time, the Government will have to stand up to the Bank of England for once in their life, and say, "We want this money to be put to productive ends." We create the money, but nobody knows where it goes, except to make bankers' profits in overseas investment markets. The Government should say, "We want the money to be made available through a bank"—such as the green investment bank, which could be much expanded—"to the British economy for, above all, investment in small and medium-sized enterprises." The argument from the Governor of the Bank of England will be, "We can't distort capital markets, you know. This is interfering in the market." Of course it is; it is an attempt to avert the wastefulness that we have seen from so many of the policies so far.

Where should that money be channelled? In a very good contribution earlier, my right hon. Friend the Member for Greenwich and Woolwich (Mr Raynsford) said that the housing market is dead on its feet at the moment. The new housing market is, I think, at an all-time low. The money, therefore, should go into housing, and into transport, which is desperate not for HS2 but for sensible things such as the four-tracking of the line between Coventry and Birmingham, about which I know something, and at other points such as in Wales. The other good thing would be that the railway policy could be executed much more quickly and fully.

Will the Government change course? No. Will their policy work? No. Are there alternatives? Yes. I understand why they do not want to touch VAT, but they could at least get the Governor of the Bank of England to do quantitative easing of a large scale, £200 billion, and ensure that, instead of being dissipated into overseas markets, a good part of that money is used for the productive sectors of the British economy. That would make a big difference and be a start to the change of policy that we need from the Government.

3.47 pm

David Rutley (Macclesfield) (Con): The emergency Budget will certainly be remembered for robustly tackling the record Budget deficit, but I believe that its reputation will become much bigger, because it started a shift in the debate on public finances away from spending and cuts to how real value for money must be delivered for taxpayers. That is why it will be seen as a rare game changer in how Government expenditure is measured, managed and even talked about.

We have seen other big Budgets before: Geoffrey Howe's in 1981, which tackled the rapid inflation that was wreaking havoc in the economy at that time; Nigel Lawson's 1988 Budget, which significantly lowered the burden of taxes on individuals and created greater incentives for businesses to invest in the UK.

Mr Denis MacShane (Rotherham) (Lab): In my constituency, according to the National House Building Council, building started on just four new houses in the first quarter of this year. Is it part of the game change to destroy for ever housing construction in our nation?

David Rutley: No, it is part of the lamentable legacy of the Labour party. We are cleaning up the mess; you are just talking about it. *[Interruption.]* Does the right hon. Gentleman want to intervene again?

However, no other Chancellor of the past 50 years had to face a budget deficit of the scale that confronted the current Chancellor after the election. He was bold and did not duck the challenge. The comprehensive spending review in September last year built on the foundation, and set out the details of how the Government would bring spending under control and achieve their fiscal mandate. As we have heard in the debate, the Government's action has won plaudits from the IMF and OECD among others. More importantly, on the doorstep during the local elections, I found a pragmatic acceptance that strong action is needed. One year on, the principles underpinning the emergency Budget continue to win the argument about how the deficit should be tackled.

Clearly, in facing the nation's finances, the opportunity and the Chancellor's ambitions go well beyond reducing costs. The economic imperative and the tangible change in public mood represent an important moment in time that must be seized. The Government have a once-in-a-generation opportunity to put the spotlight on value for money and bring about a cultural change in the way in which it is delivered to taxpayers, and in confronting that task they are actively learning from positive role models in the public sector. When I worked as a senior executive at ASDA, the aim of lowering the cost of living for customers motivated colleagues throughout the company. Cost control was a vital part of the

[David Rutley]

culture that was committed to delivering value for money to our shoppers. At board meetings, customer outcomes and the return on investment were what counted, not how much money should be thrown at a problem. That commitment creates value for money for hard-working families day in, day out.

Earlier Governments have found it difficult to engender a similar culture in the civil service and our public services, but the sad fact is that the last Government did not even try. Their ill-conceived experiment with "big government" backfired, and despite a period of unprecedented economic growth, the United Kingdom was left with a structural deficit—before the economic crisis—that was consistently bigger than the eurozone average for five years. Just as worrying, but not so often talked about, is the fact that public sector productivity fell by 3.4% between 1998 and 2007, at a staggering annual cost of £58 billion, which equates to 41% of last year's deficit. That is a legacy that will continue to haunt the Labour party in its struggles to rebuild the credibility of its economic policy.

The coalition Government, however, are committed to putting value for money at the centre of fiscal policy and creating a new yardstick by which future Governments will be judged. They are driving major changes in three main areas: institutions, management tools and, most important, the hearts and minds of both the public and our public servants. They are making strong progress in each of those areas.

The creation of the independent Office for Budget Responsibility is one institutional change that will constitute a lasting legacy from the present Chancellor. The creation of an independent body to forecast and analyse public finances means that Government will no longer be able to cook the books or indulge in what Lord Turnbull, giving evidence to the Treasury Committee, described as "wishful thinking". The OBR will give both Parliament and the public greater confidence in Government spending plans, and a greater ability to hold the Government to account.

Beyond institutions, change is needed in the way in which public finances are managed. That requires new objectives for civil servants, in which value for money is a critical factor in the judging of their performance and their ability to achieve their promotion objectives. I am pleased to note that the Government are raising the bar in terms of the minimum standard of financial understanding that is required for civil servants. In the past, senior civil servants have been more concerned about avoiding bad headlines or the size of their budgets than about finding more effective ways in which to deliver public services. Those days are now long gone.

Sir Philip Green's review of expenditure showed that Government need to improve dramatically the way in which they gather information on spending across Departments, and the new efficiency and reform group in the Cabinet Office is identifying ways of tackling that task. It plans to improve the co-ordination of procurement across Government, which will lead to savings of about £3 billion a year. Initiatives like those will help to reverse the downward trend in public sector productivity that we saw under the last Government.

However, the focus on value for money must not be only about the things that Government buy. Public sector pay and benefits represent the largest cost for any Government, and the present Government have had little choice other than to focus seriously on public sector pay and push ahead with much-needed pension reforms. That must happen if a more level playing field is to be created between the public and private sectors which will encourage business-led job creation while also making the taxpayer's bill more affordable.

The ultimate test of whether value for money has become a real focus of attention lies not in institutions or management tools but in whether there has been a fundamental change in the way that people talk about public funds. I am pleased that the debate is now turning to results and outcomes and not just to the price that is paid for them. Government Members want to move away from and beyond the tired debate about cuts and spending to focusing on value for money for taxpayers.

In the motion, the Labour party looks forward to what it calls "strong" economic growth. Personally, I prefer to think about sustainable economic growth as a far better objective. We saw what happened under the Labour Government when they pressed for strong economic growth fuelled by uncontrollable spending. Labour seems to believe that return to growth is an automatic certainty or a God-given right. One year on, it has completely failed to articulate a credible alternative to explain how it would address the economic crisis. It is as though it has taken a leaf out of the Tommy Cooper school of economics and believes that growth will return magically, "Just like that." *[Interruption.]* I will work on it. We on the Government side know that growth will be earned through the hard work and dedication of thousands of businesses across the country. The Government's deficit reduction plans are creating a platform for the sustainable, private sector-led growth that the country so urgently needs.

3.56 pm

Catherine McKinnell (Newcastle upon Tyne North) (Lab): One year on, it is now abundantly clear that last year's emergency Budget hit women much harder than men. Some 72% of the cuts are being borne by women, whether they are cuts in the health in pregnancy grant, in tax credits, in Sure Start maternity grants or in child benefit. What is more shocking is that it did not even occur to the Chancellor at the time to consider the impact that his savage cuts would have on women and that he failed to carry out his legal duty of undertaking an equality impact assessment before his policy decisions were taken. Indeed, such was the blatant unfairness and scale of the impact on women of the Chancellor's first Budget that the Fawcett society stated that it showed

"a whole new level of disregard for the importance of equality law and everyday women's lives."

The Chancellor's first Budget also showed a whole new level of disregard for children and families, flying in the face of the Prime Minister's promise to be the "most family-friendly Government". One year on, I am particularly concerned about the impact on child poverty—an issue that directly links to the impact of the cuts on women. Although good progress was made by the previous Government, the number of children living in poverty remains unacceptably high. Figures

recently published by the End Child Poverty campaign suggest that almost one third of all children in Newcastle are living in poverty. The coalition's policies of cutting funding to Sure Start centres, removing the health in pregnancy grant, cutting tax credits, increasing VAT, cutting housing benefit and dramatically reducing local government funding will have a serious impact on household incomes, which I fear will lead to more children growing up in poverty. My fears are backed up by the OECD, which recently reported:

"Progress in child poverty reduction in the UK has stalled, and is now predicted to increase, and so social protection spending on families...needs to be protected."

Of course, the cuts imposed by the Chancellor's first Budget are also hitting home at a time that is already particularly difficult for women.

Kwasi Kwarteng: Will the hon. Lady give way?

Catherine McKinnell: I will give way just this once, as I know that many of my colleagues want to speak.

Kwasi Kwarteng: Can the hon. Lady tell the House what kind of savings the Labour party would have made in public spending?

Catherine McKinnell: This is not the opportunity for me to set out what the shadow Chancellor has already set out—the way in which we would tackle the deficit. I do not want to take up precious time that my colleagues want to spend giving speeches in this very important debate.

Women are particularly affected in the north-east, where about 46% of all working women are employed in the public sector. Those women face being one of the 30,000 public sector workers anticipated to lose their jobs in the region; most of those job losses will affect low-paid female workers. They also face pay freezes and the ever-increasing costs of balancing work with family life.

Claire Perry: Will the hon. Lady give way?

Catherine McKinnell: No, I will not, because I want to leave time for other Members.

It is not just women who are bearing the brunt of the cuts and stalled economic growth. One year on, after the Chancellor's first Budget, a key concern in the north-east remains youth unemployment, with about 19% of 16 to 24-year-olds in the region not in education, employment or training, compared with 15% nationally. Of particular concern is the fact that, over the past 12 months, the number of 18 to 24-year-olds claiming jobseeker's allowance has increased by 10% in the north-east.

Since being elected to the House, I have been a passionate advocate of the important role that apprenticeships can play in supporting young people into the workplace, thereby helping to prevent a lost generation of young people as a result of the Government's policies. However, Ministers need to recognise that there is a real difference between making limited funding available for apprenticeships—I welcome that and it has been promised—and ensuring that good-quality apprenticeships are offered by businesses in the areas of our economy where we require those skills.

I implore the Government to consider some serious and genuine risks today. We should not allow the number of apprenticeships offered to override the importance of their quality, thus ticking the box but failing to provide young people with a decent start to their working lives. To reach such targets, we risk simply converting existing jobs into apprenticeships, when in reality no genuine new employment opportunities are created.

Following the abolition of the regional development agencies—today, we mark the anniversary of that dreadful decision—we have lost the joined-up thinking of bringing the business community, educational providers and RDAs together in a working partnership to ensure that we prevent the over-supply of certain skills and the under-supply of the skills that we need in the areas that we rely on for future growth. The result will be a failure to stimulate growth to ensure that we have the skilled work force of the future and to reach out to those young people who are most in need of the best start to their working lives.

While we are focusing on the impact of the Chancellor's first Budget in June last year, I should like to turn briefly to two policies that he announced that are particularly relevant to Newcastle. In his Budget speech, the Chancellor announced the creation of 21 new urban enterprise zones, one of which will be located on Tyneside. I should like him to clarify today what progress has been made on this issue. Will he explain, as I did not receive an answer to the question that I asked during the Budget debate, what steps he is taking to ensure that the zone does not simply lead to jobs being transferred from one part of Tyneside to another?

A further issue is that of tax incremental financing, which the Chancellor promised to rollout in his Budget this year, to give cities such as Newcastle borrowing powers to finance much needed job-creation schemes and regeneration projects. In Newcastle alone, it is thought that about 5,000 jobs could be created over the next two decades if the council—now safely back in Labour hands—could borrow about £13 million for important projects such as Science Central and the redevelopment of the East Pilgrim street area. That is particularly important at time when we have lost the investment of our RDA, One North East, and when private sector investment for many major projects has dried up. Yet it appears that cities will not be given those powers until 2014, thus risking three years of wasted growth opportunities and lost jobs. Why are the Government dragging their feet on this important issue, when we need such support more than ever?

As we are marking one-year anniversaries, I point out that the Prime Minister promised last May to create Ministers for big cities such as Newcastle to breathe economic life into the towns and cities outside the M25, by ensuring that Whitehall blockages to economic development were dealt with. Thirteen months on, we are still waiting for further details or confirmation of that announcement. Unlike the previous Administration, no one in the Government is championing the needs of Newcastle and the north-east—a task that was so ably undertaken by my right hon. Friend and colleague the Member for Newcastle upon Tyne East (Mr Brown), during his time as the Regional Minister. Indeed, the vacuum has recently been criticised by the North East chamber of commerce, which said:

"We'd be really keen to see the Coalition appoint City Ministers. We don't have any Cabinet or Ministerial-level representation from the North East. And having senior Government Ministers not only aware of the issues, but actively resolving them is absolutely the right thing to do."

[Catherine McKinnell]

I realise that the Conservatives are fairly limited in their knowledge and experience of the north-east and might find it difficult to find a candidate for my city and region, but will the Minister say when that policy will materialise, or will it be another example of a broken promise?

One year on, this Government's policies are hitting women, children and families, as well as young people, in places such as Newcastle that can least withstand it. I hope the Chancellor will listen to the concerns expressed today, stem the damage and help to return our north-east economy to its trajectory of growth.

4.5 pm

James Morris (Halesowen and Rowley Regis) (Con): I shall focus my remarks on the challenges faced by the black country economy and the west midlands to illustrate some of the challenges that the Government face over the next period.

As the Chancellor pointed out, one of the most extraordinary statistics in the west midlands economy is that even in the boom years we saw a 6% decline in private sector jobs in the west midlands, compared with 3.4% growth in private sector jobs nationally. Worse still, after 13 years of Labour, not only was unemployment higher in the west midlands, but productivity was down, the skills gap was widening, the rate of innovation in the west midlands was poor compared with other regions, the rate of new business formation was weak, and the imbalance between the west midlands region and the rest of the country was growing. There was a lack of support for manufacturing businesses and a considerable decline in private sector jobs.

When the coalition Government took over one year ago, that was the picture that we faced in relation to the dynamics of the west midlands economy. It would have been madness to continue to pursue the policies that had comprehensively failed the west midlands region. Recently, I held a manufacturing summit in Cradley Heath with the Sandwell chamber of commerce. Companies such as Westley Plastics reported that they were enjoying strong growth in their order book and seeing considerable growth in export opportunities. Whatever the Opposition say, it is manufacturing that is leading the recovery in the west midlands and in the entire country.

In the west midlands and the black country we still have a vibrant manufacturing and industrial base. Companies in my constituency such as Somers Forge and Thompson Friction Welding are innovative, dynamic and capable of creating the high-quality jobs that we desperately need in the west midlands, but we must do more.

Owen Smith: May I point the hon. Gentleman to unemployment figures for the west midlands? We have heard a lot about those 520,000 net private sector jobs. As the hon. Gentleman no doubt knows, the west midlands has not seen any of those jobs. In fact, the last figures showed that minus 6,000 jobs, public and private, had been created in the west midlands.

James Morris: As I said, one year in, following the policies being implemented by the coalition Government, we are beginning to see clear signs that private sector jobs are coming back into the west midlands after 13 years in which, despite quarter after quarter of economic growth, we saw substantial declines in private—

Mr Adrian Bailey (West Bromwich West) (Lab/Co-op) *rose—*

James Morris: I will not give way. I will make progress.

The Government faced a considerable challenge when they came to power. With the growth plan that they have begun to implement, in addition to the important steps that they are taking on deficit reduction, we are moving in the right direction. In the west midlands and the broader black country economy, skills is the No. 1 issue that we need to tackle. It is holding business back. We are investing considerably more in high-quality apprenticeships, involving the voluntary sector and other parts of the economy in making sure that we build a proper skill base in the black country and the wider west midlands economy. We are beginning to build better relationships between small and medium-sized enterprises and institutions of further education, such as Halesowen college and Sandwell college. We are beginning the job that the previous Government did not address, and making sure that we match appropriate supply of skills with demand in the local economy.

As "The Plan for Growth" recognises, we also need a more local approach to stimulating economic development. That is why I have been a strong advocate for the black country local enterprise zone. I have been working with its representatives to define the best way to drive economic growth in the black country, and on how to maximise the potential of the Chancellor's Budget announcement on enterprise zones to stimulate new investment and new jobs and ensure that the local enterprise partnership is able to drive economic development.

Mr Love: There is a lot of evidence from the 1980s about employment zones, and it shows that the cost of the jobs created was very high compared with alternative models, and that all that employment zones did was shift employment around the borders of the LEP. What leads the hon. Gentleman to believe we will be more successful this time?

James Morris: There is huge potential to stimulate growth in the black country. Especially now when public spending is limited, we need to find creative ways to stimulate economic growth in the various areas of the black country, and we might do so by starting with one enterprise zone, which then develops into more of them so that we seed the black country economy and drive real economic growth. That is what we need to achieve, and I believe that the LEPs have a better chance than many other possible methods of tackling some of the deep-seated economic problems we face in the west midlands.

As many Members have pointed out, bank lending is still an issue; getting credit to the right places in order to stimulate the economy is still a problem, and it may hold back the recovery. There are organisations in the broader black country, such as the Black Country Reinvestment Society, that are developing innovative models to get microfinance to small and medium-sized enterprises, but we need to do more to fill the credit gap. I welcome the Chancellor's Project Merlin announcement,

particularly its emphasis on encouraging the banks to invest in the regional economy, because they have a moral obligation to do so. As the Chancellor recognises, the banks have a critical role to play in developing the regional economy, but if there continue to be problems with the availability of credit we might need to consider measures such as counter-cyclical regulation, encouraging the banks not to hoard capital but to get it to the small and medium-sized enterprises in areas such as the black country.

The key decisions that the Government have taken over the past year to tackle the deficit, to restore confidence in Britain's financial institutions and to build a platform for growth have been crucial in getting the country back on an even keel, but we need to build on what the Government have achieved so far. We must continue to drive innovation. That is particularly important in areas such as the black country. We must address how we can sustain innovation and build on the capabilities that are in place in advanced manufacturing. We also need to continue to support and develop our manufacturing base in the west midlands, so that technologies and vital jobs do not get shipped abroad. Labour market productivity in the black country is increasingly globally competitive, and we need to ensure that businesses continue to invest in domestic manufacturing. The Government must also identify emerging technologies that we can capitalise on and where we have the skills to exploit and commercialise them.

However, the most important signal this Government have sent to the world is that the country is open for business, and in particular that the black country is open for business.

4.14 pm

Tom Blenkinsop (Middlesbrough South and East Cleveland) (Lab): It is encouraging to see so many Members wearing "Yes to High-Speed Rail" badges. That is a much-needed programme to encourage growth, but it absolutely flies in the face of the argument that the Chancellor has made today. The campaign is contrary to his supposed economic growth strategy because it supports a public finance-led project that aims to encourage follow-up investment by private sector capital. There are very few examples of that now, unlike under the previous Administration, when public sector capital was used to encourage and attract private sector investment.

We have heard today that, 12 months after the decision to cut further and faster than any other major economy, the recovery has been choked off, with zero growth over the past six months. The VAT rise has helped push inflation up to more than double the target rate, consumer confidence has fallen and both manufacturing output and retail sales fell last month. There was a welcome fall in unemployment in the last two months, mainly in part-time working, which the Government have started to refer to as "mini-jobs". Vacancies are down, job creation has slowed in the six months since the spending review and unemployment is set to increase over the coming years to 200,000 higher than was expected in the past few months.

Ben Gummer: Will the hon. Gentleman state the precise source of the 200,000 figure that he has given for the increase in unemployment?

Tom Blenkinsop: The estimate will be from the OBR, so it is from a Government-sponsored body that assesses the Government's own figures.

Ben Gummer: Will the hon. Gentleman give way?

Tom Blenkinsop: I am sorry, but I want to continue. I will give way to someone else later.

The Tories are creating a vicious circle in our economy by cutting too far and too fast, hitting families and costing jobs. In fact, they are set to borrow £46 billion more than they had planned last autumn because of slower growth, higher inflation and higher unemployment, which are the consequences of the decision, announced in the Chancellor's first Budget, to cut too far and too fast.

In the 12 months since the emergency Budget, all the key economic forecasts have worsened. On borrowing, for example, the OBR has steadily increased its forecasts for Government borrowing over the next five years, which means that the Chancellor is now forecast to borrow £46 billion more than he expected to last November.

Gordon Birtwistle (Burnley) (LD): Will the hon. Gentleman give way?

Tom Blenkinsop: Sorry, no.

That is because slower growth and higher unemployment, which means more people claiming benefits, makes paying down the deficit harder.

Gordon Birtwistle: On that point, will the hon. Gentleman give way?

Tom Blenkinsop: No.

The best way to reduce the deficit in the long term is by focusing on growth and jobs in order to get people into work and off benefits. Since the emergency Budget, the UK's GDP for this year has been downgraded twice by the OBR, and three times since it analysed Labour's plans. It is not only the OBR that has downgraded its growth forecasts; other respected organisations have done the same. The OECD, in its most recent forecast, downgraded the UK's growth in 2011 to 1.4%, and to 1.8% for 2012. The British Chambers of Commerce, in its recent quarterly forecast, downgraded growth in 2011 to 1.3%, and to 1.2% for 2012. The International Monetary Fund, in its latest report on the state of the UK economy, downgraded its growth forecast to 1.5% in 2010, down from 2% last autumn. The OBR is now forecasting higher unemployment and a larger number of people claiming jobseeker's allowance in every year of this Parliament. Its latest forecast now expects inflation to peak at 4.2% this year, up from 1.6% last June when it evaluated Labour's plans.

The international comparisons are stark. Recent figures show that in the first quarter of 2011 the French and German economies grew by 1% and 1.5% respectively, compared with the 0.5% growth in the UK, which merely cancelled out the 0.5% contraction of the previous quarter. Over the past six months, the UK's growth has been flat. The Business Secretary has admitted that it is "worrying" that we are lagging behind France and Germany. The OECD's deputy secretary-general and chief economist told *The Times* that he sees merit in slowing the pace of fiscal consolidation if growth continues to be slow.

Gordon Birtwistle: Will the hon. Gentleman give way?

Tom Blenkinsop: No.

This pattern is borne out in my constituency and the local area. Recent figures from the Office for National Statistics show that the volume of new construction orders in the first quarter of 2011 fell by 23%, compared with the fourth quarter of 2010. Orders are also down 18% from that time last year. That coincided with 1,500 job losses in the steel industry at the Skinningrove steel works in my area, in Hartlepool, at the Teesside beam mill, and also down the road in the constituency of my hon. Friend the Member for Scunthorpe (Nic Dakin). This Government have taken away public sector orders in steel that provided 46% of the Teesside beam mill's orders, which have just vanished. Figures published on 10 June show that the seasonally adjusted index of production in April 2011—

Gordon Birtwistle: Will the hon. Gentleman give way?

Mr Deputy Speaker (Mr Nigel Evans): Order. Mr Birtwistle, just to save your legs, I do not think that Mr Blenkinsop is keen on allowing you an intervention.

Tom Blenkinsop: Figures published on 10 June show that the seasonally adjusted index of production in April 2011 fell by 1.2% when compared with April 2010. In addition, the seasonally adjusted manufacturing figures saw output fall by 1.5%, and in my area, again, Teesside beam mill has shut down, the Ensus biofuels plant is on a four-month shutdown and the former Enron-run Teesside power station has been half mothballed. That has all happened during the tenure of this Government. We heard from the Chancellor how he believes that the economic ramifications of his policies occur within weeks, so it would be quite refreshing to hear Ministers take responsibility for the manufacturing downturn in my area.

Prospective packages from INEOS have been blocked, because it is looking for certainty, and a Government who rely on a weak pound for exports to lead their economic recovery are living in a fantasy land, given the constant credit squeeze from the Asian growth markets. The governing parties are quite willing to take the credit for manufacturing output increases, but they are still below 2008 levels and also match other manufacturing increases across the globe. They have nothing to do with the Government's policies; they are about manufacturing at this moment in time across the globe.

The British Chambers of Commerce described the latest trade figures as "mediocre", adding that

"the monthly underlying fall in the volume of exports is a matter for concern."

What concerns me is that a Government who laud the benefits of manufacturing are also imposing ahead of their EU competitors a carbon floor-pricing policy that will stifle the very industries on which they rely for their growth. How are the Government going to get tax revenues from those industries when they no longer exist or move abroad? That is the stark reality, and we have to wake up to the fact that the biggest sectoral exporter in the country is the chemical industry, which will also be the most affected industry as a result of that policy.

In last year's Budget, the Chancellor chose to increase VAT to 20%, despite the Tories repeatedly denying in their election that they had any plans to do so. The Treasury's own figures show the estimated impact of the rise in VAT. The 2.5 percentage point rise will cost an average couple with children £450 a year and a pensioner couple £275 a year.

The rise will also have an impact on growth. The Office for Budget Responsibility forecasts that the increase in VAT to 20% will have the effect of reducing GDP during this financial year by about 0.3%. If we had a temporary reduction in VAT across the board, we would provide a boost for consumers by putting more money directly into people's pockets, and we would be able to maintain it until there were certain figures, proved empirically, to show that an economy recovery was beginning.

The fact that this Government are not prepared to give former regional development agency assets to local enterprise partnerships, which are supposed to be this country's local economic drivers, is an absolute demonstration that the Chancellor has no confidence in his own economic plan. The LEPs will have no rights to those assets, and that means that the Chancellor has no confidence in those local businesses that are engaged with them.

4.23 pm

Margot James (Stourbridge) (Con): "The economy one year on": I admire the Opposition's gall in inviting us to recollect the state of the economy just one year ago. Let me remind hon. Members, if I may, of a few facts. This country this time last year had the worst budget deficit in the G20. We were paying interest of £120 million a day on our borrowings, and there was rising unemployment. There was also massive household debt, which at the end of 2009 was 171% of disposable income, yet Opposition Members are surprised that consumers show a little reticence about spending their depleted moneys.

There was also a massively unbalanced economy. My hon. Friend the Member for Halesowen and Rowley Regis (James Morris), in an excellent speech, reminded us of the situation in the west midlands and, in particular, our black country under the previous Government. Over the five years to 2008, private sector employment grew by 5.3% across the nation generally, but in the black country it grew by a measly 1.1%. Of course, that is due largely to the decline in manufacturing. That began several decades ago, tragically, and accelerated under the last Labour Government, when, in just over a decade, manufacturing declined from 21% of our economy to 12%.

The legacy was not just one of irresponsible borrowing and irresponsible public spending in every year since 2001; in addition, so much of the money was spent so unwisely. Let me remind my hon. Friends of the unsustainable property boom, almost as bad as Ireland's, with PFI-built hospitals and schools that have loaded impossible burdens of debt on to those institutions for the next two decades. Our own local hospital in Dudley, Russells Hall, has to pay out 16% of its revenues to service the PFI debt with which it is saddled. I suggest that Labour Members try to attend tomorrow's Westminster Hall debate on PFI called by my hon. Friend the Member for Hereford and South Herefordshire (Jesse Norman). They will find it very uncomfortable listening.

Alec Shelbrooke: To expand my hon. Friend's point about wasted money, does she agree that it was an absolute disgrace to spend £5 million a year of taxpayers' money on sponsoring British superbikes for 10 years?

Margot James: My hon. Friend makes an extremely good point and I thank him for his intervention.

Mr Bailey *rose—*

Margot James: I will certainly give way to the Chairman of the Business, Innovation and Skills Committee, of which I am a member.

Mr Bailey: I thank the hon. Lady, as a fellow black country Member of Parliament, for giving way, particularly as the other black country Member on the Conservative Benches, the hon. Member for Halesowen and Rowley Regis (James Morris), refused to take an intervention from me.

We can talk for a long time about the unemployment statistics in the black country over the past decades. I recognise that the hon. Lady is prepared to acknowledge that this problem started long before the previous Labour Government. She is correct that the local hospital was financed by PFI. Would she prefer not to have had that hospital built or to have had it built out of public expenditure, thereby increasing the national debt?

Margot James: I thank the hon. Gentleman for his intervention. Clearly, I would not have wanted the hospital not to be built. However, I think that Labour took a good idea, PFI, which was started by a previous Conservative Government, and ran amok with it, accepting deals on far too generous terms so that our hospitals are stuck with being forced to pay absurd, non-competitive rates for all sorts of services from their PFI partners.

Mr Love: Will the hon. Lady give way?

Margot James: I would like to make progress and bring my remarks to a conclusion.

Throughout the boom years, nearly 2 million people were living off benefits, at huge expense to the economy, while three quarters of the new jobs went to people from abroad. That was a scandal. It is ironic that the Opposition motion calls for the Government to spend all sorts of money that we do not have on 100,000 jobs for young people. I remind Labour Members that the unemployment figures for people between 16 and 24 started out at 650,000 in 1997 and ended up at 930,000 in 2010, at the end of their Government's tenure. That is an unacceptable increase.

Owen Smith *rose—*

Alison McGovern *rose—*

Margot James: I will take an intervention from the hon. Gentleman, who was a member of the Health and Social Care Public Bill Committee.

Owen Smith: The hon. Lady cites a number that we have heard many times from Conservative Members. If she cares to look at what the number was at the end of 2008, just before Lehman Brothers collapsed and the financial crisis ensued, she will find that it was significantly lower than it was in 1997—and we all know it.

Margot James: If the hon. Gentleman has those statistics at his disposal, I am sure that he will enlighten the House later. I cannot precisely recall that figure from 2008. Suffice it to say that youth unemployment went up by more than 250,000 during Labour's period in office.

We now see signs of recovery, thanks to this Government's grasp on the deficit, which is the root of the problem that we have to confront. I commend the Government and the Chancellor for at last getting a grip. There are people in my constituency who voted for the previous Government three times in a row and turned on them because they knew that this country was living way beyond its means, which the previous Government just could not accept. One year on, those people are saying to me on the doorstep, "We elected you to sort out the public finances. You are doing what needs to be done. Get on with it." They are right. We now have a credible plan that has the backing of the OECD, the IMF, the European Central Bank, the Bank of England and PIMCO, which is probably the most crucial of all. It would be utterly absurd and extremely dangerous to abandon that plan just because for one quarter manufacturing did not do quite as well as it was doing a few months before. We have plans to stimulate growth and get that back on track.

Opposition Members were clinging to the fact that the US was continuing with its highly risky spending policies. However, as the consequences of those policies have come home to roost, with unemployment in the US now standing at more than 9%, they have accepted that even the mighty USA is not exempt from the basic rules of economics. In the end, one has to live within one's means. As the great lady once said, "You can't buck the market."

This was the first recession in my lifetime when low interest rates prevailed. That is crucial to the recovery of exports and manufacturing, and to the stability that the economy needs to lean on. Unemployment went down by 80,000 last month and the predictions that it would reach 3 million have not come to pass. Although I sympathise greatly with public sector workers in my constituency who have lost their jobs, we can celebrate the fact that private sector jobs have increased by 520,000 over the last 12 months. That is a record of which we can be proud. The Government have a growth agenda, to which I am wholeheartedly committed, including the lowering of corporation tax, research and development tax credits, a record number of apprenticeships, entrepreneurs' capital gains tax relief, the protection of the science budget, the exemption of micro-businesses from onerous employment regulations, of which I hope to hear more, the regional growth fund, and enterprise zones, of which there will be one in my area of the black country.

The main challenge for the Government is now deregulation. It is a big problem that we are not getting on top of quickly enough, although I understand the difficulties. I echo the intervention of my hon. Friend the Member for Stone (Mr Cash), who challenged the Government on European regulation. We need to have a strategy to fight back on that, because it will be the death knell if we do not. I will not give an example, because time is running out.

In conclusion, it would be irresponsible to start proposing spending increases and tax cuts, as the Labour party is doing. That is the way back to instability, the loss of

[Margot James]

confidence and escalating interest rates, which would do for my constituents who face mortgages and other difficulties. An escalation in interest rates would be catastrophic at this time, and that is where Labour's policies would inexorably lead.

4.34 pm

Owen Smith (Pontypridd) (Lab): We have heard a lot today about learning the lessons of history, but what we heard from the hon. Member for Stourbridge (Margot James) shows that the Government clearly have not learned the lessons of their own history. In the last years of the Labour Government, we listened to the Conservative party talk about wanting more deregulation and complain that we were over-regulating. We concede now that we were not regulating the banking sector as vigorously as we should have done, yet still we hear calls for further deregulation. That is a lesson that Conservative Members really ought to learn.

Equally, Conservative Members ought to look much closer, and with a far less jaundiced and more objective eye, at the Government's past year of performance. Any objective reading, any audit of how they have performed economically, must tell them, as it tells us, that it has been a disastrous year. Unemployment is higher by 1.5%, inflation is higher by 1.6%, output is down by 0.7% and manufacturing, which went up for a period as there was restocking and which boomed partly because of big deflation in the value of the pound, has now ground to a halt. We are not seeing a manufacturing-led recovery. Critically, growth, the key driver of our economy, is flat, non-existent, zero.

Alun Cairns: The hon. Gentleman focuses on manufacturing, but how does he contrast performance over the past 12 months with that over the previous 12 years, when manufacturing in Wales in particular, and in the west midlands, fell dramatically from representing close to a third of the economy to nearer 20%?

Owen Smith: I answer candidly that we have already said that we need a rebalancing of our economy. On both sides of the House, there was far too great an emphasis on the belief that we were in a post-industrial society and manufacturing was not an important part of the mix. We have learned the lessons, as I hope Government Members have. I hope that there will therefore be an active industrial policy from the Government, like the one that the Opposition are talking about. That is the only way in which we will improve manufacturing.

Gordon Birtwistle: Will the hon. Gentleman give way?

Owen Smith: I cannot resist.

Gordon Birtwistle: Does the hon. Gentleman agree that, if the country takes on the debts that the Opposition suggest by cutting VAT and spending vast sums, interest rates will rise? That alone will stifle any economic growth.

Owen Smith: No, I do not agree with that for a moment. A VAT holiday right now would stimulate the economy. We saw it work previously and it would work today, and that is why we advocate it. The hon. Gentleman is entirely wrong.

It is clear that the past year has been disastrous, so let us look ahead. Let us not rely on the Opposition or the Government, but instead examine the Office for Budget Responsibility's projections. It projects lower growth than it did last time, lower in fact than in its last three projections. It projects increased unemployment, with 200,000 more people unemployed by the end of this Parliament. Most critically and damningly of all, it projects ballooning borrowing, with £50 billion extra in borrowing in this Parliament as a result of the dreadful mistakes that the Government are making. *[Interruption.]* That is the reality—borrowing went down by £20 billion last year as a result of the stimulus, and it is now going up. No amount of shouting can get Members away from that fact.

What do those desiccated numbers mean for ordinary working people in this country? They mean heartache and misery. As one leading economist said last week when reflecting on a market survey that showed household income going down and household debt rising at the fastest rates since the depths of the crisis,

"The grim figures show household finances deteriorating at the fastest pace since"

2008-09, with people

"eroding their savings and taking on more debt to finance strong rises in living costs"

and reductions in their wages. That is the reality, as the Governor of the Bank of England recognised when he said that we were facing the biggest squeeze on living standards and wages since the 1920s. We can lay the blame for that directly at the door of the Conservative party.

In Wales, my part of the country, we are feeling the pinch harder than most. We have already heard the number of people unemployed in the midlands, the area that we hear the Chancellor have the temerity to talk about from the Dispatch Box. Employment there was down by 6,000 in the last period. In Wales it is barely creeping above the positive line, and in the north-east it is down by 14,000. The notion that there is a private sector-led jobs recovery spreading equitably across the country is absolute fantasy, and we must expose it.

Consumer Focus Wales, the body that looks after ordinary working people's rights, says that some of the most vulnerable people in our society, including older people, those on low incomes and those with long-term conditions, are right now cutting back on essentials such as groceries and energy usage. That is a disgrace in this day and age, and the Conservative party must face up to it.

In my constituency of Pontypridd, three times the number of people are looking for every job this year than last year. That is the reality of employment in my constituency. Three people on jobseeker's allowance looked for every job in the jobcentre last year, but now nine are looking for it. The citizens advice bureau is in jeopardy as a result of another of the Government's cuts—the cut to legal aid—but in one single year, there has been a 20% increase in the number of people going to the CAB for advice about debt, family breakdown and job insecurity. That is the largest increase in the history of that CAB. Those are all clear indicators that it is not working but it is hurting. More austerity and pouring misery on misery will not help my constituents, just as it is not helping Greece.

Alun Cairns: The hon. Gentleman talks about the number of people looking for jobs in his constituency this year compared with last. What would he say to the Welsh Government about that, and what is their responsibility for it? They have contributed to the greatest decline in Welsh gross domestic product over the past 12 years, making Wales the poorest part of the UK, which it was not previously.

Mr Deputy Speaker (Mr Nigel Evans): Order. Before the hon. Member for Pontypridd (Owen Smith) answers that intervention, I ask hon. Members please to keep interventions very short, because a lot of hon. Members wish to speak.

Owen Smith: Thank you very much, Mr Deputy Speaker.

I completely reject that entirely false characterisation of the Welsh economy. Most importantly, the Labour Government in Wales understand that growth will deliver improvements to our economy, not austerity, cutting or increasing the viciousness of the circle. The hon. Member for Vale of Glamorgan (Alun Cairns) ought to read *The Times* from this morning, because it is not only Labour Members who are worried that they have got no economic plan for growth from the Chancellor, but the chief executive officers of this country. On page 2, a reflection on the CEO summit states:

"There is...a real fear that a long, slow, feel-bad recovery will leave Britain a helpless bystander as the new economies of Asia, Africa and Latin America storm ahead."

What does the article go on to say? It says that we need a plan for growth, that plan A is not working, and that we need an industrial strategy that highlights growth sectors, just as the Labour Government in Wales have highlighted life sciences, digital economy and advanced manufacturing.

We need to target and invest in such sectors in a serious, intelligent and structured way, but we are not doing so. As the CEO of Vodafone, which is not exactly a Marxist-led workers' co-operative, says in *The Times* today, we in Britain have a "faith" that

"the market will sort it out"—

a misplaced faith that the market is always the answer. That is another lesson that Conservative Members have not learned. The market alone cannot deliver growth in this country. The Government need to intervene and direct intelligently. That is what history teaches us.

Finally, I was not going to talk about banking reform, but the Chancellor ended his speech by saying that Opposition Front Benchers did not talk about it, which admittedly they did not. We will wait and judge Government Members and the Chancellor by what they do on banking reform, but we do not know exactly what will happen on that yet, do we?

We know that the Chancellor has cancelled the bonus tax, and we know that he is talking about looking at banks' capital-to-asset ratios and trying to ensure that the leveraging they have on their debts is brought into line, but we will see whether the Government make good on those promises, whether they go beyond Basel III and whether they do what the OECD, which has been prayed in aid several times today, is telling them to do and split off high-risk investment banking from commercial banking. These are the tough decisions that have to be taken by a party that likes to listen to its erstwhile colleagues in the banking sector—there are probably a few Conservative Members who used to work there. These are the people who speak and whisper in the Chancellor's ear. He is not listening to ordinary working people in this country. He needs to start doing that, understand the pain he is causing and move to plan B.

4.45 pm

Kwasi Kwarteng (Spelthorne) (Con): I was not expecting to be called so early in this debate, Mr Deputy Speaker, but I am very grateful.

It is easy in this environment and this highly partisan—*[Interruption.]* I know exactly what I am going to say, so please hear me out. It is easy to lose sight of the big picture in terms of where we were when we came into government in 2010, and it is easy for Labour Members to forget the huge deficit and the terrible mess they made of the country's finances.

Mr Bailey: The hon. Gentleman talks about the big picture, but will he acknowledge that when the Labour Government came to power in 1997, the national debt as a proportion of GDP was 6% higher than when we left it?

Kwasi Kwarteng: I will acknowledge that the budget in 1997 was balanced, in that we took in £315 billion of revenue and spent £315 billion. I also have to acknowledge—I have to be candid—that under the first Labour Administration, between 1997 and 2001, the budget remained in balance. That was the prudent Chancellor whom many in the House will remember. We did not get into fiscal trouble with an increasing deficit until the 2001 to 2005 Parliament, in which, as people will remember, we had sustained growth. However, just at the moment when we were growing sustainably, the naughty, imprudent Chancellor took over. Having been prudent in the first four years of the Labour Government, between 2001 and 2005 he turned on the taps, to speak metaphorically.

Mr Bailey: I am following the hon. Gentleman's argument, but it is somewhat incoherent given that, in 2008 I think, the current Chancellor, then in opposition, said that he would match the Labour Government's public spending plans.

Kwasi Kwarteng: The principal point—if the hon. Gentleman will listen—is that Labour gambled with the country's economy. It sincerely believed that it had abolished boom and bust, so it made spending commitments on the basis that the economy would grow indefinitely year after year. Unfortunately those spending commitments could not be rescinded when reality dawned—when the economy faltered and the revenues collapsed, leaving us with huge spending commitments and creating this unprecedented peacetime deficit.

It is unfair and wrong for Labour Members to say that it was a global phenomenon. Our deficit was not comparable to Germany's. As far as I know, Germany operates in the same global space and is a competitor in many of the same markets as us, yet its deficit-to-GDP ratio was 3%. Ours, I believe, was 12.8%—the highest in

[Kwasi Kwarteng]

the OECD and the G20. These facts are known to everybody, including all economists and many journalists—everyone knows them—yet consistently, ever since I have been a Member of Parliament, Labour Members have completely denied any responsibility and have given every reason under the sun for the appalling fiscal position we were left in. It is vital that every single Member bears in mind those big facts. Labour's stewardship of the public finances was catastrophically negligent.

Mr Bailey: Will the hon. Gentleman give way?

Kwasi Kwarteng: This is the third time that the hon. Gentleman has tried to intervene, and I am afraid that I must press on. I am willing to take interventions from other colleagues, but he has had his say and I would like to have mine.

We have had a difficult time over the last year, during which time my right hon. Friend the Member for Tatton (Mr Osborne) has been Chancellor of the Exchequer. No one will dispute that: the situation has been tough. However, it would have been far worse if we had followed the policies of the right hon. Member for Morley and Outwood (Ed Balls) and not tackled the deficit in the rather aggressive but timely way in which we decided to. Hon. Members referred earlier to Greece, which has indeed been a Greek tragedy. People are on the streets, the Government are practically insolvent and there is a real risk of some kind of political revolution—I am choosing my words carefully, but the situation is very unstable. The situation facing this country was, I confess, not as bad. However, if we had not been serious about tackling the deficit, there was every likelihood that the international markets would have forced our interest rates up, that our cost of borrowing would have increased and that markets would not have bought gilts in the way that, over the past year, they have. The consequent rise in interest rates would have affected every family in this country, who would have had to pay high interest rates simply because the Government did not have the courage or the conviction to deal with the deficit.

Toby Perkins: As for the comparison with Greece, does the hon. Gentleman recognise that if we had followed the advice of the Chancellor when the recession struck back in 2008, although events here might not have followed what happened in Greece, they would quite probably have followed what happened in Ireland, which saw huge public spending cuts? Ireland went into a cycle of more and more cuts, and more and more people being put out of work. The result of those cuts was not that Ireland's deficit shrank, but that public services and poverty got worse.

Kwasi Kwarteng: I accept the hon. Gentleman's point about Ireland, but let us look at what happened last year and the situation that we faced going into the general election in May. The shadow Chancellor quite rightly observed that the market price of gilts was rising and that interest rates on them were coming down in the period before the election. It is true that in the six weeks before the election, interest rates on gilts came down, but that was only because the market realised that there would be an end to the Labour Government. The market anticipated the result of the general election, after it became clear that, as a consequence of Labour's total irresponsibility, the end of a Labour Government would mean a new Government who were serious about dealing with our financial position. It is true—I remember this—that the rates came down from mid-March, but that was only as a consequence of people in the markets literally rejoicing because Labour was going to leave. The shadow Chancellor was quite right to make that point; I just felt that we needed a bit more context.

Owen Smith: Will the hon. Gentleman give way?

Kwasi Kwarteng: The hon. Gentleman has had his say, but I will give way to him.

Owen Smith: I cannot help but point out that if the markets had been so omniscient and all-seeing, surely they would have spotted that the Tory party was not going to win the election.

Kwasi Kwarteng: The only question that the markets were interested in at that point was whether Labour would be re-elected. When it became obvious that Labour would not secure a majority in the House, they started buying lots of British Government debt, and the interest rates in the six weeks before the general election came down quite rapidly. Those are the facts, and one could find them out from the *Financial Times*, Bloomberg or any other information provider in financial services.

Nigel Adams (Selby and Ainsty) (Con): Since the last election, when we got a Conservative-led coalition, unemployment has fallen in my hon. Friend's constituency of Spelthorne by almost 5%. Does he think that we would have achieved such a fall if we had followed the Opposition's policies?

Kwasi Kwarteng: I can give my hon. Friend a very short answer: there is no way that any businessman in Spelthorne—*[Interruption.]* Well, the short answer is no, but the longer, slightly more involved answer is that there are lots of small businesses in my constituency, and a lot of them are related to Heathrow, and the international market and trade. As a consequence of Labour's complete failure over the previous 13 years, no Labour councillors were returned to our borough council. In fact, Labour contested only one of the 13 wards in the borough, which is only 35 minutes on the train from Waterloo. That is indicative of Labour's utter failure to make any headway.

Let me tell the House why Labour was completely wiped out. The people in Spelthorne realise that Labour does not understand anything about the economy. Time and again when I have knocked on doors in Ashford, Sunbury and Shepperton—and even in Stanwell, which was traditionally a Labour area—I have met people who realise what this Government have to do. They say to me, "You've been put into power to clear up the mess that the other lot created." I shall not repeat the unparliamentary language, but they tell me to "something well get on with it."

4.56 pm

Stephen Twigg (Liverpool, West Derby) (Lab/Co-op): I am delighted to follow the hon. Member for Spelthorne (Kwasi Kwarteng). Reflecting on the lack of Labour

representation in Spelthorne, I am reminded of the similar lack of Conservative representation in Liverpool. I am prepared to bet the hon. Gentleman that Spelthorne will get a Labour councillor before Liverpool gets a Conservative one.

We have seen some extraordinary complacency on the other side of the House today, given the economic circumstances that people are facing in communities up and down the country. Sometimes we forget the human cost of the decisions that are made in this House.

Kwasi Kwarteng: The hon. Gentleman talks about the human cost of economic mismanagement. Could he tell us more about the human cost of Labour mismanagement over the past 10 years?

Stephen Twigg: I thank the hon. Gentleman for that intervention, but it is the only one that I will take. I want to give other colleagues on both sides a chance to speak. We have heard a lot about Labour's legacy, and about where Labour stands, and we get severely misrepresented by the Government parties opposite. We are not denying the deficit. We adopted a plan to halve it over the four years of a Parliament. We have been very clear that we would have made cuts in public spending, that we support some of the cuts that are now being made, and that certain tax increases would have happened under a Labour Government.

The real challenge in this debate is to address the questions of growth and employment. There is no value in cutting public spending as the Government are doing if it damages the prospects for growth. The impact on the economy is that tax revenues go down, unemployment goes up, benefit costs therefore rise and the deficit position gets even worse. My right hon. Friend the shadow Chancellor reminded the House earlier about what both the parties that are now in government said when they were in opposition. My hon. Friend the Member for Dudley North (Ian Austin) has pointed out that the then Leader of the Opposition, now the Prime Minister, said in July 2008 that

"we are sticking to Labour's spending totals."

That was the view on the Conservative Front Bench in July 2008. In fact, my hon. Friend did not quote him in full; the right hon. Gentleman went on to describe those Labour spending totals as "tight". The views that the current Prime Minister and Chancellor of the Exchequer are now expressing are not the ones that they held at that time.

A year ago, in the emergency Budget, the Chancellor of the Exchequer said:

"In this Budget, everyone will be asked to contribute...everyone will share in the rewards when we succeed. When we say that we are all in this together, we mean it."—[*Official Report*, 22 June 2010; Vol. 512, c. 167.]

Our motion today welcomes the recent fall in unemployment, and I have heard hon. Members on the Government Benches talk about falls in unemployment in their constituencies, but are we really all in it together? Let us look at the figures.

Ben Gummer: Will the hon. Gentleman give way?

Stephen Twigg: I will not take any more interventions, for reasons of time.

We have seen a small increase over the past year in the number of jobseeker's allowance claimants. I want to compare two different constituencies in the north-west: my own, and another one just down the road, called Tatton. In Liverpool, West Derby, we have seen the number of JSA claimants rise over the past year by almost 5%. In Tatton, the number has fallen by 4%. *[Interruption.]* Well, I would love to know who the MP is who can make that much difference in a year. Somehow I doubt that that is possible. There are 4,000 JSA claimants in my constituency, and 1,000 in that of the Chancellor of the Exchequer. I sometimes think that Government Members underestimate the scale of anger in constituencies such as mine, which went through the experience of living through a Tory Government in the 1980s and have a sense that they are going through exactly the same experience again now.

Mrs Louise Mensch (Corby) (Con) *rose—*

Stephen Twigg: I am not taking any more interventions.

As I say, there are 33 JSA claimants chasing each vacancy in my constituency, but only two and a half in the Chancellor of the Exchequer's constituency not that far away.

If we are going to recover and see jobs and growth, we need capital investment. My right hon. Friend the Member for Greenwich and Woolwich (Mr Raynsford) spoke about the importance of housing investment and my hon. Friend the Member for Middlesbrough South and East Cleveland (Tom Blenkinsop) spoke about high-speed rail, so let me say something about schools.

The decision to cancel the Building Schools for the Future programme has not only had an impact on educational opportunities for children and young people in constituencies like mine, as it has had a devastating effect on the construction industry. I urge the Government to look again—not at recreating the Building Schools for the Future programme, as we have moved on from that, but at the critical importance of investment in schools in our communities.

My hon. Friends have already mentioned the future jobs fund, from which more than 90,000 young people directly benefited—6,500 in the city of Liverpool alone. The Government's own study from the Department for Work and Pensions this January described the fund as

"successful in preparing customers for work...The improvements to customer skills sets are likely to remain for the long term."

I want to address a specific question to the Economic Secretary, who is responding to the debate. Last night, I tabled early-day motion 1960 on the issue of asset sales by regional development agencies. Nationally, these assets are valued at about £500 million, and the Treasury plans to have a fire sale of these assets throughout the country—except in Greater London, where the assets of the London Development Agency have been gifted to the Mayor. I have no quarrel with that decision. It is a good decision, and I do not disagree with what is being done in London, but I do not see why we cannot have the same decision for local authorities and local economic partnerships outside London. I asked that very question at Business, Innovation and Skills questions recently and I was told that the reason was that the London Development Agency had been merged with the Greater London Authority. Actually, that has not happened, as the legislation is still going through Parliament. I urge

[Stephen Twigg]

the Treasury to think again, because if assets can be gifted to Boris Johnson, why on earth cannot they be gifted to local authorities and local economic partnerships outside London?

Let me deal now with the issue of fairness. I have already drawn one contrast between my constituency and the Chancellor's. Another contrast is on the scale of the cuts. Of course there have to be cuts to local government funding—we accept that—but Liverpool city council has seen its spending power cut by 8.8%, resulting in cuts of £91 million this year. Cheshire East, which is where the Chancellor's constituency is based, has had a cut of 1.7%. That is why people are angry—not because they deny the deficit, but because they see the burden of deficit reduction falling far more on some of the most deprived communities in the country. The Government need to think again.

Even in these tough times, Labour's Liverpool city council is working to improve things. It is working on a plan B for Building Schools for the Future. I urge the Government to engage with it. The council is working with the Government on the enterprise zone and it is creating 133 new apprenticeships to give opportunities to Liverpool's young people.

Finally, on the cost of living, in the year to April, we saw average weekly earnings rising by 1.8% while inflation was at 4.5%. For a family on average earnings with both adults working, that is loss of £1,000 to the household income each year. The pain is not being shared. When the Government abolish the bankers' bonus tax, yet go ahead with that cut in real earnings for average families, it is not about protecting low and middle-income Britain.

An economic gamble is being played by the two parties in the coalition. The speed and scale of deficit reduction could itself damage our ability to reduce the deficit, by damaging growth and increasing unemployment. Yes, we need cuts; yes, we need to reduce waste: but we need to protect the front line as far as we possibly can. If the Government continue down this path, there is a serious danger that they will both weaken the prospects for economic recovery and create an even more divided society in our country. I urge them to think again.

5.5 pm

Priti Patel (Witham) (Con): I thank the Opposition for this debate, which provides Government Members with the opportunity to remind the country of the economic disaster that the Labour party presided over, and the appalling legacy that they left for this Government to deal with. I find it pitiful but ironic that Labour Members have the audacity today to make sweeping claims and generalisations about the economy, when it was their former Chief Secretary to the Treasury who left that dreadful note to his successor that said, "There is no money."

Rather than being advocates for job creation, enterprise growth and the private sector in their constituencies up and down the country, Labour Members have consistently talked down the economy in this debate. They complain that the Government are not spending enough hard-pressed taxpayers' money, but that would lead to further deficit. As everyone knows, the Labour party left the economy on the verge of bankruptcy.

This time last year, my right hon. Friend the Chancellor stood in the Chamber and set out a robust plan to rid the UK of its worst ever peacetime budget deficit. As we all know, deficit denial syndrome is rife on the Labour Benches, so let me repeat: the aim of the emergency Budget was to rid the country of its worst ever peacetime budget deficit. There is a strong message to the country: Labour should never again be allowed to run our economy into the ground.

Several hon. Members *rose—*

Priti Patel: I will take one intervention, from my hon. Friend there.

Alec Shelbrooke: I am most grateful to my hon. Friend for giving way. Labour Members like to harp on about the '80s, but if we are going to go that far back in history, let us go back to the '70s, when again a Labour Government completely bankrupted the country. They have learned nothing.

Priti Patel: I thank my hon. Friend for that comment. The 1970s was also the era of strikes, and as we all know, strikes cost jobs, they do not create them. Before last year's Budget, we had the deepest recession, record rates of job losses, and national debt increasing to a peacetime record—

Mr Anderson: Will the hon. Lady give way?

Priti Patel: I have said that I will take only one intervention, because of pressure of time; other Members want to speak.

Families and businesses across the country, and across my constituency, have faced genuine hardship, and I speak as someone from a small family business background. Let us not forget that 12 months ago the country faced a severe sovereign debt crisis. The prospect of Ministers having to go with a begging bowl to the IMF, as Labour did in 1976, was daunting. The Government should be congratulated on bringing Britain back from the brink.

Last year's emergency Budget was about rescuing the nation's finances and paying for Labour's mistakes and its scorched earth policy. The Government have absolutely the right focus: reforming the economy, ensuring jobs and growth for the future, and doing what we can to help families with the cost of living. Last year's Budget marked the first step towards rebalancing the British economy on to the path of long-term sustainable growth.

I want to highlight three areas in which the Government have laid the foundations for future growth: first, the promotion of business and job creation in the private sector; secondly, focusing on getting people into work, with the creation of half a million private sector jobs, which Labour Members seem to be mocking, which is completely insulting to the people in those jobs; and thirdly, restoring confidence in the British economy. The Government are doing the right thing: sticking to the plan, backed by the IMF, OECD, PIMCO and every major business body in the country, the key objective of which is to put the public finances back on track, after the Labour party maxed out the nation's credit card.

Instead of being positive and optimistic, Labour Members have the audacity to talk our economy down. They sneer at this, but when they do so they talk down to the enterprising individuals who run independent shops and small businesses, who create jobs and have

the initiative to invest, start new businesses and generate welcome prosperity for our country. That should not be overlooked. The Opposition's dogmatic attitude to those who work hard, pay their taxes and contribute to our economy is starkly obvious, and I believe that they should never again be trusted with the nation's economic finances.

The Government are boosting manufacturing, jobs and growth by cutting key taxes for business and entrepreneurs and scrapping much regulation, although I think that we could scrap even more, particularly the gold-plated stuff that comes out of Europe. They are also giving more support to young people by providing 50,000 more apprenticeships, as well as work experience schemes. At long last we can start making things in this country again.

Let me end by making a salutary point. There is no doubt that it will take time for the economy to recover fully given the extent of our dreadful legacy, but throughout the business world, from investors in the City to small shopkeepers and small businessmen, it is recognised that we have a business-friendly Government who are committed to cutting the deficit and promoting job creation and investment.

5.10 pm

Mr Michael Meacher (Oldham West and Royton) (Lab): We were treated to a typically Panglossian picture by the Chancellor, as though there were nothing currently wrong with the economy. The Chancellor is not a man who does humility. When challenged, he could cite only three developments that he regarded as successes. The first was the rise in exports, but he failed to mention that imports are rising faster. The second was the increase in jobs, which, although certainly welcome, will be soon swamped by the increase of 1 million in unemployment in the public and private sectors that has been forecast by the Office for Budget Responsibility. The third was the improvements in the manufacturing sector, which, as has been said many times, have now sadly embarked on a downturn.

Mrs Mensch *rose—*

Andrew Griffiths (Burton) (Con) *rose—*

Mr Meacher: I will give way only once. As the hon. Member for Burton (Andrew Griffiths) has had plenty of opportunities to intervene, I will give way to the hon. Lady.

Mrs Mensch: Is the right hon. Gentleman not a little put out by the fact that the IMF, the OECD and every major economic organisation backs my right hon. Friend the Chancellor, and that his party is entirely on its own in its view of the situation?

Mr Meacher: I am afraid that the hon. Lady is behind the curve. The fact is that there has been a major change in the IMF's view of the balance between cuts and the promotion of growth. I shall say more about that later.

The negatives that the Chancellor ignored are far more numerous than the positives. Let me begin with an important one. The latest figures for public sector net borrowing—which show levels 50% higher than last year, just before the election—are the first clear sign that the Chancellor's massive cuts strategy is not just in serious trouble, but going backwards. That comes as no great surprise to people like us who have constantly argued that lower growth—and growth has been nil over the last six months—and the prospect of a prolonged period of stagnation will lead to a fall in tax receipts that will swamp the effects of expenditure cuts. That is central to this whole debate, but the Chancellor did not mention it.

Real incomes fell last year for the first time since 1981, and are on course to fall again this year. Inflation is higher, and consumer confidence has slumped to levels that we saw during the depths of the recession. High street retailers are sending out profit warnings and, to cap it all, the Government have been forced to revise upwards the forecasts for the budget deficit. We should not forget that driving down the deficit is the Holy Grail of Government policy, but it is going in the wrong direction.

Where is the evidence that Britain is enjoying what the Chancellor ironically calls expansionary austerity, on the spurious ground that the knowledge that the Government are getting a grip on the public finances will produce confidence and will encourage spending by the public to replace the cuts in public spending? That policy relies on a tighter fiscal policy while allowing a looser monetary policy to remain loose, but if the monetary policy was already ultra-loose—as it was when the Government came to power—there is certainly no scope for it to be made any looser. Any tightening of fiscal policy, let alone the massive tightening that we have seen in the Budget and the comprehensive spending review, is bound to lead to a lower level of aggregate demand in the economy. That is exactly what we are now seeing. Despite two years in which the bank rate has been almost on the floor at 0.5%, there is a marked reluctance to borrow. Mortgage demand is running at half the levels it was in the 10 years up to the financial crash and lending to business is not picking up.

The key question for this debate is: where is the growth to come from? Even Martin Wolf, the distinguished right-wing commentator for the *Financial Times* has acknowledged that the only plausible source of increased final demand is export growth, but export growth is in effect blocked off, because almost all EU markets are depressed as they all try to export their way out of crisis at the same time. To cap it all, the likely eventual Greek default could severely depress further any prospect of early EU recovery and therefore of UK export markets in the EU.

I repeat the question: where is the growth to come from?

Lorely Burt (Solihull) (LD): Will the right hon. Gentleman give way?

Mr Meacher: I have not got time, I am afraid.

Incredible as it might seem, the last straw that the Chancellor is clutching at is a huge increase in personal and household borrowing, which is already at more than £1.5 trillion—well above the level of Britain's entire gross domestic product. Although it was falling at the last election, the OBR is now forecasting that it will reach £2.13 trillion by 2015—half as large again as Britain's entire GDP. That is an extraordinary admission. The Government's only way of imposing massive public expenditure cuts is by pumping up a gigantic financial

[Mr Meacher]

bubble in the private sector, which can only end in another colossal financial crash. I would be the first to admit that that depends on the private sector's being willing to load up on hugely more debt, but the other side of that coin is that if households save more, as they are very likely to do because they are extremely worried about their prospects, demand is going to plummet and the economy is likely to hit the wall with an almighty crash. I ask again: where is the evidence for this expansionary austerity that we are being told about? It is not in the balance of payments figures, which are getting worse, not better; it is not in the high street, because consumers would need an increase of about 6% in their incomes to compensate for the price rises and tax increases of the past year; and it is not in the business community, where investment has fallen.

The latter point has an important story behind it. In the commercial private sector there is currently a huge net corporate financial surplus that is almost without precedent. Among the banks and the rest of the financial sector, that now amounts to £44 billion, while for the big corporations in the non-finance sector, it is larger still at £67 billion. Together, the corporates are running an unprecedented surplus that is nearly equal to 8% of Britain's GDP. Still, however, the banks are not lending—they are already well short of their Merlin targets after only a couple of months—and the big companies are not borrowing. Why? It is because they see little prospect of demand for their products and services to justify their investment. That is the problem and it is not resolved by the current strategy. That is exactly the opposite of what they were expected to do by the Chancellor, who predicted that as the public sector was cut back, the private sector would surge forward to fill the gaps.

It is tragic that the historical evidence that expansionary fiscal contraction has never worked has not been learned. It has been tried three times in the past century. It did not work in the huge public expenditure cutbacks of 1921 to 1923—the so-called Geddes axe, which was very similar in size to the current Osborne axe; it did not work in 1931 to 1935 in the great depression; and it appeared to work in the Howe Budget of 1981 only because it was accompanied by a sharp reduction in interest rates and the major US-driven international recovery of the early 1980s, neither of which applies today. What is not just tragic but deeply culpable is that the same approach is being imposed today, not because there is any evidence that it makes economic sense, but because it is really driven by an underlying ideological motive to shrink the state and to maximise the privatisation of the economy. And it is not working and will not work.

5.20 pm

Ben Gummer (Ipswich) (Con): It is a pleasure to follow the right hon. Member for Oldham West and Royton (Mr Meacher). He spoke after my maiden speech, and he is a man whom I respect greatly for his integrity, honesty and the consistency with which he has held his views over the years. However, he has also been consistent in his economic views, and over 30 years he has been consistently wrong—in his judgment of Mrs Thatcher's economy, John Major's economy and Tony Blair's economy. The fact that his views now come into the same alliance as that of the shadow Chancellor of the Exchequer tells us all that we need to know about where the Opposition's economic policy has gone.

Kwasi Kwarteng: Will my hon. Friend remind the House about the consequences of the 1981 Budget and what happened at the subsequent general election?

Ben Gummer: I do not know what position my hon. Friend took against the 1981 Budget, but all that I can say is that that Budget, which was opposed by Labour Members, started the rebuilding of the British economy, much as we are doing now.

I was not planning to speak today, but I entered the Members' Lobby and looked at the Opposition's motion on the Order Paper, which is entitled, "The economy one year since the Government's first Budget". I thought, "That's brave of them, to pick a fight on this, but I'll give them a chance." I read on and thought, "This will be amusing." The motions says:

"That this House notes that on 22 June 2010"—

there is a preamble, and we agree with that bit, because there was an excellent Budget this time last year—and it continues:

"further notes that over the last six months".

I thought, "Hang on a minute. I thought we were talking about after a year," but they have chosen six months for the economic growth figures. Why six months? It is because over a year the economy has grown, has it not? Already, in the terms of their own motion, the Opposition are failing, because they have to pick a six-month figure. Do hon. Members know why they pick that period?

My hon. Friend the Member for Witham (Priti Patel) talked earlier about businesses. Her parents run a business in my constituency. She understands businesses. She understands that, with a difficult start-up, some weeks are not as good as others and that things are rocky and choppy. Not many Opposition Members have ever seen a balance sheet or a profit-and-loss account in their lives, and that is why they might not understand what she explained earlier. That is why, after a year, the economy is growing—but after six months, it was flat, because we are having a choppy recovery, as the Chancellor said.

Thomas Docherty (Dunfermline and West Fife) (Lab): Will the hon. Gentleman give way?

Ben Gummer: I have taken one intervention; I will not take any more.

I am afraid that the Opposition are falling down already with their motion, but let us go on to the next phrase:

"in the last month retail sales fell by 1.4 per cent."

[Interruption.] If hon. Members listen carefully, they might find that their interventions are prefigured. Not content with six months' worth, the Opposition have to go to the last month, but let us go back to the motion and what has happened over the past year. In the past year, retail sales have grown by 4.5%. I congratulate the Opposition on their motion, as we are seeing growth in the two key figures—GDP and retail sales—that we have considered so far.

The next thing in the Opposition's motion is manufacturing output, which, it says, "fell by 1.5%" over the last month; but actually, over the year, it has risen by 1.3%.

Alison McGovern: I am going to skate briefly over the hon. Gentleman's comments about Labour Members never having seen a balance sheet. I hope that he will discuss economic variables and lag times and say whether, in fact, what happened in the previous six months might have been attributable to the last Government and that we need to allow time to feel the impact of this Government's policies. Will he cover that?

Ben Gummer: The hon. Lady makes a perfectly reasonable point, but it is not one that she has conveyed to Opposition Front Benchers, because they chose as the subject of the motion, "The economy one year since the Government's first Budget". I am merely commenting on that, not on the rather crass detail in the motion. So far, we have growth in manufacturing, growth in retail sales and growth in the economy. Let us go on to the next thing that they are talking about.

The motion refers to

"a welcome recent fall in unemployment".

The Opposition concede that. It was not just welcome; it was the largest fall in unemployment for 10 years—88,000—and larger than that achieved at any point when the right hon. Member for Kirkcaldy and Cowdenbeath (Mr Brown), whose Parliamentary Private Secretary questioned me a moment ago, was Prime Minister.

Andrew Griffiths: Returning to the point about manufacturing, is my hon. Friend aware that under the premiership of Tony Blair and Gordon Brown, we saw a sharp—

Mr Deputy Speaker (Mr Nigel Evans): Order. The hon. Gentleman must refer to another hon. Member by his constituency.

Andrew Griffiths: Does my hon. Friend agree that manufacturing declined more sharply under the previous Government than it did under the premiership of Margaret Thatcher? Under the Labour Government, we saw an unprecedented decline in manufacturing.

Ben Gummer: My hon. Friend is entirely right. In my constituency manufacturing fell more quickly in the 1970s than it did in the 1980s. The last bit that was left in the 1980s was stolen by Robert Maxwell, a previous Member of Parliament for the Labour party, though happily not in my constituency.

Let us move on and go through the motion, which says that

"the Office for Budget Responsibility predicts that future unemployment will be up"

by 200,000. The Opposition Front-Bench team fail to be able to read a fan chart. That is the upper part of the forecast, but there is also a 200,000 dip at the bottom end of the fan chart. The OBR has said that unemployment is performing much as it had predicted. The forecasts are not changing and unemployment is going down more quickly than the OBR estimated in March.

A series of suggestions from the Opposition Front-Bench team follows. I wonder if I can prompt an intervention from the shadow Minister, the hon. Member for Wallasey (Ms Eagle). The announcement on VAT mentioned in the motion was mentioned to her before it was mentioned to the shadow Cabinet or to the London School of Economics. She tuts me away. It is, according to the *Financial Times*, the biggest change in Opposition economic policy since the general election. I wondered whether the hon. Lady could comment on when it was announced to her colleagues, so we must take it that it was not.

We then come to the gravamen of the motion. It refers to the

"long-term damage to the economy"

caused by the Government's policies. Let us look at underlying trends, which are probably the best indication of how the economy is performing. The savings ratio is higher now than it was at any point, apart from one quarter, in the whole of the previous Government's time in office. The investment intention of the private sector from the CBI industrial trend survey is also higher than at any point in the 13 years of the previous Government. It reached that level previously only in the first quarter of 1997. Export orders are at a 15-year high, and CPIY—underlying inflation, excluding tax rises—is within the Bank of England remit.

We know that tax increases are coming through into inflation, and that there was a massive injection of cash into the economy through quantitative easing by the previous Chancellor of the Exchequer. It is the combination of those and the necessary tax increases to deal with the appalling deficit which is causing the unfortunate inflation figures now, but the underlying figure is at about 2.4% or 2.5%, and I hope that in time it will return to that, as the OBR predicts.

The last part of the increasingly risible motion refers to

"temporarily cutting VAT to 17.5 per cent."

When VAT was put up in the emergency Budget, I remember hearing from those on the Opposition Front Bench that that was an iniquitous rise that should never happen, but now it is to be temporary. Can the shadow Minister tell us why she is proposing a temporary cut rather than a permanent one, as she was proposing this time last year?

The motion mentions the bank bonus tax, a canard put out constantly by the Opposition. The bank bonus tax raised £2.4 billion on the best estimate, but £2.6 billion has been raised by our bank levy, which will be set every year in this Parliament, unlike the bonus tax which, by the previous Chancellor's own admission, was a one-off event.

Finally, we come to the two most egregious statements in the entire motion. First, there is the reference to the need for "25,000 affordable homes" from the party that built fewer affordable homes in every single one of its years in office than were built in every single year of the Major and Thatcher Governments—but Labour does not admit to that shocking record in its motion. Secondly, we return to the issue of jobs. The motion calls for the creation of

"100,000 jobs for young people"

just days after we have heard of the greatest fall in youth unemployment in 10 years.

[Ben Gummer]

So the Opposition have come to this House with a motion judging the Government on the economy one year after our first Budget, yet they cannot choose one single figure by which to judge the Government's record, and in the end they put forward a series of disingenuous statements by which their own record would look very poor.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Nigel Evans): Order. To enable more Members to contribute to the debate, the time limit for speeches is now being reduced to six minutes.

5.30 pm

Nic Dakin (Scunthorpe) (Lab): It is a pleasure to follow the hon. Member for Ipswich (Ben Gummer), who enriched us by deploying such a rich lexicon in dissecting the motion. Indeed, this debate is, in part, about language. I began my working life as a teacher of English, and although I have moved on from that, I can still identify a good yarn when I read or hear one, and that is what the Conservatives have been spinning since the general election. They have been spinning a good yarn—a seductive fable—but in truth it is a Tory tale of woe, with brief Lib Dem notes in the appendices. Regardless of how seductive and engaging people have at times found this yarn, it is not an accurate account, because the reality is very different.

The truth is that the country is facing difficult times because there has been a global banking crisis that required strong and decisive action to avoid a global catastrophe. That action was partly led by the then Prime Minister of this country. The situation is still challenging for our economy and others across the western world, as we have heard in the debate, but we must tackle the challenge in a sensible way.

In the general election campaign, the people of this country had every opportunity to hear the different arguments about how best to tackle that challenge, and they mostly supported candidates who proposed addressing the deficit in a serious and sensible way by halving it over the lifetime of a Parliament. The electorate voted for more candidates who supported that than Conservative candidates who, quite fairly, proposed a different approach. This is in part a sorry tale, therefore, because there is no mandate for the Government position.

When Labour left office a year or so ago, the economy was starting to grow strongly, inflation had fallen, and unemployment was falling month by month. As a result, in 2009-10 the Government borrowed more than £21 billion less than had been expected. Yet a year ago today, the Chancellor announced in his Budget speech that instead of following Labour's plan to halve the deficit over four years—the plan that had been backed by the British people through votes cast in ballot boxes only a month earlier—he would eliminate the structural deficit by the end of this Parliament. That was a reckless decision; it was a choice to go too far, too fast, and the country is now facing great difficulties as a result.

In our debate, my hon. Friend the Member for Middlesbrough South and East Cleveland (Tom Blenkinsop) has highlighted that figures for construction and retail sales have been falling, that the consumer prices index target rate is higher than hoped, and that VAT has stimulated inflationary pressures. We have also heard that we have flat growth and that seasonally adjusted trade figures also remain flat.

The European Commission has just published the full results of a survey that shows a high level of dissatisfaction with the Government's laissez-faire approach to tackling unemployment. The survey's 22,560 respondents were asked whether they agreed that the economic crisis means that we should increase public deficits to create jobs. Two third's of the UK respondents agreed with the statement, which is a much higher proportion than in any other major western country. They agreed that there should be investment in infrastructure. The Government have pulled Building Schools for the Future and various other infrastructure programmes, which has had a devastating impact on the construction industry.

In the community I represent, which is still quite dependent on steel jobs, the collapse in demand for construction has led to Tata Steel's announcement of 1,500 job losses in its long products business. It is not surprising that Karl-Ulrich Köhler, when he came to Scunthorpe to make that announcement, gave two reasons for the decision: the fall in demand for section steel, both globally and domestically; and the threat of carbon taxes rising in 2013.

The Government's decisions are having an impact today and for tomorrow on British manufacturing. We need to get behind projects such as the high-speed rail endeavour, which we hope, if it goes ahead, will be built with British steel. The Government have failed to deliver on their promises to invest in the British people. They have brought severe medicine to the country, much severer than was needed. There is real danger that the country will be left in a very difficult situation, after the legacy of an improving economic situation that they were left, which should have been—

Mr Deputy Speaker (Mr Nigel Evans): Order. I call Dr Thérèse Coffey.

5.36 pm

Dr Thérèse Coffey (Suffolk Coastal) (Con): I always enjoy these occasions and think that it was a very good birthday present from the Opposition to allow the Government to defend their record. As my hon. Friend the Member for Witham (Priti Patel) said, the debate gives us an opportunity to remind the British public not only of the legacy we inherited, but of the positive action we have taken.

I always enjoy the contributions of the right hon. Member for Morley and Outwood (Ed Balls), which I find quite jovial occasions, although I was disappointed that he would not allow me to intervene. The only slight challenge about listening to the right hon. Gentleman, who seems to live on planet Balls or in la-la land, is that I wake up and realise that I have participated in a horror show. The hon. Member for Scunthorpe (Nic Dakin) seems to be adding to Aesop's fables with his portrayal of a golden legacy that we apparently inherited. So what do we end up with? A second-choice shadow Chancellor asking for a second chance. Hopefully, the British public will realise that his plan B just means more boom and bust, more borrowing and potential bankruptcy. Frankly, I do not see the British public voting for that again in the near future.

The hon. Member for Pontypridd (Owen Smith) referred to a plan B and quoted the CEO of Vodafone. Normally Labour Members are not the biggest fans of Vodafone when it comes to aspects of its contribution to the economy. He will probably not be impressed by the conversation I had with the CEO, who criticised the Government for not cutting fast enough or deep enough and said that, by not making quicker progress on that, we would make a rocky road for ourselves.

The right hon. Gentleman used to cite the USA in support of his plan, but we now see the Obama Administration stepping up the pace of deficit reduction, which they need to do.

Thomas Docherty: I suspect that the hon. Lady was not here in May, but I certainly recall President Obama making it absolutely clear that he did not agree with the current Government's policies on the deficit.

Dr Coffey: Well, perhaps he did not, but he seems to have changed his mind and is stepping up the pace of deficit reduction.

Plan C is the VAT cut that the shadow Chancellor announced, unknown to some of his shadow Cabinet colleagues, it seems. Yet again, it is another unfunded tax cut. I was not a Member the last time that happened, in 2008, but many people will remember that earlier that year the 10p tax rate was abolished, and what was the impact of that? The economy continued to contract, leading CEOs said that £12.5 billion had been wasted on that tax cut, and hon. Members may recall the Federation of Small Businesses survey, in which 97% of its members said that their earnings had not increased.

In spite of all that, the right hon. Gentleman has wheeled out the plan again, and eight times today the right hon. Member for Edinburgh South West (Mr Darling) refused to endorse it. We have been told that we need a credible plan with public and political support, but perhaps the shadow Chancellor needs to start with his Back Benchers, rather than by trying to persuade the British public.

I know brotherly love is a big feature of the Labour party, so perhaps the right hon. Gentleman will start with his brother, who I understand works for PIMCO, the world's biggest bond fund, which has publicly stated that the UK has the best combination of fiscal and monetary policies in the G20—and so say all of us. No wonder in a Populus poll last week, only 23% of the population supported the Labour leadership in its desire to control the economy, a reduction of 10% in the past three months.

Instead, the British public have responded to the two parties on the Government side of the House, which just over a year ago came together in the national interest to form a coalition, and which with wide political support have put together a credible plan to restore fiscal sanity. Government Members have demonstrated a proactive attitude in starting to untangle red tape; in incentivising the creation of small businesses and entrepreneurs; in the significant policy of welfare reform, whereby we have been very clear that people will be better off if they work, unless they cannot; in the extra money going into apprenticeships, building on the good work—I recognise—of the former Government; and in funding infrastructure.

I was a little surprised at the contribution of the hon. Member for Middlesbrough South and East Cleveland (Tom Blenkinsop), who seemed to have forgotten the amount of money that the Government are spending on infrastructure. Indeed, we recognise that we need to do so.

Reference has been made to RDAs, but a PricewaterhouseCoopers report last year suggested that generally they have been poor value for money, and despite spending those billions, the prosperity gap has widened.

The hon. Member for Liverpool, West Derby (Stephen Twigg) referred to life in the '80s in Liverpool, but I grew up in Liverpool and was there in the '80s. I am going to do a lame Welsh accent, because it was a Labour council—a Labour council—that fired 30,000 employees to stave off bankruptcy—[Hon. Members: "By taxi"]—by taxi. Those people were understandably fed up with the Labour council leader, and they did not just take the ferry across the Mersey to Birkenhead; they left Liverpool. We have seen that with the reduction in the number of people living there, and in the money that is left, too. Ironically, the port of Felixstowe in my constituency benefited from the situation, but it has been a great shame, because I am very proud of where I grew up.

The Conservatives went in and put in investment.

Alison McGovern: The hon. Lady cannot mention our home city of Liverpool without acknowledging the previous Government's role in rebuilding it and in restoring the pride that we take in it. Will she acknowledge their role, because her comments do not paint a true picture?

Dr Coffey: The hon. Lady is absolutely right. I am very proud of my home city, but I hope that she will also credit Lord Heseltine. We started back in the '80s, we saw the Albert dock and other aspects of the city transformed, and some of that continued under the previous Government, but investor confidence in the city was knocked by that legacy of the '80s which was referred to earlier.

The right hon. Member for Morley and Outwood also seemed to use marine terms, trying to suggest something about fancy yachts and the similar. The previous Government, in marine terms, were possibly the equivalent of the Titanic. People took their eye off the ball—holed by an unseen disaster, perhaps—with unintended, tragic consequences. That is the state of the economy which has been left behind, however, with tens of thousands of pounds of debt being loaded on to every child born and on to children not yet born.

The hon. Member for Newcastle upon Tyne North (Catherine McKinnell) referred to the impact of the Budget last year on mothers and families, but every mother and family I know has to cope with a household budget which means that they have to try to balance the books every month. That is absolutely key.

Sheila Gilmore: Will the hon. Lady give way?

Dr Coffey: No, I have already given way a couple of times to Opposition Members.

[Dr Thérèse Coffey]

It is absolutely key to ensure that when one has already maxed out the credit card, one cannot not keep spending but has to stop and start paying it back.

Staying with the nautical terms, I recognise that it is not going to be plain sailing ahead, but I can assure members of the British public that Conservative Members will be firmly on watch. We may need to tack and jibe to reach our final destination, but that destination is fiscal sanity, a growing economy, and a prosperous working Britain. That is why I will support the amendment to the motion.

5.45 pm

Mr David Anderson (Blaydon) (Lab): The past 13 months have been framed by Conservative Members talking about deficit denial, but the truth is that what we have gone through is deficit deceit. They have spun a tale that ignores the fact that what we went through when we saw the failure of the big banks was a failure of capitalism in this country. They never mentioned the fact that Lehman Brothers, HSBC, Lloyds and Northern Rock had collapsed. They ignored the fact that we had light-touch regulation, which they had criticised for not being light enough. The situation that we got into was not just about what our party had done—it was supported by the Tories and by the capitalist system.

When the collapse happened, we took tough decisions not to repeat Tory mistakes—not only those of the '80s and '90s, but of the 1930s. We refused to accept, and we still do, that unemployment was a price worth paying. The reality is that the Conservatives still believe that and always have believed it. They ignored the fact that the Labour Government were praised at the G20 meeting in Pittsburgh and by the OECD for the work that we did. In fact, the OECD said that the Labour Government had led the world and prevented a recession from becoming a depression.

The Tories must have been happy, because all they wanted to do was stand back and let the market take the course. We have seen them do that in the past. They did it in the 1930s when my father was 14 years old and was sent to work in the coal mines—one of the most dangerous jobs in the world. One thousand men a year were being killed in British coal mines—one every six hours—and someone was injured every two minutes. They went home to houses that were not fit to live in. They had poverty wages, desperate living conditions at home and at work, and no respite. It took a world war and a Labour Government to address those appalling conditions.

The Tories have a long memory, and when they got back into power in the 1980s they went back to the same programme that they had in the 1930s. Under the banner they are flying today—"There is no alternative"—they attacked working people and closed mines, steelworks and shipyards. They used the same language when they outsourced hundreds of thousands of workers from councils, hospitals and universities. They cut their terms and conditions, undermined their security and decimated the services they delivered. Does that sound familiar? Yes, because they are doing it again today, and the Liberal Democrats—those who are here—are backing them up.

John Hemming (Birmingham, Yardley) (LD): The hon. Gentleman's party's solution is to borrow more money. From whom is it going to borrow it and how much interest is it going to pay?

Mr Anderson: My party's policy is not to borrow more money—it is to increase taxes on bankers and make those people pay.

John Hemming *rose—*

Mr Anderson: Sit down and shut up.

The Tories have made deliberate decisions and claimed that there are no alternatives. When my party came back into government in 1997, the people from where I came from said they wanted us to put right the attacks that had happened in the 1980s. They said, "We're sick of living in second-class conditions." That is why I am proud, and my party is proud, of what we did.

Mr Hanson: May I remind my hon. Friend that at the last election the Liberal Democrats wanted to spend more than the Labour party?

Mr Anderson: I was not going to discuss the Liberal Democrats because they are obviously not relevant to this country any more. I thought that perhaps they were outside unveiling a new placard about the bombshell or signing a few pledges; obviously, they are too busy to come in here.

John Hemming *rose—*

Mr Anderson: I am not going any further.

I am proud of what we did. We put record investment into the national health service. We had the Decent Homes programme, which, in my local council area, provided £360 million to put right homes that were desperately in need of it. There was a huge improvement in school results. We had more doctors, nurses and police on the beat. We had the national minimum wage, peace in Northern Ireland, new schools and hospitals, better health outcomes, and record numbers at university and in work. We also had—Conservative Members have not mentioned this while attacking the economic progress of our Government—a record period of growth over more than 11 years before we were hit by the global crisis.

What is certain is that the Conservatives and their yellow human shields, the Liberal Democrats, will never learn from history. They want to ignore the history of ordinary men and women. Indeed, when the Chancellor was asked in 2007 about his memories of the miners' strike, he said:

> "I'm trying to see if I can honestly remember."

What we have is a party that selectively forgets the past, including the suffering and misery of a generation of people whose only crime was to want to live in security, bring their kids up well, have a good life and go to work. The Conservatives refuse to remember those things. They are doomed to repeat the mistakes of the past, and ordinary people will pay for those mistakes.

5.50 pm

Alec Shelbrooke (Elmet and Rothwell) (Con): I want to start by putting an end to the myth that the Government have no mandate for the action they have taken. *[Interruption.]* Already I can hear somebody saying from a sedentary position that there is no mandate. Let us look at the figures. I do not think anybody in the House would deny how unpopular the Conservative Government of 1997 were. That led to the Labour landslide. I therefore wonder how the Labour party managed to take an even lower share of the vote in 2010 than the Conservative party took in 1997.

We went into the last general election saying that we would get the budget and the deficit under control, and that we would introduce welfare reform. Everybody heard that message, not least because the Labour party kept delivering leaflets to everybody's houses saying that we were going to do those things.

Sheila Gilmore: I do not dispute that the Conservative party went into the election with those things in its manifesto. The point is that the Conservative party did not secure a majority and its coalition partner went to the electorate with a completely different prospectus.

Alec Shelbrooke: I am not sure that I quite understand the hon. Lady's point.

John Hemming: The hon. Lady claims that the Liberal Democrats fought the election on the basis of not dealing with the deficit. We fought it on dealing with the deficit and that is what we are doing.

Alec Shelbrooke: Absolutely. It is a salutary lesson in the history of British politics that it has taken two parties to come together to deal with the mess that that lot left behind.

Labour Members say that there is no mandate, but nobody in this country was in any doubt about what the Conservative party would do in government, and they voted for us. *[Interruption.]* I have already given way twice and I will not give way again because I have only six minutes. The public voted for the Conservative party in big numbers. The only reason that it did not end up with a majority was the in-built advantage to the Labour party. Even with that, Labour could not win the election.

Labour Members have learned nothing from their election defeat a year ago. As far as they are concerned, there was nothing wrong with the economy and they knew how to sort things out. They think that the only reason they are in opposition is because people accidentally voted Conservative, and that we are in government only because of the Liberal Democrats. Well, I point out that we have a majority of 83 in this House. As I said, two of the main parties have come together to deal with the mess left by the Labour party. When I was campaigning up and down the country, that is what the British public wanted. They wanted a coalition Government and they got a coalition Government because this mess needed to be sorted out. I think that we should be proud of our record over the past year: job creation in the private sector—up; export growth—up; manufacturing growth—up; the largest fall in unemployment for more than 10 years; 50,000 apprenticeships; 100,000 work experience places; and millions invested.

What is Labour's plan? From what we can work out, it is to cut taxes and carry on borrowing. What would be the consequences of that? If we had carried on borrowing money at the rate at which it was being borrowed, the people lending us the money would have thought, "Will they be able to pay it back?" They would have said, "Here, have some money, but I'm charging a higher interest rate." This country faced the danger of unfettered borrowing, which would have meant higher interest rates in the gilt markets and everywhere else. That would have worked through to people's mortgages. We have spent the last 12 years on interest rates of about 3% to 4%, which were seen as historically low. If the interest rate went back to 3% or 4% tomorrow, it would cause real damage to the people of this country, who for almost 18 months have been on an interest rate of 0.5%. A responsible Government must ensure that frivolous spending and unfettered borrowing do not end up with the people about whom the hon. Member for Blaydon (Mr Anderson) just spoke suffering the consequences of not being able to borrow, not being able to afford their mortgages and not being able to live within their means.

It was interesting that the shadow Chancellor had clearly spent a long time looking into details about Government Back Benchers whom he though might intervene on him, instead of looking into a credible policy. He picked out statements from Government Members to paint the picture that we were all demanding higher spending. Of course, the reason why he thinks that is that the Opposition have no concept of governing for the long term. They do not understand that when my hon. Friend the Member for Dover (Charlie Elphicke) talks about the policies that he wants to have in his constituency, he is talking about the long term. I am sure my hon. Friend will expand on that when he speaks.

I am sure that the shadow Chancellor, having a neighbouring constituency to mine, had a few choice phrases ready for me. I have made no secret of the fact that I would like a better rail infrastructure in my city. However, I have always made it quite clear that my aspirations are for the long term and do not have to be achieved tomorrow. We do not have to borrow trillions of pounds to put them in place now, but such infrastructure could be built up in the next decade or even two.

John Hemming: Does the hon. Gentleman agree that by reducing the rate of interest and the amount of interest paid, in the long term we will be able to spend more on infrastructure than the Opposition would?

Alec Shelbrooke: Absolutely, and I am very grateful to my hon. Friend for making that point. I have said in the House before that when we tell people that we have a deficit of £1 trillion that will go up to £1.4 trillion, they look at us blankly and think, "What's a trillion?" It is such a huge number. However, when we tell them that every day of every year we are giving £120 million to foreign countries—that is the money that we borrow—they recognise the mess we are in: They recognise that we cannot give schools the improvement that they need, because of the absolute shambles of the private finance initiative projects in Building Schools for the Future. Money was wasted once again on bureaucracy.

[Alec Shelbrooke]

Labour Members have banged on about regional development agencies all afternoon, but they were a great way to spend bureaucratic money. The RDAs very proudly said that they had created x number of jobs, but they did not create those jobs, the private sector did. The jobs that they created were paid for out of the public purse. Where did that money come from? From the wealth creators in this country. Everybody understands that if I want to spend £1.25 and I have only £1 in my pocket, I cannot afford to do so. We understood that idea, and the country understood it, which is why Labour Members sit on the Opposition Benches and we sit on the Government Benches.

5.57 pm

Toby Perkins (Chesterfield) (Lab): I think the hon. Member for Elmet and Rothwell (Alec Shelbrooke) forgets that the reason he sits on the Government Benches is that the Liberal Democrats changed their policies and decided to let him sit over there.

John Hemming *rose—*

Toby Perkins: It is so good to see a Liberal Democrat turn up that I have to let him in. It will encourage him to come again.

John Hemming: I simply point out to the hon. Gentleman that we have not changed our policies. He is asking for more money to be borrowed. Where would it be borrowed from, and what would the interest rate be?

Toby Perkins: It is interesting that the hon. Gentleman assumes what I am going to say already. I am only three seconds into my speech. I will come to that point.

The hon. Member for Elmet and Rothwell said that he was proud of the Government's record so far. I would not like to be here when he is ashamed. Government Members would like this debate to be about whether we need to reduce the deficit, but that is not what it is about at all. Everyone recognises that we need to do that, and that in 2008, prior to the onset of the biggest global economic crisis in history, we had a lower deficit as a ratio of GDP than in 1997 when we came into power. It was only the scale of the economic crisis that forced the Labour Government to spend money to stop the awful situation that ordinary people were finding themselves in, with jobs being lost and the danger of houses being repossessed. We are proud of the decisions that we made at the time, which were supported by the IMF. It said strongly that this country, under the Labour Government, showed leadership when the rest of the world did not know what to do in the face of a terrible global economic crisis.

Kwasi Kwarteng *rose—*

Toby Perkins: Because the hon. Gentleman was so generous to me, I will allow him to intervene.

Kwasi Kwarteng: I believe in debate—it is good that interventions are taken. If the problem was global, why was our deficit to GDP ratio four times higher than that of the Federal Republic of Germany?

Toby Perkins: Each country was in a different situation. Our ratio was much lower than Japan's. There are a number of reasons why the German economy was different from ours. We over-relied on financial services and our manufacturing sector was reduced. We had high increases in housing prices. I do not remember any point in the past 13 years when Conservatives jumped up and down saying that they wanted the Government to engineer a house price crash.

Claire Perry: Will the hon. Gentleman give way?

Toby Perkins: I think I have given way enough. I am grateful for the fact that the hon. Lady has turned up for the debate, but I shall carry on.

As someone who for the five years prior to coming to this place ran a business that relied on people having money in their pockets to buy non-essential items, I know very well how important it is that decisions on our economy are balanced between the need to support growth and the need to reduce the nation's borrowing. However, we are debating the economy today because since the Chancellor's Budget a year ago, the OBR's initial predictions get worse at every stage. The OBR now predicts £46 billion more borrowing than it predicted a year ago. The Government have discovered that the policies that they are pursuing are not working, so why do they not listen to the advice, change course and ensure that we protect not only the growth that we need in our economy to reduce the budget deficit, but the people on the ground in our constituencies—that includes the constituencies of Conservative Members—who are struggling to get by, whose houses are being repossessed? Repossessions are increasing.

John Hemming: Will the hon. Gentleman give way?

Toby Perkins: I have given way to the hon. Gentleman once. I am grateful for the fact that he has turned up, but I do not want to give him any further encouragement.

The scale of the deterioration in the OBR's forecasts is stark. The OBR, which was set up to provide an independent view of the state of Government finances, has downgraded its forecasts three times. The Chancellor told us of all the steps he is taking to stimulate growth, but even taking those into account, the forecast is that public sector net borrowing will increase by £46 billion over the next five years, which demonstrates the failure of those policies.

The Chancellor might be failing to get our economy growing, but the same cannot be said of unemployment. Government Members are celebrating, as we all do, the fact that unemployment is down in the last month, but unemployment over the course of the Conservative-Lib Dem Government will go up. Youth unemployment is up. The OBR forecast is that unemployment will rise—*[Interruption.]* Going forward, the OBR is now predicting that in every year over the next five years unemployment will be higher than in its prediction of a year ago.

Ben Gummer: The hon. Gentleman is factually wrong. The OBR says that unemployment will peak at the end of this year and the beginning of next year, and that it will fall in every successive year.

Toby Perkins: The hon. Gentleman did not hear what I said. The OBR suggests that unemployment will be higher in every one of the next five years than it suggested in its predictions a year ago. That is what I said.

Alongside the increase in unemployment, we are seeing increases in inflation and interest rates. We have been here before: growth stagnating; unemployment rising; businesses failing; and inflation, interest rates and house repossessions increasing. Who was the economic genius who advised the Chancellor the last time a Tory Government led Britain down that road? The current Prime Minister. Should we be surprised?

The Prime Minister has a pedigree as an economic failure, but what about the Chancellor? The Chancellor is the master of hindsight. This was the man who told us that bank regulations were too stringent when Labour was in power. This was the man who, up until 2008, told us that the Conservative party supported Labour's spending plans, but who now claims that Labour overspent for 10 years. We told him that he was cutting too far and too fast, but he then delivered a damp-squib Budget for growth because we had been right in the first place. He is the man who will soon gain huge dividends because of Labour's sensible decision to nationalise Northern Rock at a time when he was still a rabbit staring into the headlights of an economic crisis that shook all his assumptions about the sanctity of the markets.

When the IMF was still praising Britain following Labour's response to the international crisis, the now Chancellor was encouraging us to follow Ireland's example of massive cuts at the heart of a recession. He is fond of his international comparators, so let me give him some. When he was supporting our economic plans, Britain's net public spending as a proportion of GDP was 6% lower than when Labour came to power. We have seen an unprecedented clean-up of the disgraceful state in which the previous Conservative Government left our public services. At that time, our debt, as a proportion of GDP, was the second lowest in the G7. Now the growth that he promised to return Britain to lags behind every single country in Europe except for the absolute backmarkers.

People in business, whether in plumbing or double-glazing or the sports goods industry, as I was, need their customers to have money and confidence, but under this Government the amount of money in people's pockets has shrunk, the cost of goods has risen because of the VAT increase, and people have no confidence that the economy is going to grow and so are not spending money. That is why we are not seeing growth in our economy. We all want the deficit shrunk, but that will happen only if we get growth back into the economy now.

6.6 pm

Richard Graham (Gloucester) (Con): It is a pleasure to follow the hon. Member for Chesterfield (Toby Perkins). He, I and all of us in the House agree that the goal now is to increase growth in the country. The challenges are, first, the revisionist history we have heard today, and secondly the road through which we achieve that growth.

Today's debate started with the shadow Chancellor talking about the lessons of history and highlighting the need for an economic plan that works. Let me begin with a quick analysis of recent history, because we know that those who do not learn from their errors and from history are destined only to repeat them. The shadow Chancellor was the man who, with his then boss, the right hon. Member for Kirkcaldy and Cowdenbeath (Mr Brown), had the clear economic goal of abolishing boom and bust. Thirteen years later and after the worst bust of all time, the right hon. Member for South Shields (David Miliband), as the Chancellor mentioned today, rightly came to the conclusion that it was wrong ever to pretend in a capitalist country that anyone could abolish the economic cycle.

It was a pity that the right hon. Gentleman did not arrive at that conclusion many years earlier, but he has learned an important lesson from recent history. Have the shadow Chancellor and other Labour Members done the same? Have they accepted that the heart of the shadow Chancellor's last great plan was rotten to the core, was mission impossible, and so ended inevitably in tears? I do not think that Labour Members understand that they and their economic spokesmen will simply not be credible until they accept that key fact.

Alison McGovern: If the hon. Gentleman thinks that the previous Government's economic policy over a decade lacked credibility, why have the current Government accepted, though amended, the golden rule on investment over the economic cycle?

Richard Graham: First, the hon. Lady is inaccurate, and secondly no Government Member believes that we can abolish boom and bust.

The details of the shadow Chancellor's plan were no more successful than his goal. The golden rule on Government spending to which the hon. Lady referred was continually fudged under the previous Government, most spectacularly through the £300 billion of off-balance sheet financing—private finance initiatives—which was almost as bad as anything done by the investment banks. Does the shadow Chancellor accept the accusation by the right hon. Member for South Shields that this was a fundamentally dishonest way of measuring the golden rule? Even the right hon. Member for Kirkcaldy and Cowdenbeath has recognised that the tripartite system of regulating finance did not work. Does the shadow Chancellor accept that too?

These dry details, on things such as PFI and the tripartite system of regulation, do not resonate with our constituents, but their consequences will—the hospitals that have to cut services to patients because of the interest being paid on their PFI financing, and banks not lending enough to individuals and businesses in our constituencies because of bad decision making by themselves, inept regulation and inadequate Government oversight. The consequences of living beyond our means are the essential link between the shadow Chancellor's policies, and our inheritance and this Government's efforts to forge a better economic future.

We come to the crucial part of today's motion: how are we doing, one year on? Opposition Members have piled in like a choir singing the hymn "Abide With Me"—"Gloom and despair in all around I see". They all seem to have enormous confidence that the economy is failing, that the coalition will not plan, and that the coalition plan would not and could not work anyway, leaving them to talk down our country and their own constituencies. I wonder whether any of them are doing

[Richard Graham]

anything to help. Where were they, for example, when I led a debate on apprenticeships and small businesses two weeks ago? Not a single Opposition Member was there. We all need to do our bit to support business growth in our constituencies. We know today that not everything is perfect, but the evidence suggests the following facts. Unemployment is down slightly on a year ago. The savings ratio has improved and business growth—

Thomas Docherty: On a point of order, Mr Deputy Speaker. Could you clarify whether I could find out from *Hansard* whether a Member had actually turned up for their own debate?

Mr Deputy Speaker (Mr Nigel Evans): That is certainly something that you could find out from *Hansard*, but it is not something that you can find out from me.

Richard Graham: I am glad to see that Opposition Members are focused on the topic of today's debate.

As I was saying, the manufacturing recovery has softened slightly over the last month or two, but it is still strongly up on where it was a year ago. There is a lot to be done, but I would like now to highlight a few things that this Government have done in my constituency, and on which I am working with my constituents.

Lilian Greenwood: Will the hon. Gentleman give way?

Richard Graham: No, we have had enough of the hon. Lady's discussion of the past.

I welcome this Government's commitment to redouble the Swindon-to-Kemble line, which will be an important infrastructure improvement for our railways. I welcome the transfer of assets from the former regional development agency to our city, which will make a difference to our regeneration. I also welcome the funding that the Secretary of State for Education has given for a new-build Gloucester academy, which will help some of our young in their education. I am proud to have worked with my constituents to organise the Gloucestershire apprenticeship fair, the women for engineering seminar and, last week, the Barton jobs fair, alongside Linking Communities and Black South West Network, from which some of our young unemployed black and minority ethnic constituents have found new jobs. There are jobs available if only we can help our constituents to find them. All of us in this fragile situation have options.

Mrs Jenny Chapman (Darlington) (Lab) *rose—*

Richard Graham: All of us including the hon. Lady. We can do nothing, we can say, "It won't work," and we can let our constituents down; or, we can get stuck in and work with our businesses to help our constituents back into work. These things have other fruits as well, such as the prizes that I gave at the Gloucestershire Wildlife Trust half an hour ago to those companies that are supporting environmental good causes.

I agree that we need to do more to boost growth. I have been asking the Government to do more to help small businesses take up apprenticeships. I believe that the return of business rates to councils will incentivise them to drive up support for our businesses. I believe strongly in enterprise zones, and I hope that the Government will look carefully at the enterprise zone for my constituency.

I also believe that the Treasury is correct to sort out the banks and manage the risks to the taxpayer. However, today's Opposition plan is not a plan at all; it is simply an unfunded, undiscussed and unsupported VAT cut. It would simply increase spending, push up debt and lead to higher interest rates, with more to be paid every month on mortgages by our constituents. It is not so much jam tomorrow as enormous pain tomorrow and for many years, which is why I will have no hesitation in rejecting the motion.

6.13 pm

Chris Evans (Islwyn) (Lab/Co-op): It is always a pleasure to follow the hon. Member for Gloucester (Richard Graham), whose constituency always brings back happy memories for me—we like to visit friends there.

One thing that I have noticed in this debate is that there has been a lot of rewriting of history on the Government Benches. Straight away, all we have heard is, "Labour got it wrong in 13 years of government." Well, if Labour got it wrong, why were those who are now on the Government Benches so quiet? We did not hear a word. We did not hear them say anything. In fact, in September 2007, a month before Northern Rock went down the plughole, the then shadow Chancellor said, "We're going to follow Labour's spending commitments for the next few years."

Alun Cairns *rose—*

Chris Evans: A voice from Wales. I hope that it is sensible.

Alun Cairns: I am grateful to the hon. Gentleman for giving way, but the conclusion that Labour got it wrong was demonstrated 12 months ago in the last general election.

Chris Evans: Why did I bother giving way? That is another complacent attitude.

When the Government talk about deficit denial, they miss the point completely. There seem to be two theories. If we follow the Chancellor's logic, cutting the deficit by £112 billion will encourage the private sector to create jobs. The private sector is going to come to the rescue and all those people who worked in the public sector will get jobs in the private sector. Wonderful—if it works. The other theory is that the Chancellor's taking £112 billion out of the economy is doing nothing for consumer confidence. When I talk to the shopkeepers on the high street in Blackwood, they say, "The cuts haven't even bitten yet, Mr Evans, but we are already feeling the pinch." I am worried about that.

We talk about short-termism, and there seems to be no realisation that the policies to cut the deficit that we put in place today will have ramifications down the generations. There has been a lot of talk about the '80s. I know that Conservative Members like to worship at the altar of Baroness Thatcher, but when I say that name to anyone in the valleys, they think of two things: fear and hurt. We have had problems with Scottish

Power putting its prices up, affecting the most vulnerable in society, but we could do absolutely nothing about it because everything was sold for short-term gain. In 1992, I remember talking to a friend down the pub, and he was in tears. He had gone for a job as a grass cutter and when I asked him what was wrong, he told me that he had not got the job because there had been 60 applicants. "I'm not good enough to cut grass", he said.

Now, those people have children of their own, and they are worried, too. Figures released in June show that one third of jobseeker's allowance claimants in my constituency are young people under the age of 24, and I am seriously worried that we are going to have another lost generation. People talk about all this anger against the Labour party, but the only anger I have heard is against the banks. Privately, those on the Government Benches will admit that it was the bankers who did it, but for reasons of political point scoring and advantage, they would rather say that it was the Labour Government who did it—*[Interruption.]* That is the truth.

John Hemming: Does the hon. Gentleman acknowledge that Tony Blair said in his memoirs that it was the Labour Government who did it?

Chris Evans: No, he did not. This debate would be far more honest if we said that it was the banks. This is like the sword of Damocles hanging over our heads. The banking sector is too large. We have too many large banks. I welcome some of what the Chancellor has said about this—he said that there needs to be ring-fencing between the banks' retail and investment operations—but if we do not break those banks up and just one of the big six goes under, the economy will be back in trouble. However, we have sent the banks a message that we would send to no other business. We have said to them, "What you're doing is okay. However you run your businesses, we will bail you out."

Matthew Hancock: I am listening to the hon. Gentleman trying to blame everything on the banks. The question is, who designed the regulation of the banks?

Chris Evans: We have heard about the FSA, and we have admitted that that did not work, but before that, there was self-regulation. There was no attempt to tie them down, and there is still no such attempt. When the Minister responds to the debate, we need to hear from her what the future of the banks will be. We need to know that.

This is the problem that I have with the entire debate. People say, "It was the Labour Government overspending", but faced with the same problem of the banks going under, what would the present Chancellor have done? He would have done one of two things. Since his road to Damascus experience, he wants to cut everything, and following that logic, he would have done nothing. The economy would have gone under, and everyone with a mortgage would have been written off. Alternatively, bearing in mind his mates in the City, I suspect that he would have bailed the banks out just like we did. He would have been faced with a deficit, just like we were. We never hear anything about the future of those banks from Members on the Government Benches.

Susan Elan Jones (Clwyd South) (Lab): Conservative Members seem to forget what the Prime Minister said. In speech to the CBI, he said that the Government were sticking to Labour's spending totals. Just weeks before the collapse of Northern Rock and for several months after it, he said to the Institute of Directors that if it wanted lower taxation and less regulation, he would—

Mr Deputy Speaker (Mr Nigel Evans): Order. I think that the hon. Gentleman has got the point.

Chris Evans: I thank my hon. Friend. After the debacle of the intervention by the hon. Member for Vale of Glamorgan (Alun Cairns), she proves that we have some sensible voices in Wales.

Let me comment on the blasé attitude that these policies are going to work. That is what Government Members say, but what if they do not? I suspect the Chancellor would say, "Not my fault, guv. It was the snow." It could be hailstones next time or perhaps it will even be too sunny. I imagine that his plan B is quantitative easing. It is all very well printing money, but the key to it is spending. We have to prove to people—*[Interruption.]* I mean consumer spending—we will speak about the other issue tomorrow. We need to give people the confidence to spend in our shops and ensure that people are in jobs.

Bob Stewart (Beckenham) (Con): This is not particularly my field, but when the hon. Gentleman says that the key to it is spending, I have to ask "With what?", as there is nothing left.

Chris Evans: That is just a PR question. As I say, consumer spending is about giving people the confidence to spend their wages in the high streets so that shops can thrive. That is what it is about: consumer confidence is down. I support the motion. Let us cut VAT and bring a bit of confidence to the high street. Let us get Britain back on track.

6.22 pm

Charlie Elphicke (Dover) (Con): It is a real privilege and an honour to follow the hon. Member for Islwyn (Chris Evans), who has spoken quite brilliantly. I cannot understand why he has not caught the eye of the Leader of the Opposition before now. He richly deserves to do so, particularly after delivering such a fine speech as we have heard a few moments ago.

I shall now deal with the motion. This is a case of fantasy economics. It advocates the idea of building 25,000 affordable houses and creating 100,000 jobs for young people from a bank bonus tax, which raises less money than the Government's own banking levy. There is a double-counting issue there, which causes me substantial concern, added to which the Opposition voted against £800 million being raised from tax avoiders. Yet again, Labour Members talk about all these wonderful things that people want, because they want to seem populist, while in reality supporting the very rich. The people on whose side we need to be are the grafters and hard-working people; we should ensure that they get better jobs.

Ms Angela Eagle (Wallasey) (Lab): I thank the hon. Gentleman for giving way. To clarify the issue, the vote on the Finance Bill happened as a result of hundreds of amendments being tabled with almost no notice. The shadow Minister responsible said that we supported the intent behind the measure, but we wanted the Government

[Ms Angela Eagle]

to bring it back and review it. That is all on the record. The hon. Gentleman should not mislead the House in that manner.

Charlie Elphicke *rose—*

Mr Deputy Speaker (Mr Nigel Evans): Order. An hon. Member has been accused of misleading the House. I assume that the hon. Lady meant unintentionally misleading it. She should withdraw that comment.

Ms Eagle: I am happy to withdraw it, but the hon. Gentleman is presenting the House with a narrative that is so partial that it is very difficult to understand what he meant.

Charlie Elphicke: I am grateful to the hon. Lady for the U-turn she has announced.

When I intervened on the shadow Chancellor, he attacked me for opposing the weakening of our border controls. The previous Government were not well known for being strong on border security or on immigration controls, yet he criticised me for standing up and defending my constituency. Just as the motion before the House is fantasy economics, it was the shadow Chancellor's fantasy that this Government cut our border controls. It was the previous Government who cut our border controls, such was the commitment of the previous Prime Minister to keeping our borders safe. He had the grand plan of selling off our English borders at Dover in a privatisation, so much did he care about England. In many ways, I wish that he were in the Chamber more often, rather than hidden away in Portcullis House, so that we could set forth to him our concerns about the policies he pursued. The recession and misery that have been brought upon people up and down the land by his serial mismanagement of the nation's finances are nothing short of a disgrace.

The Labour party has gone from government to opposition, but has learned nothing and forgotten nothing. It has proposed a £13 billion unfunded VAT cut—populist but unrealistic. It has made £10 billion of welfare reform spending commitments—nice for the base of people in dependency culture, but unrealistic and unaffordable. We need to ensure that work pays.

Sheila Gilmore: Will the hon. Gentleman give way?

Charlie Elphicke: No.

We already have a situation in which our debt interest costs us £49 billion a year. We cannot afford to carry on like this. We need to get the nation's books back into balance, and the country back under control. The Government are doing exactly that.

Let us look at the detail of the Opposition's motion. It refers to 25,000 new affordable homes, but the reality is that in the five years of the previous Conservative Government, 34,786 affordable housing units were built on average each year, compared with 24,560 under the last Labour Government. That is a 30% fall in the amount of affordable housing built. The Labour party should not be proud of such a record, and no one reading the motion before the House can have any trust in the Labour party on the issue. The motion refers to jobs, which Labour destroyed during the latter part of their period in office.

Lilian Greenwood: The hon. Gentleman is fond of statistics, so is he not concerned that while in 2010 there were 3.9 jobseekers for every vacancy in his constituency, that has risen to 8.1? What does he have to say to that?

Charlie Elphicke: Employment has gone up in my constituency, and unemployment has been falling, which is welcome. We are going in the right direction: across the nation, there are 520,000 new private sector jobs, while public sector employment has fallen by 143,000, so we see a net rise. The most recently announced figures show unemployment falling sharply by 88,000.

Toby Perkins: Will the hon. Gentleman give way?

Charlie Elphicke: No. Time is pressing, and I need to allow time for the wind-ups.

Youth unemployment has also started to move strongly—although perhaps not as strongly as wider unemployment—in the right direction. Surely the House must welcome that. Manufacturing output is also moving more in the right direction, after being halved in the Labour years, and now being about 11% of our economy. I hope that the economy will rebalance under this Government so that we are less dependent on banks and fat cats—for party donations, frankly—on handing out knighthoods and on bonuses, and more dependent on much more productive service and manufacturing industries. We need less of financial services and housing, and more of making things, producing things, servicing things, and—yes—education.

The narrative of what this Government are doing is to ensure that our economy is stronger, that our work force are more incentivised to work by making work pay through universal credit, and that they are not only incentivised to work but given the skills to work under the Government's skills and education agenda. We can have a country that is more productive, where more people want to be in employment, where we do not suck in people from overseas to do the jobs, and where we ensure that our countrymen are encouraged to get into work, do their part, fulfil their potential and have more of a sense of dignity, happiness and well-being. That will allow us to build a Britain that is fit for this decade, and it will ensure that we steam ahead, further ahead, of our European colleagues, and do well. The Government are working on that, and deficit reduction is part of it, but the growth, rebalancing, welfare reform and skills and education agendas are parts of the narrative that add up to a much stronger, much more vibrant economy—a much more exciting Britain-to-be where people will be able to benefit from much more success, much more money and much more good fortune, built on a solid foundation for the long term.

6.30 pm

Geraint Davies (Swansea West) (Lab/Co-op): I know that the parliamentary soul from Dover hoped that the Back-Bench speeches would end at half past six, and I am sorry to disappoint him. It is a great pleasure to be able to speak in such an important debate, which draws a line under the time when the Conservatives were

playing their cracked record which consisted of two false messages: that the deficit had been caused by Labour, and that the only way to sort it out was to clear it all in four years and in one way, by destroying jobs and services and punishing the benefits that go to the weakest in society.

Both those messages are false. The reality is that the last Labour Government were very successful economically. We created 2 million more jobs, and the tax from those jobs has funded much bigger health and education services and more opportunity throughout Britain. The deficit was the price paid to avoid a depression sparked by the bankers. Figures from the Institute for Fiscal Studies clearly show that two thirds of the deficit was the banking crisis, while the remaining third, yes, was excess investment over income, which was investment in the future. A fiscal stimulus, generated by the previous Prime Minister and supported by Obama and the world community, was required to keep the banks going and to keep growth moving. In the latter months of the previous Administration we saw growth rising, but now we have seen it stagnating.

The choice now is whether to halve the deficit in four years, as Labour intended—the European Community agreed with that, and, as we heard, the Chancellor signed up to it, although he was embarrassed when that was pointed out earlier in the debate—or whether to go at it and get rid of it all in just four years, even though it is three times the level it was planned to be. Is that sensible for growth? No. The second choice is how we do it. Should we focus solely on cuts in benefits, jobs and services, or should we adopt a balanced approach that focuses primarily on economic growth but also ensures that the bankers pay their fair share and involves savings, yes, but shallower savings over time. For example, the 8% difference between 20% and 12% represents the difference between getting rid of front-line police and not getting rid of them.

Those are the choices that face us. What does the evidence show? It shows that a year ago the deficit was £21 billion less than had been forecast in the pre-Budget report. Why? Because economic growth was faster. Now it is £6 billion higher than forecast. Why? Because the growth is lower than forecast.

Claire Perry: The facts also show that interest rates, and particularly the spread over German interest rates—the risk in the British economy—has dropped by 80% since the election, and that the pound has risen by 9%. There is lots of confidence in the British economy that the hon. Gentleman is not referencing.

Geraint Davies: The hon. Lady will know that long-term interest rates hit an all-time low shortly after we made the Bank of England independent. We experienced the biggest period of ongoing growth ever seen under the Labour Government, despite a number of crises in the world economy. Now the world economy is growing healthily, but in Britain we are stagnating. We have seen no net growth for the last six months. The evidence shows that there was growth and deficit reduction under Labour, and that we are now at a standstill.

Ben Gummer: Will the hon. Gentleman give way?

Geraint Davies: No, I will not.

In March, the forecasts for growth over the next five years were increased by £46 billion, nearly £1,000 per person, which is a complete disaster. Obviously Government Members have commented on the IMF, saying "The IMF really loves us," but they should put themselves in the position of the IMF. While it is concerned about a prolonged period of growth stagnation and is suggesting that there may be a case for temporary tax cuts such as in VAT, its focus is naturally on ensuring that Ireland, Greece, Portugal and Spain implement structural changes to keep them on track. They are in danger of kicking the euro out of bed, so the last thing the IMF is going to do is get involved in a debate about the rate of change, in terms of deficit reduction, and the balance between cuts and growth, which we are here to determine. That is the debate we are having today.

Finally, let me say one thing about the future economic strategy being considered by the Tories—whether to allow private sector entrepreneurs into public sector service delivery. On that, I would say that the reason why the Germans are so successful is that the focus of their entrepreneurial activity is on export-driven growth. If we suck all our small business capability into delivering cheaper and worse public services, we will be poorer for it.

Ben Gummer: The hon. Gentleman makes an interesting point about Germany and the involvement of the private sector. How can he reconcile that with the fact that the private sector plays a larger part in the German health system than does the public sector?

Geraint Davies: The situation there is that the Germans are very focused on ensuring that their economy is focused on the growth of the developing economies of China and India. Obviously, there is a difference in the complexion of the German health service. The real focus is on generating export-driven growth, and that is what has happened.

Matthew Hancock: Will the hon. Gentleman give way?

Geraint Davies: No, I will not.

Let me give an example. Every business in Germany is tied into a chamber of commerce, and every chamber of commerce is required to provide tailor-made apprenticeships and training to focus on industrial growth. We do not have that. There is a lot to learn, and we should go out and learn it. We should focus on growth and stop making these ridiculous cuts.

6.36 pm

Alison McGovern (Wirral South) (Lab): In the very short time available, I want to focus on three brief points. First, we have a lot of discussion about who is rewriting what history, and we can all accuse each other, but what we need are the facts about what happened in the crash that caused the deficit. We also need the Government to answer some questions about what comes next. The liquidity crisis of 2008-09 was built on a sub-prime bubble in America and Europe and we must never allow that situation to happen again. That is why I asked the Chancellor earlier to explain a bit more about his banking reforms. He declined to do so, but I am sure that he will in due course. It is highly important

[Alison McGovern]

that we get financial regulation correct; that is why we built the tripartite system, with an independent Bank of England and an independent regulator separate from Government.

The question is: how do we make sure that we have the right powers of oversight? How do we ensure that we have Government regulators who understand as much and more about the very complicated financial services sector that we have in a modern economy and who are able to have proper oversight? The responsibility for developing that system now rests with the Chancellor of the Exchequer and his team, and I trust that he will say some more about how we are going to do that, so that we can offer proper scrutiny. The Government have a political agenda in blaming the deficit on overspending, but the Chancellor has again failed to answer why he supported that spending in 2007. However, we must not let that political agenda cloud the important decisions that we now have to make about financial regulation.

Secondly, on growth, let me say briefly that although we can ask questions about whether the current growth, stumbling and choppy though it is, is good enough, and whether there is a decent enough comparison with the post-1992 growth, I am also interested in inclusive growth. That is why I have asked Ministers to focus on the UK Trade & Investment strategy and whether there is really enough emphasis on regional balances, manufacturing and other sectors rather than just on getting UKTI to stand up for exports in existing successful sectors. It has to focus on the sectors that will help us to rebalance the economy and on making sure that jobs are brought to places where there are not enough. We need true, inclusive growth in this country.

Finally, on employment, in 2010 in my constituency there was a ratio of five people seeking a job to every vacancy at the jobcentre, but now there are eight jobseekers for every vacancy. That is a very worrying statistic that we must watch. There simply are not enough job vacancies to enable the Work programme to do its job in getting people back to work, and we have really to focus on that. I am incredibly worried about youth unemployment, especially as the Government have already told me that they expect young people's unemployment to fall by less than one percentage point by 2015. I say to them that surely to goodness we can do better than that.

6.40 pm

Ms Angela Eagle (Wallasey) (Lab): We have had an interesting debate. On this very day a year ago, the Chancellor came to the House to announce what he and his spin doctors from Tory central office characterised for reasons of base propaganda as his unavoidable Budget. In reality, they and he knew that it was nothing of the kind. He used such misleading language because he wanted to disguise the central feature of his purpose that day. His aim was to create the image of a Chancellor with little option, as he fought to defend the country from the attentions of the bond vigilantes, stalking the world's treasuries, looking for countries to kill.

In fact, the reality was very different. The Chancellor deliberately talked up the dangers in the bond markets by irresponsibly claiming that Britain had been on the brink of bankruptcy. He knew then, and he knows now, that it was all overblown rhetoric designed to disguise the fact that his Budget was actually a political choice made by the Conservative-led Government and their Liberal Democrat human shield, and it was an extreme choice. At a time when the economic recovery had not been locked in, he made a political choice to embark on a programme of tax increases and spending cuts greater than any which had ever been tried in Britain's peacetime history.

Nadhim Zahawi: Will the hon. Lady give way?

Ms Eagle: No, I will not give way.

The Chancellor's choice to cut further and faster than was economically necessary ensured that the UK plan to deal with the deficit went from one that was in line with the plans of other G20 countries to one that was far more extreme than anything undertaken in any other advanced economy. In other words, it was a reckless and risky experiment with our economic future.

Several hon. Members *rose—*

Ms Eagle: No.

The Chancellor's choice meant breaking promises that he made before the general election by scrapping the future jobs fund, cutting tax credits for people on incomes under £50,000 and increasing VAT to 20%. For the hapless Liberal Democrats, his choice meant that they had to do the exact opposite of what they had promised in their election manifesto. Before the election, they promised a £3.1 billion stimulus package; just after it, they went along with a £6.2 billion cut. They campaigned for an end to tuition fees and then trebled them. They warned about a VAT bombshell and then voted for it.

Alec Shelbrooke: Will the hon. Lady give way?

Ms Eagle: No.

How strange, then, that the Liberal Democrat election slogan was, "No more broken promises".

Matthew Hancock (West Suffolk) (Con): Will the hon. Lady give way?

Ms Eagle: No, I am not giving way, especially not to the hon. Gentleman, who has not even deigned to be present in the House until now. *[Interruption.]*

Mr Speaker: Order. Government Back Benchers must not engage in rhetorical stalking. The hon. Lady has made it clear that she is not giving way, so the position is clear.

Ms Eagle: The Chancellor's choice meant that only Ireland and Iceland have been expected to deliver more austerity measures. The result has been that only Greece, Ireland and Denmark have grown less fast than the UK has managed in the past year. Back then, in what he so theatrically described as his emergency Budget, the Chancellor stood at the Dispatch Box and told us that

"we are all in this together".—[*Official Report*, 22 June 2010; Vol. 512, c. 167.]

Well, we do not hear that phrase cross his lips quite so often these days. True, that ludicrous claim was blown apart the day after the Budget by the Institute for Fiscal

Studies, but a year on, even the Chancellor seems to have given up on it. Perhaps it has been consigned to the dustbin of history, along with his pre-election pledge to ensure that no one working for a nationalised bank would take home a bonus of more than £2,000. Perhaps it has joined the Government's promise that there would be no top-down reorganisation of the NHS.

The Chancellor also promised fairness, but a year ago today, he delivered a budget that hits women and children first and hardest, and he was cheered to the rafters by both Government parties in scenes of sadistic jubilation at the cuts that I, for one, and many of our constituents will remember for many years to come.

One year on, the Chancellor's Budget of extreme austerity is inflicting nothing but pain and hardship on the British people. One year on, people are suffering the biggest squeeze in their living standards for more than 80 years. Food prices are up, petrol prices are up, energy prices are up, transport prices are up—

Several hon. Members *rose—*

Ms Eagle: VAT is up, wages are frozen, hours are falling and real standards of living are sinking fast. It is certainly hurting, but it does not seem to be working.

The Government's choice to put deficit reduction above every other consideration means that, one year on, they have developed no credible strategy for growth and jobs. All the important economic indicators are warning that the British economy is moving in the wrong direction. The Chancellor's irresponsible scaremongering about bankruptcy and his reckless decision to compare us to Greece talked consumer confidence down to a 20-year low in January. Inflation, which was falling last year, is now more than twice the Bank of England target and the third highest in the OECD. Unemployment is set to be 200,000 higher than predicted in every year of this Parliament, with youth unemployment blighting one in five of all our young people. Despite all of the talk of being a pro-growth Government, the truth is that growth forecasts have been downgraded, thanks to his choices, again and again and again.

Things were getting better when we left office, but after a year of the present Chancellor and his political choices, they are getting worse. He has created a vicious circle in the British economy. He has put this country into the economic slow lane. By choosing to cut too far, too fast many more people are out of work, claiming benefits and not paying taxes. As a result, the Government have to borrow £46 billion more in the coming years than they expected only last autumn.

We on the Opposition Benches warned the Chancellor last year that huge and rapid cuts in public expenditure risked stifling the economic recovery. We said that his plan to cut billions from public spending last June, when the economy was still fragile, was reckless and irresponsible. Now more people are expressing their doubts about his plan. We have consistently called for a steadier and more balanced approach to reducing the deficit, but instead this ideologically blinkered and arrogant Government continue to claim that there is no alternative. This is irresponsible, it is complacent and it risks putting a permanent dent in our future prosperity.

Several hon. Members *rose—*

Ms Eagle: A temporary VAT cut could help kick-start our stalling economy and the Government should certainly consider it until growth returns. Instead of giving the banks a tax cut this year, the Government should repeat the bank bonus tax and use the revenue to create 90,000 youth jobs, build 25,000 much-needed houses and support more regional growth. The Chancellor badly needs to change course.

It is not as though the Government are not used to retreating, backsliding, U-turning and executing 180° handbrake turns. They have had enough practice recently. The list is long and growing: decimating school sport in the run-up to the Olympics—abandoned; flogging off our forests—abandoned; ensuring anonymity for rape victims—[Hon. Members: "Abandoned."]; reinstating weekly bin collections—[Hon. Members: "Abandoned."]

Only yesterday in the House after Treasury questions the Government executed two huge policy retreats on their proposals to offer 50% discounts on prison sentences and the massive car crash that is their wasteful top-down reorganisation of the NHS. Their Back Benchers might not like it, but they have learned to live with it. They are even learning to adapt their behaviour to accommodate it. Just look at what some of them are saying on the ConservativeHome website. One said:

"When I get a torrent of emails about a controversial issue now, I leave them for seven days before replying, because there is an increasing chance that the line is going to change."

Another is being even more sensible. He wrote:

"I let the letters and emails on anything where there is a hint of a U-turn pile up for thirty days. Frankly I don't want to make myself look stupid by defending a policy only for it to change a few days later."

Another complained that the Whips asked them to write letters defending the Government's reform plans then the next day abandoned them, stating:

"Ten times bitten, eleventh time shy."

The reason for all these U-turns and policy retreats is that this is a reckless Government who act first and think later. This is a Government who rush to ideological judgments, act recklessly, and cause chaos and then have to retreat, causing uncertainty and waste. That pattern perfectly describes the Chancellor's irresponsible first Budget. His decision to cut too far and too fast set the context of rapid cuts against which so many of the recent U-turns have had to be performed.

As the Prime Minister said yesterday:

"Being strong is about being prepared to admit you didn't get everything right the first time".

I could not agree more. It is time for this Chancellor to follow his Prime Minister's example and be strong on the economy. It is time for a plan B.

6.50 pm

The Economic Secretary to the Treasury (Justine Greening): This has been an important and excellent debate, with good contributions from both sides of the House. The best Opposition contributions were made by newly elected Labour Members, and I have no doubt that they will look back on this period as the dark days of deficit denial by the Labour party. *[Interruption.]*

Throughout this important debate, the Opposition failed to mention, let alone welcome, that in the last year exports are up, industrial production is up,

[Justine Greening]

manufacturing is up, investment is up, employment is up, unemployment is down and, most importantly—*[Interruption.]*

Mr Speaker: Order. The Minister must be heard by the Opposition, and also, one would hope, with some respect by her own side.

Justine Greening: Most importantly of all, the private sector has created half a million jobs, and I would have hoped that the whole House could have agreed that that is good news for the country, as my hon. Friends the Members for Witham (Priti Patel) and for Thurrock (Jackie Doyle-Price) said. We must not talk down the economy, but the Opposition have persistently done so.

As the International Monetary Fund has said,

"repair of the UK economy is underway."

Of course that is a difficult task, and of course recovery will be choppy, but that is because our predecessors left us with an unprecedented and unenviable challenge, as was eloquently pointed out by my hon. Friends the Members for Dover (Charlie Elphicke), for Gloucester (Richard Graham) and for Elmet and Rothwell (Alec Shelbrooke). They understand the problem the country faces, and their constituents knew that, which is why they chose a different and a better Government.

Many people in our country will be incredulous that the Opposition have had the gall to come here today and lecture MPs about economic credibility, because the shadow Chancellor and the Labour party have absolutely none. Their legacy to the British people was higher unemployment, a broken economy and enormous debt. The shadow Chancellor said a lot, but there was one word missing from his speech that people would have liked to have heard: sorry. There was no apology for the disastrous mess his party left on leaving office, and no acceptance of responsibility for its actions. The shadow Chancellor is still in denial about there even being a structural deficit—if he wants to confirm that he does think there is a structural deficit, he can intervene on me now.

If the shadow Chancellor had spent less time when he was a Minister plotting with his political master, he might have done a more effective job. He was the architect of the tripartite banking regulatory scheme that failed so badly. He was the City Minister when the City went off the rails. He was the economic adviser to the former Chancellor and Prime Minister, the right hon. Member for Kirkcaldy and Cowdenbeath (Mr Brown), when he ran up a structural deficit that the OECD described as a snowballing of debt.

Many people in our country would not put the shadow Chancellor in charge of their household finances, let alone the nation's finances, yet he called for a debate on the economy today. We might have expected him to have something meaningful to say, therefore, but he did not. There were no plans to tackle the deficit at all; not a word on how to rebalance the economy and replace some of the 1 million manufacturing jobs that were lost between 1997 and 2007; nothing on financial services reform; and hardly any mention of his party's VAT proposal. That seems to have fallen apart within days. Members on the Government Benches talked more about that than Labour Back Benchers. When the VAT rise went through last year, what did the Opposition do? They abstained. They did not stand up and say that it was wrong. A few months later, however, they decided that there should be a VAT reduction on fuel; and now, even before the Finance Bill has completed its passage, they want a VAT reduction on everything. This is policy made on the hoof.

Today's motion refers to halving the deficit, but we have heard not a word from the shadow Chancellor on how he would do that or on their spending plans. The bottom line is that those plans do not exist. He is trapped by misguided, discredited and irrelevant policy, and yet he still runs with it. He used to be a bruiser, but now he is a kitten. He is Macavity's kitten trapped in his own ball of policy wool which he has woven around himself, churning out the same old lines that will take neither his party nor the country forward.

We heard many contributions from Labour Members, but I must say that they were let down by their Front Benchers, who clearly have no economic alternative. All they have is pointless opposition. We heard a lot of amnesia from them on employment. Let us remember that they left unemployment higher, just as every Labour Government before them did. Presumably they will say that that was the result of the recession. Presumably they think it is a coincidence that every Labour Government leave Britain's economy in crisis. The amnesia goes deeper. We heard amnesia on social housing. Somehow they think that they created lots of social housing.

Ed Balls: Will the hon. Lady clarify something for the House? During Prime Minister's questions today the hon. Member for Clacton (Mr Carswell) said that the hon. Lady had signed a memo on the European financial stabilisation mechanism after the election stating that cross-party consensus had been agreed on the matter. Will she clarify whether she signed the letter and whether such a consensus had been reached? If so, was the Prime Minister wrong when he said today that there was no consensus?

Justine Greening: Well, there is a cross-party consensus, because his party agrees with it. We are now in government, so I do not think that that is particularly complicated. He is trying to waste my time, so I will make a little more progress.

The bottom line is that the Labour party has only one economic policy: spend, spend, spend. When times are good, their policy is to spend, spend, spend, because they can afford to. When times are bad, their policy is to spend, spend, spend, because they cannot afford not to. It is no wonder that this Government ended up mired in debt when Labour left office. The hon. Member for Airdrie and Shotts (Pamela Nash) talked about the previous Government's record but was unaware that she had abstained on the VAT rise. As we have seen with the overall VAT policy, there is clearly a huge disconnect between their Front and Back Benches. After all that spending and the creation of the structural deficit, even Labour Members asked themselves, "We've spent all this money, but what have we got for it?" The answer is, "Not enough".

When the Opposition called this debate, people might have been entitled to think that they had something relevant to say on the economy, but they do not, and we have seen that demonstrated again. We do have a plan.

As my hon. Friends the Members for Bromsgrove (Sajid Javid), for Spelthorne (Kwasi Kwarteng) and for Ipswich (Ben Gummer) all pointed out, it is a plan backed by the IMF, which described it as essential. It is a plan backed by the OECD, which described it as vital. It is a plan backed by the CBI, the rating agencies and pretty much everyone who understands why it is important that we get our economy back on track and our public finances back in order.

We have a plan to rebalance the economy, generate growth and ensure that those communities that can most benefit from the new jobs do. We have a plan to create the most competitive business tax regime in the G20. We have plans for more apprenticeships and work placements—

Mr Alan Campbell (Tynemouth) (Lab): *claimed to move the closure (Standing Order No. 36).*

Question put forthwith, That the Question be now put.

Question agreed to.

Question put accordingly (Standing Order No. 31(2)), That the original words stand part of the Question.

The House divided: Ayes 208, Noes 305.

Division No. 304] **[6.59 pm**

AYES

Abbott, Ms Diane
Abrahams, Debbie
Ainsworth, rh Mr Bob
Alexander, Heidi
Ali, Rushanara
Allen, Mr Graham
Anderson, Mr David
Ashworth, Jon
Bailey, Mr Adrian
Bain, Mr William
Balls, rh Ed
Barron, rh Mr Kevin
Beckett, rh Margaret
Begg, Dame Anne
Bell, Sir Stuart
Benn, rh Hilary
Berger, Luciana
Blackman-Woods, Roberta
Blears, rh Hazel
Blenkinsop, Tom
Blomfield, Paul
Blunkett, rh Mr David
Bradshaw, rh Mr Ben
Brown, rh Mr Gordon
Brown, rh Mr Nicholas
Bryant, Chris
Buck, Ms Karen
Byrne, rh Mr Liam
Campbell, Mr Alan
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clark, Katy
Clarke, rh Mr Tom
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cryer, John
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Dakin, Nic
Danczuk, Simon
Darling, rh Mr Alistair
Davies, Geraint
De Piero, Gloria
Denham, rh Mr John
Dobson, rh Frank
Docherty, Thomas
Dodds, rh Mr Nigel
Donohoe, Mr Brian H.
Doran, Mr Frank
Dowd, Jim
Dromey, Jack
Dugher, Michael
Durkan, Mark
Eagle, Ms Angela
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Ellman, Mrs Louise
Esterson, Bill
Evans, Chris
Farrelly, Paul
Field, rh Mr Frank
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Fovargue, Yvonne
Gapes, Mike
Gilmore, Sheila
Glass, Pat
Glindon, Mrs Mary
Godsiff, Mr Roger
Goggins, rh Paul
Goodman, Helen
Green, Kate
Greenwood, Lilian
Griffith, Nia
Gwynne, Andrew
Hain, rh Mr Peter
Hamilton, Mr David
Hamilton, Fabian
Hanson, rh Mr David
Havard, Mr Dai
Hepburn, Mr Stephen
Heyes, David
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs Sharon
Hoey, Kate
Hopkins, Kelvin
Howarth, rh Mr George
Hunt, Tristram
Irranca-Davies, Huw
James, Mrs Siân C.
Jamieson, Cathy
Jarvis, Dan
Johnson, rh Alan
Johnson, Diana
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Jowell, rh Tessa
Joyce, Eric
Kaufman, rh Sir Gerald
Keeley, Barbara
Kendall, Liz
Khan, rh Sadiq
Lammy, rh Mr David
Lavery, Ian
Lazarowicz, Mark
Leslie, Chris
Lloyd, Tony
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
MacShane, rh Mr Denis
Mactaggart, Fiona
Mahmood, Mr Khalid
Mahmood, Shabana
Mann, John
McCabe, Steve
McCarthy, Kerry
McClymont, Gregg
McDonagh, Siobhain
McDonnell, John
McFadden, rh Mr Pat
McGovern, Alison
McGuire, rh Mrs Anne
McKechin, Ann
McKinnell, Catherine
Meacher, rh Mr Michael
Mearns, Ian
Michael, rh Alun
Miliband, rh David
Miller, Andrew
Mitchell, Austin
Morden, Jessica
Morris, Grahame M. *(Easington)*
Mudie, Mr George
Munn, Meg
Murphy, rh Mr Jim
Murphy, rh Paul
Nandy, Lisa
Nash, Pamela
Onwurah, Chi
Owen, Albert
Pearce, Teresa
Perkins, Toby
Phillipson, Bridget
Pound, Stephen
Qureshi, Yasmin
Raynsford, rh Mr Nick
Reed, Mr Jamie
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Riordan, Mrs Linda
Robertson, John
Robinson, Mr Geoffrey
Rotheram, Steve
Ruane, Chris
Ruddock, rh Joan
Shannon, Jim
Sheerman, Mr Barry
Sheridan, Jim
Shuker, Gavin
Skinner, Mr Dennis
Slaughter, Mr Andy
Smith, rh Mr Andrew
Smith, Angela
Smith, Nick
Smith, Owen
Spellar, rh Mr John
Straw, rh Mr Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Tami, Mark
Thomas, Mr Gareth
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turner, Karl
Twigg, Stephen
Umunna, Mr Chuka
Vaz, Valerie
Walley, Joan
Watson, Mr Tom
Watts, Mr Dave
Whitehead, Dr Alan
Wicks, rh Malcolm
Williams, Hywel
Williamson, Chris
Wilson, Phil
Winnick, Mr David
Winterton, rh Ms Rosie
Woodcock, John
Wright, David
Wright, Mr Iain

Tellers for the Ayes:
Mark Hendrick and Lyn Brown

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Alexander, rh Danny
Amess, Mr David
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard

Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Barker, Gregory
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Binghàm, Andrew
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bottomley, Sir Peter
Bradley, Karen
Brady, Mr Graham
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burns, rh Mr Simon
Burstow, Paul
Burt, Alistair
Burt, Lorely
Byles, Dan
Cable, rh Vince
Cairns, Alun
Carmichael, rh Mr Alistair
Carmichael, Neil
Carswell, Mr Douglas
Cash, Mr William
Clark, rh Greg
Clarke, rh Mr Kenneth
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crabb, Stephen
Crockart, Mike
Crouch, Tracey
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
Davis, rh Mr David
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Dorries, Nadine
Doyle-Price, Jackie
Drax, Richard
Duddridge, James
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Featherstone, Lynne
Foster, rh Mr Don
Fox, rh Dr Liam
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mark
Gauke, Mr David
George, Andrew
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Damian
Greening, Justine
Griffiths, Andrew
Gummer, Ben
Halfon, Robert
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Matthew
Hands, Greg
Harper, Mr Mark
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Hopkins, Kris
Horwood, Martin
Howarth, Mr Gerald
Howell, John
Hughes, rh Simon
Huhne, rh Chris
Huppert, Dr Julian
Hurd, Mr Nick
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kelly, Chris
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lamb, Norman
Lancaster, Mark
Lansley, rh Mr Andrew
Laws, rh Mr David
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Leech, Mr John
Leigh, Mr Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lilley, rh Mr Peter
Lloyd, Stephen
Long, Naomi
Lord, Jonathan
Loughton, Tim
Luff, Peter
Lumley, Karen
Macleod, Mary
Main, Mrs Anne
Maude, rh Mr Francis
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McVey, Esther
Mensch, Mrs Louise
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Mills, Nigel
Milton, Anne
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Mulholland, Greg
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Osborne, rh Mr George
Ottaway, Richard
Paice, rh Mr James
Parish, Neil
Patel, Priti
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pritchard, Mark
Pugh, John
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reevell, Simon
Reid, Mr Alan
Rifkind, rh Sir Malcolm
Robathan, rh Mr Andrew
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Shelbrooke, Alec
Shepherd, Mr Richard
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soames, Nicholas
Soubry, Anna
Spencer, Mr Mark
Stanley, rh Sir John
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Syms, Mr Robert
Tapsell, Sir Peter
Teather, Sarah
Thurso, John
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Ward, Mr David
Watkinson, Angela
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Williams, Mr Mark
Williams, Roger

Williams, Stephen
Williamson, Gavin
Willott, Jenny
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Jeremy
Wright, Simon
Yeo, Mr Tim
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Noes:
Mr Shailesh Vara and Mark Hunter

Question accordingly negatived.

Question put forthwith (Standing Order No. 31(2)), That the proposed words be there added.

The House divided: Ayes 299, Noes 206.

Division No. 305] **[7.14 pm**

AYES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Alexander, rh Danny
Amess, Mr David
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Barker, Gregory
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bottomley, Sir Peter
Bradley, Karen
Brady, Mr Graham
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burns, rh Mr Simon
Burstow, Paul
Burt, Alistair
Burt, Lorely
Byles, Dan
Cable, rh Vince
Cairns, Alun
Carmichael, rh Mr Alistair
Carmichael, Neil
Carswell, Mr Douglas
Cash, Mr William
Clark, rh Greg
Clarke, rh Mr Kenneth
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crabb, Stephen
Crockart, Mike
Crouch, Tracey
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
Davis, rh Mr David
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Dorries, Nadine
Doyle-Price, Jackie
Drax, Richard
Duddridge, James
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Foster, rh Mr Don
Fox, rh Dr Liam
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mark
Gauke, Mr David
George, Andrew
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Damian
Greening, Justine
Griffiths, Andrew
Gummer, Ben
Halfon, Robert
Hames, Duncan
Hammond, Stephen
Hancock, Matthew
Hands, Greg
Harper, Mr Mark
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Horwood, Martin
Howarth, Mr Gerald
Howell, John
Hughes, rh Simon
Huhne, rh Chris
Huppert, Dr Julian
Hurd, Mr Nick
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kelly, Chris
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lamb, Norman
Lancaster, Mark
Lansley, rh Mr Andrew
Laws, rh Mr David
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Leech, Mr John
Leigh, Mr Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lilley, rh Mr Peter
Lloyd, Stephen
Lord, Jonathan
Loughton, Tim
Luff, Peter
Lumley, Karen
Macleod, Mary
Main, Mrs Anne
Maude, rh Mr Francis
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McVey, Esther
Mensch, Mrs Louise
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Mills, Nigel
Milton, Anne
Morgan, Nicky
Morris, Anne Marie
Morris, James
Mosley, Stephen
Mowat, David
Mulholland, Greg
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Osborne, rh Mr George
Ottaway, Richard
Paice, rh Mr James
Parish, Neil
Patel, Priti
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pritchard, Mark
Pugh, John
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reevell, Simon
Reid, Mr Alan
Robathan, rh Mr Andrew
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Shelbrooke, Alec
Shepherd, Mr Richard
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soames, Nicholas
Soubry, Anna
Spencer, Mr Mark
Stanley, rh Sir John
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain

Stewart, Rory
Streeter, Mr Gary
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Syms, Mr Robert
Tapsell, Sir Peter
Teather, Sarah
Thurso, John
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Ward, Mr David
Watkinson, Angela
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Williams, Mr Mark
Williams, Roger
Williams, Stephen
Williamson, Gavin
Willott, Jenny
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Simon
Yeo, Mr Tim
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Ayes:
Mark Hunter and
Jeremy Wright

NOES

Abbott, Ms Diane
Abrahams, Debbie
Alexander, Heidi
Ali, Rushanara
Allen, Mr Graham
Ashworth, Jon
Bailey, Mr Adrian
Bain, Mr William
Balls, rh Ed
Barron, rh Mr Kevin
Beckett, rh Margaret
Begg, Dame Anne
Bell, Sir Stuart
Benn, rh Hilary
Berger, Luciana
Blackman-Woods, Roberta
Blears, rh Hazel
Blenkinsop, Tom
Blomfield, Paul
Blunkett, rh Mr David
Bradshaw, rh Mr Ben
Brown, rh Mr Gordon
Brown, Lyn
Brown, rh Mr Nicholas
Bryant, Chris
Buck, Ms Karen
Byrne, rh Mr Liam
Campbell, Mr Alan
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clark, Katy
Clarke, rh Mr Tom
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cryer, John
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Dakin, Nic
Danczuk, Simon
Darling, rh Mr Alistair
Davies, Geraint
De Piero, Gloria
Denham, rh Mr John
Dobson, rh Frank
Docherty, Thomas
Dodds, rh Mr Nigel
Donohoe, Mr Brian H.
Doran, Mr Frank
Dowd, Jim
Dromey, Jack
Dugher, Michael
Durkan, Mark
Eagle, Ms Angela
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Ellman, Mrs Louise
Esterson, Bill
Evans, Chris
Farrelly, Paul
Field, rh Mr Frank
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Fovargue, Yvonne
Gapes, Mike
Gilmore, Sheila
Glass, Pat
Glindon, Mrs Mary
Godsiff, Mr Roger
Goggins, rh Paul
Goodman, Helen
Green, Kate
Greenwood, Lilian
Griffith, Nia
Gwynne, Andrew
Hain, rh Mr Peter
Hamilton, Mr David
Hamilton, Fabian
Hanson, rh Mr David
Havard, Mr Dai
Hepburn, Mr Stephen
Heyes, David
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs Sharon
Hoey, Kate
Hopkins, Kelvin
Howarth, rh Mr George
Hunt, Tristram
Irranca-Davies, Huw
James, Mrs Siân C.
Jamieson, Cathy
Jarvis, Dan
Johnson, Diana
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Jowell, rh Tessa
Joyce, Eric
Kaufman, rh Sir Gerald
Keeley, Barbara
Kennedy, rh Mr Charles
Khan, rh Sadiq
Lammy, rh Mr David
Lavery, Ian
Leslie, Chris
Lloyd, Tony
Long, Naomi
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
MacNeil, Mr Angus Brendan
Mactaggart, Fiona
Mahmood, Mr Khalid
Mahmood, Shabana
Mann, John
McCabe, Steve
McCarthy, Kerry
McClymont, Gregg
McDonagh, Siobhain
McDonnell, John
McGovern, Alison
McGuire, rh Mrs Anne
McKechin, Ann
McKinnell, Catherine
Meacher, rh Mr Michael
Mearns, Ian
Michael, rh Alun
Miliband, rh David
Miller, Andrew
Mitchell, Austin
Morden, Jessica
Morris, Grahame M. *(Easington)*
Mudie, Mr George
Munn, Meg
Murphy, rh Mr Jim
Murphy, rh Paul
Nandy, Lisa
Nash, Pamela
Onwurah, Chi
Owen, Albert
Pearce, Teresa
Perkins, Toby
Phillipson, Bridget
Pound, Stephen
Qureshi, Yasmin
Raynsford, rh Mr Nick
Reed, Mr Jamie
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Riordan, Mrs Linda
Robertson, John
Robinson, Mr Geoffrey
Rotheram, Steve
Ruane, Chris
Ruddock, rh Joan
Shannon, Jim
Sheerman, Mr Barry
Sheridan, Jim
Shuker, Gavin
Skinner, Mr Dennis
Slaughter, Mr Andy
Smith, rh Mr Andrew
Smith, Angela
Smith, Nick
Smith, Owen
Spellar, rh Mr John
Straw, rh Mr Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Tami, Mark
Thomas, Mr Gareth
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turner, Karl
Twigg, Stephen
Umunna, Mr Chuka
Vaz, Valerie
Walley, Joan
Watson, Mr Tom
Watts, Mr Dave
Weir, Mr Mike
Whitehead, Dr Alan
Wicks, rh Malcolm
Williams, Hywel
Williamson, Chris
Wilson, Phil
Winnick, Mr David
Winterton, rh Ms Rosie
Woodcock, John
Wright, David
Wright, Mr Iain

Tellers for the Noes:
Mark Hendrick and
Mr David Anderson

Question accordingly agreed to.

The Speaker declared the main Question, as amended, to be agreed to (Standing Order No. 31(2)).

Resolved,

That this House welcomes the fact that in the last year a record 520,000 new private sector jobs were created, with the second highest rate of net job creation in the G7, exports grew by 13 per cent. and manufacturing activity was 4.2 per cent. higher and the latest labour market data showed the largest fall in unemployment

for more than a decade; notes that the Government inherited a budget deficit forecast to be the largest in the G20; further notes that the previous administration and now Opposition has no credible plan to deal with the deficit and that the Shadow Chancellor's recent proposal for a temporary cut in VAT has been widely criticised for lacking credibility and would put the stability of the economy at risk; notes that the Government has introduced a permanent bank levy that raises more revenue than the previous administration's one-off bonus tax and that the Government has set out a credible plan that has been endorsed by the IMF, OECD, European Commission and the CBI, that has led to greater stability, lower market interest rates and an affirmation of the UK's credit rating that had been put at risk by the previous administration; and notes that this stability provides a platform for rebalancing the economy and the Government's Plan for Growth that includes reducing business taxes, investing in apprenticeships, creating a new Green Investment Bank, reforming the planning system, reducing the burden of regulation and reforming the welfare system to make work pay.

Business without Debate

DELEGATED LEGISLATION

Motion made, and Question put forthwith (Standing Order No. 118(6)),

PARLIAMENT

That the draft Ministerial and other Salaries Act 1975 (Amendment) Order 2011, which was laid before this House on 21 March, be approved.—*(Stephen Crabb.)*

Question agreed to.

BANKS AND BANKING

Motion made, and Question put forthwith (Standing Order No. 118(6)),

That the draft Distribution of Dormant Account Money (Apportionment) Order 2011, which was laid before this House on 9 May, be approved.—*(Stephen Crabb.)*

Question agreed to.

DRAFT HOUSE OF LORDS REFORM BILL (JOINT COMMITTEE)

Motion made,

That this House concurs with the Lords Message of 7 June, that it is expedient that a Joint Committee of Lords and Commons be appointed to consider the draft House of Lords Reform Bill presented to both Houses on 17 May (Cm 8077).

That a Select Committee of thirteen Members be appointed to join with the Committee appointed by the Lords to consider the draft House of Lords Reform Bill (Cm 8077).

That the Committee should report on the draft Bill by 29 February 2012.

That the Committee shall have power—

(i) to send for persons, papers and records;

(ii) to sit notwithstanding any adjournment of the House;

(iii) to report from time to time;

(iv) to appoint specialist advisers;

(v) to adjourn from place to place within the United Kingdom.

That Gavin Barwell, Mr Tom Clarke, Ann Coffey, Bill Esterson, Oliver Heald, Tristram Hunt, Mrs Eleanor Laing, Dr William McCrea, Dr Daniel Poulter, Laura Sandys, John Stevenson, John Thurso and Malcolm Wicks be members of the Committee—*(Sir George Young.)*

Hon. Members: Object.

PETITION

Response to DEFRA Consultation on Water Charges in the South West Water Area

7.28 pm

Mr Adrian Sanders (Torbay) (LD): I rise to present a petition from the residents of Torbay on the recommendations in the Walker review and the Government's response to that review, which my petitioners are asking to be implemented. I am talking about the additional support for people on low incomes, the extension of the Water Sure scheme and an annual payment to South West Water in order to bring water and sewerage charges closer to the national average, rather than 40% higher.

Following is the full text of the petition:

[The Petition of residents of Torbay,

Declares that the Petitioners welcome the Government's commitment to fair and affordable water and sewerage services; and further notes the recommendations contained in paragraph 4.18 of the consultation document "Affordable water: a consultation on the Government's proposals following the Walker Review on Charging".

The Petitioners therefore request that the House of Commons urges the Government to enhance the Water Sure scheme, to introduce a social tariff to benefit water consumers on low incomes and to introduce an annual payment of £40 million to South West Water from public funds to reduce water bills so that they are close to the national average for identical services.

And the Petitioners remain, etc.]

[P000931]

Maternity Services

Motion made, and Question proposed, That this House do now adjourn.—*(Stephen Crabb.)*

7.30 pm

Margaret Hodge (Barking) (Lab): I am most grateful to you, Mr Speaker, for enabling us to debate the maternity services on which people in my constituency and neighbouring constituencies depend. On behalf of those people, I hope that the Minister will feel able to respond positively to the proposals that I wish to make, which I know are supported by neighbouring MPs.

Let me preface my remarks by saying that I know there are many dedicated and committed individuals working in the NHS in Barking, Dagenham, Havering and Redbridge who give their all to the maternity services in the borough. I fully acknowledge and warmly thank them for what they do. However, my overriding responsibility and duty is to all the women in the area who want to be certain that when they have their babies, there will be a bed for them, and enough experienced and appropriately qualified midwives looking after them, and that the care they receive during their pregnancy and birth will be of a consistently high quality, giving mothers the support they need and ensuring that we can all be confident that the pregnancy and birth will be safe for both mother and baby.

That is not a lot to ask and expect, but shockingly, it is not delivered and guaranteed at present to all mothers dependent on our hospital trust. Barking, Havering and Redbridge University Hospitals NHS Trust has one of the highest birth rates in the country, with just under 10,000 babies born in trust facilities last year. In my constituency, the birth rate went up by more than a third between 2002 and 2010. Across all the communities served by the trust, the number of births has been growing year on year by 500 additional births, and everybody believes that this trend will persist for the foreseeable future. However, a report from the Care Quality Commission this March expressed major concerns about the quality of care at one of the trust hospitals—Queen's hospital in Romford—which is a huge indictment of the service and a dreadful worry for families who are having their babies.

The CQC found that maternity services at Queen's were failing to meet essential standards of care, and that the trust was not taking all proper steps to ensure the safety of women in the maternity unit. Inspectors stated that services were so understaffed that mothers and babies were at risk. They found that too many staff did not have the right skills and that the appropriate equipment was sometimes missing. Inspectors reported mothers in labour being left alone for long periods without the pain relief that they needed. They also found significant delays in patients going to theatre and said that babies were being born in what they termed "inappropriate locations". Inspectors expressed concerns about respecting and involving mothers in their own care, and found that the trust did not give bereaved mothers proper facilities in a separate room, away from other new mothers who had had their babies safely.

Sadly, the CQC confirmed what all of us already knew—we knew it from the fact that more women die while under the care of the trust than elsewhere. Four women have died in BHRT maternity units in the past 12 months, with five dying in the past 18 months. Maternal deaths there are five times greater than the national average. The trust has paid out £15 million in compensation in the past five years on claims against the obstetric services. That is one of the biggest compensation bills across the whole of the NHS. Those statistics are heart-rending. What should be moments of joy for mothers and their families become experiences filled with fear and pain—and, at their worst, loss and grief. As local MPs, we are told of far too many cases of people having to put up with terrible care, particularly at Queen's hospital.

One of my constituents gave birth at Queen's in July last year. She was kept waiting for hours in reception when she was already in labour, with other patients waiting in the same area. She was told that staff were too busy to give her an epidural. The same staff then failed to give her an episiotomy, and she suffered second degree tears and had to have 20 stitches in her vagina. Yet she had to wait for three hours to be stitched because, the hospital told us,

"not all midwives have had the required training to perform this procedure."

Another constituent went to Queen's when she was two weeks overdue. She had been having contractions for over a week and was losing weight. But, instead of inducing her there and then, the hospital sent her away. Shortly afterwards, she gave birth to a stillborn baby. A third constituent was supposed to have a home birth. The midwives arrived late, and without enough pain relief or oxygen. After an hour, she was in such agony that she had to go to Queen's where she had to have an emergency caesarean. The trust later accepted that she had not been properly examined while she was in labour at home.

There have also been some high-profile cases recently of women who have tragically lost their lives at Queen's because the care that they received was so lacking. Sareena Ali and her unborn baby died after staff failed to identify that she had a ruptured womb which triggered a heart attack and a major organ failure. She had not been checked for two hours, despite her husband begging staff to check whether anything was wrong because she was in consistent agony. She had an emergency caesarean —on the antenatal ward in front of other women in labour—but the baby was stillborn. Staff tried to resuscitate Sareena with a disconnected mask; it was her sister-in-law who spotted this. Sareena died five days later—a death that could have been avoided.

Earlier this month, Violet Stephens went to Queen's at 31 weeks pregnant with dreadful gastric pain and high blood pressure. After four days in hospital, she was eventually diagnosed with a life-threatening complication called HELLP syndrome. She had an emergency caesarean and, although the baby was delivered healthily, she died. Violet had had similar symptoms during her previous pregnancies, but the system failed her and her case is currently under investigation. In August last year, Saira Choudhri was sent home from Queen's even though she was having contractions every two minutes. She was found blood-soaked and in agony by two nurses in the car park. Thankfully, her baby survived.

This litany of tragic instances of unacceptably poor care has to stop, and the Minister and her Secretary of State must take responsibility for improving our maternity services. In part, the problem lies with shortages of

staff, and shortages of properly qualified and experienced staff. The new chief executive is recruiting midwives from abroad and I welcome that, but we have been here before, and the trust has to find ways of retaining as well as recruiting good midwives over the longer term.

Mothers talk about the lack of respect for them as patients and the failure to involve them in decisions about their care. Most women see a different community midwife at every appointment. All of that suggests a deeply worrying cultural problem among the midwifery staff who work for the trust. When Sareena Ali died, there was a full complement of staff on duty and there was no unexpected pressure on them. They blatantly failed to do their job and to take proper care of her. There appears to be a poor working culture, with midwives not co-operating effectively together as a team and with individuals not accepting their proper personal responsibility. All too often, they seem literally not to care.

Furthermore, the trust's complaints procedure is not working. Individuals complain, but the trust's response is all too often incomprehensible and it seems never to learn the lessons from past mistakes. Saira Choudhri, the woman who was almost forced to give birth in a car park, complained to the trust about the attitude of staff and the care that she received. Her complaint was brushed off with a technical response that completely failed to address the real issue, and nothing seems to have changed. If the trust had an open, rigorous and patient-focused complaints protocol and acted on those complaints in order to improve care, some of those tragedies might have been avoided. If it had listened and learned from what patients were telling it, other women might not have had to go through similar ordeals and Sareena Ali might now be at home with her husband and baby. There is going to be a full inquest into the death of Sareena Ali, which I trust will help to ensure that nothing like this ever happens again.

All the local MPs believe that the health authority's determination to close the maternity service at King George hospital is complete madness. Birth rates in the area are rising and the quality of care at Queen's is simply unacceptable. What on earth do the bureaucrats think they are up to? The Government's health reforms are supposed to put the patients' interests at the heart of what is done, but that is not the case in Barking and Dagenham. Decisions appear to be driven by money, not patients, and by consultants' convenience, not women's interests. Queen's hospital simply cannot cope and things will only get worse if the King George goes.

Local GPs in my area are also strongly opposed to the proposal, and across north-east London, tens of thousands of my and my colleagues' constituents have signed a petition against it. This is not a bit of MP nimbyism. It is a common-sense conclusion, with the support of a cross-party group of MPs, based on a proper understanding of what local people should be entitled to from our national health service.

I know the decision on the King George hospital has been referred to the independent review panel, but I would urge the Minister to ask the Secretary of State to exercise his power to halt the proposed closure. The Department, NHS London and the trust need to sort out the quality and the finances, not shut the door for patients by killing off the hospital.

Worse still, we campaigned for years—ever since I became the MP more than 16 years ago—to get new health services, including maternity services, built on the old Barking hospital site, which was closed in the 1980s. My constituents want high-quality maternity services close to home, with babies born in Barking again.

We finally won that battle and now we have a brand-new, state-of-the-art maternity unit on the site literally standing empty while Queen's hospital continues to fail. I have been told today that no babies will be born in Barking hospital until March 2012. That is an outrageous scandal. It was supposed to open last year and the building has been ready for months. I ask the Minister to confirm in her reply that she will investigate the reasons why this unit has not opened and instruct her officials to get it open and working as soon as possible.

Lastly, but most crucially, I ask the Minister to establish a full, independent and impartial inquiry into maternity services at Queen's. We have had enough, and we want somebody with extensive experience in their profession to be appointed by the Secretary of State to establish what is wrong and to prescribe action to put it right. I sincerely say to the Minister that I have now concluded that nothing less will do.

Perhaps the Minister will listen to the words of some women who have been through the experience of having a baby at Queen's. One woman said:

> "All of my friends that have had their babies at Queen's have all received such poor treatment that it's really made them think twice whether to have any more children."

Another said:

> "I struggle to see how closing a maternity unit that is better performing in favour of one that is in effect under notice to improve can be the right decision for local people."

A third woman said:

> "If I have another baby I flat refuse to go to Queens."

I ask the Minister to listen to those women, to act to support their best interests and to protect mothers and babies in our corner of north-east London by delivering a safe, patient-focused service in which we can all have confidence.

7.44 pm

Mr Lee Scott (Ilford North) (Con): I congratulate the right hon. Member for Barking (Margaret Hodge) on securing this debate. I would like to follow what she said by outlining the position of myself and my hon. Friend the Member for Hornchurch and Upminster (Angela Watkinson), who, as a Government Whip, cannot speak in this debate. She has met the new chief executive and has been given assurances about the changes happening to improve the dreadful situation we have just heard about.

I would like to speak briefly about the King George hospital. As the right hon. Member for Barking said, it cannot make sense for maternity services at King George hospital to cease, not only because Queen's hospital is not giving as good a service as King George at the present time, but because, with the birth rate rising, it simply will not be able to cope.

We have heard of the tragic, unnecessary loss of life over the past 18 months, and of the high level of medical negligence payments that have had to be made

[Mr Lee Scott]

and that are a drain on already strained NHS resources, as the trust has one of the highest deficits in our country. The situation will only get worse if King George hospital ceases to operate maternity and A and E services, and that would be unacceptable. Were that to happen, I fear that there will be further tragic loss of life. Whichever side of the Chamber one sits on, and whatever one's political views, we are elected to stop that occurring. That is why hon. Members from both sides of the House have united to try to save the services. I hope that the review panel and Ministers are listening, and I am pleased that the matter was sent to a review panel, with a view to overturning this ridiculous recommendation by the NHS. As Members, we will unite to save the services for our constituents. If we do not do so, it will be a regrettable event.

7.46 pm

Mike Gapes (Ilford South) (Lab/Co-op): I congratulate my right hon. Friend and neighbour the Member for Barking (Margaret Hodge) on securing the debate. It is also a pleasure to follow my friend and neighbour the hon. Member for Ilford North (Mr Scott); we have campaigned together for five years to keep the services at King George hospital in my constituency.

Let me quote an e-mail that I received today:

"My wife had a baby in King George hospital and had a wonderful experience. My brother's wife had a baby at Queens Hospital and found it traumatic and suffered complications up to 6 weeks after the birth."

That is one of a series of e-mails and phone calls that I have been receiving for the past two years. Although some improvements have been seen at Queen's, in the reception area and other aspects, the fundamental problems remains. My right hon. Friend the Member for Barking referred to a culture, and I believe that the issue is one of culture and of management, as well as of quality of care. It is an absolute disaster to contemplate closing the maternity unit at King George hospital, taking 2,000-plus births out of the equation each year, and as a result adding to the existing unbearable pressures on Queen's hospital. It does not make sense. We have had a maternity hospital in Ilford since 1926, when the population was 85,000. The London borough of Redbridge now has a population of 280,000. We need to keep the maternity service—people have a right to be born in Ilford. I am pleased that we have such a united campaign, and I hope that the independent reconfiguration panel, the Secretary of State and the Minister are listening to the loud and clear message that we must keep the maternity service in Ilford.

7.48 pm

The Parliamentary Under-Secretary of State for Health (Anne Milton): I congratulate the right hon. Member for Barking (Margaret Hodge) on securing the debate, and thank her for bringing this important issue to wider attention. Her message came across loud and clear. She has campaigned vigorously in support of her local health services for many years, both on the Government and Opposition Benches, and Members are to be congratulated on their vigilance in doing exactly what they were elected to do.

It is never good enough for patients anywhere to experience poor-quality health care, and it is clear that the problems at Queen's maternity unit must be fixed now, so that the people of north-east London can regain trust in their maternity units. Regaining such trust is never an easy business. When mothers go to a maternity unit to give birth, they implicitly trust that they will receive the best-quality care. That is a vital part of maternity services, and it means that mothers can feel comfortable and safe with midwives, wards and hospitals. The shocking deaths at Queen's maternity unit have put that relationship and that trust at risk, and I know that local concern is running extremely high. I offer my heartfelt sympathy to the families involved. To lose someone at what was expected to be a time of celebration is especially traumatic, and no words that I can say today will console those families. However, I believe that the message has been conveyed by the right hon. Member for Barking, the hon. Member for Ilford South (Mike Gapes) and my hon. Friend the Member for Ilford North (Mr Scott).

I understand that two investigations of maternal deaths are taking place at the unit; I hope Members will understand that I cannot comment on them at this stage. I know that the Care Quality Commission found that maternity services at the trust were failing to meet essential standards of quality and safety, but, although that was partly due to unsuitable staffing levels, they are not the only issue.

Unfortunately we cannot turn the clock back, but what we can do is ensure that decisive action is taken immediately to improve the position and ensure that the Queen's maternity unit performs as it should have all along. In response to the CQC's report, the trust has drawn up an urgent action plan and is taking steps to improve its maternity services. I understand that it has recruited an extra 60 midwives, and that a further 60 are shortlisted for interview. I also understand that it has revised the training programme for all midwives, created a new triage system enabling all women in labour to be seen by an experienced midwife within 15 minutes of arriving at the unit—the right hon. Lady particularly mentioned waiting times—and introduced a telephone triage system so that women can get advice even before they leave home. That is a start, although it is a start from a very low base. Although all those facilities should have been in place already, it is good that they are there now.

I have met Averil Dongworth, the new chief executive of the trust. She has assured me that everyone at the hospital—particularly the midwives and the support staff in the unit—is determined to improve standards and rebuild confidence. That may sound hollow to the Members who are present, who have probably heard it before, but Averil Dongworth struck me as an impressive woman with a steely determination to turn things around. She has also promised to keep in touch with and meet the local Members of Parliament regularly. I think it important for them to feel that, on behalf of their constituents, they are monitoring the position regularly and frequently. I have asked Averil Dongworth to keep me up to date. The position is very simple: nothing but the best will do for anyone who is seen in the NHS.

I also understand that NHS London, the local strategic health authority, is taking action to improve clinical leadership. It is important for that leadership to be in

place, because its absence is often the reason why things go wrong, particularly midwifery in this instance. I understand that the authority has asked a senior obstetrician and an experienced midwife to spend time working in the team.

The right hon. Lady mentioned the health for north-east London review, which includes proposals to change the way in which Barking, Havering and Redbridge University Hospitals NHS Trust delivers maternity care. As Members have mentioned, under those proposals King George hospital would continue to provide antenatal and postnatal care, but would no longer provide maternity services during delivery. Maternity services would be consolidated at Queen's with a new midwife-led unit that could deliver more than 2,500 babies a year. I understand that the unit is empty. The situation is extremely disappointing, but the proposals have been referred to my right hon. Friend the Secretary of State for Health, and the independent reconfiguration panel will advise him within the month, no later than 22 July. I know that Members look forward to hearing the decision, but obviously I cannot prejudge it.

The financial payouts in litigation that the right hon. Lady mentioned really pale into insignificance when compared with the human cost. There is not just the human cost when things go tragically and irreversibly wrong, but the poor experience that women have had, which is a very bad start to their new family life. Nothing can compensate for any of those things. She mentioned Sareena Ali and the unresponsive nature of the trust in relation to complaints. That has to change and I sincerely hope that Averil Dongworth will turn that around so that local people can start what will be a very long and slow journey to building that trust.

The right hon. Lady also mentioned that the problem is not just about recruiting staff but keeping them. That is the real challenge. When local people have lost faith in a local NHS organisation, the recruitment of staff becomes increasingly difficult. Keeping up morale is very important, which is why I think it is an important step in that journey for the chief executive to keep in touch with local MPs.

The right hon. Lady rightly said that this should be about the care of women and their babies and families, and not about other people's convenience. My hon. Friend the Member for Ilford North reiterated many of the same points and I am always impressed when there is cross-party support on issues such as this. This place does not always have a good reputation but at times like this our reputation should soar because that cross-party working is extremely important to get things done. The hon. Member for Ilford South also spoke about the cross-party support and referred to the culture and institutional problems, the issues that are so very difficult to dig into and turn around. I sincerely hope that we can start to do that.

The Government are doing all we can to stamp out instances of sub-standard care. As I have said, nothing but the best will do for anyone. New standards of care are being developed for antenatal services and the management and care of women in labour, as well as for delivery and post-natal care. We are also keeping up the record number of midwives entering training—nearly 2,500 this year and 2,500 next year. I want to see the potential of the whole maternity team being realised. There are new technologies out there and new techniques improve care and deliver value for money while improving the experiences of women, their babies and the wider family. We will continue to work with the Royal College of Midwives to make sure that we have an appropriately resourced but also skilled maternity work force with the leadership they need. Of course, that will be of scant consolation to many of the families involved, but sadly I cannot turn the clock back.

Margaret Hodge: I am grateful for the Minister's remarks, but in the last couple of minutes available, may I ask her to comment on two other specific issues? First, I think that we need an independent inquiry. I recognise all that has been done, but will she respond to that point? Secondly, will she respond to my point about the Barking hospital site where we have a brand-new, state-of-the-art maternity unit that is being kept closed?

Anne Milton: I thank the right hon. Lady for making those points, but I honestly do not know that an inquiry is the right way forward. The tragedy of this is that we know what some of the problems are and there has been a failure to turn them around. Certainly, an empty building and a midwife-led unit that could deal with 2,500 deliveries a year for women of low risk would be an important development, but I do not want to prejudge the Secretary of State's decision on that. I hope that the right hon. Lady, her constituents and the families involved will at least take some heart from the fact that steps are going to be taken to prevent any of this from ever happening again. I will make sure that those efforts remain at the top of the trust's agenda. I can assure her, my hon. Friend the Member for Ilford North and the hon. Member for Ilford South that I will take a personal interest in this and make sure that we monitor progress towards giving local people what they deserve—the very best from their local NHS.

Question put and agreed to.

7.59 pm

House adjourned.

House of Commons

Thursday 23 June 2011

The House met at half-past Ten o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

TRANSPORT

The Secretary of State was asked—

Airports

1. **Mike Freer** (Finchley and Golders Green) (Con): What recent representations he has received on the competitiveness of UK airports. [61505]

The Secretary of State for Transport (Mr Philip Hammond): I regularly receive representations from the aviation industry and other stakeholders on a range of issues relating to UK airports.

Mike Freer: I thank the Secretary of State for that answer. He may be aware that some have suggested a congestion levy on south-east airports to fund a discount on air passenger duty in regional airports. What assessment has he made of the competitiveness of south-east airports in view of this ludicrous suggestion?

Mr Hammond: I think my hon. Friend's question betrays the fact that he has already made his own assessment. I believe that this suggestion was made in a response by regional airports to a consultation on APD conducted by my right hon. Friend the Chancellor. No doubt the Chancellor will respond to those suggestions in due course.

Graham Stringer (Blackley and Broughton) (Lab): I think it is an excellent suggestion. There is huge capacity in the regional airports and since there has been complete freedom to fly anywhere in Europe, it has been difficult for Governments to use that capacity. Does the Secretary of State have any ideas how that extra capacity in regional airports can be used to the benefit of the UK economy?

Mr Hammond: The hon. Gentleman is absolutely right: there is significant capacity in our regional airport runways. We have to recognise that the demand for aviation growth in the UK is not just an aggregate demand—it has a certain geographical distribution—but I am keen that the regional airports play a role in meeting that demand. I believe that the high-speed rail project will help them to do so.

Mr John Leech (Manchester, Withington) (LD): As part of the review, will the Secretary of State discuss with the Treasury the viability of having an APD holiday for new long-haul routes from regional airports to improve their competitiveness with south-east airports and airports on the continent?

Mr Hammond: As I said, my right hon. Friend the Chancellor has conducted a consultation on the future of APD and he has made it clear that any changes to the system would have to be broadly revenue-neutral. I do not know whether my hon. Friend submitted his suggestion during the course of the consultation, but if not, I am sure that the Chancellor would be prepared to take it as a late entry.

Mr Nigel Dodds (Belfast North) (DUP): Does not the Secretary of State agree that the competitiveness of Belfast airports is gravely impinged by the fact that APD is levied at £120 for a return on business-class long-haul flights from Belfast, while 90 miles down the road in Dublin, it is €3 going down to zero. Clearly, as far as Northern Ireland is concerned, there is a strong case for looking at the issue of APD.

Mr Hammond: Once again, I am certain that the right hon. Gentleman will have submitted his views to the Chancellor in the consultation to which I just referred.

Maria Eagle (Garston and Halewood) (Lab): Britain's business community finds it incredible that the Government have no intention of bringing forward a proper strategy for aviation and UK airports for the next two years. Opposition Members believe that any expansion in aviation must be sustainable, but is it not nonsense for the Government to rule out any expansion in the south-east, regardless of whether or not it can be demonstrated to be sustainable. Is not the chief executive of London First right when she warns that this failure is

"damaging our economy and enhancing that of our EU rivals"?

Mr Hammond: The hon. Lady is right that we have a big challenge in relation to aviation growth in the south-east. What I did not hear her do was repeat Labour's policy to build a third runway at Heathrow airport. Perhaps at some stage she could tell the House whether that remains Labour's policy. The coalition Government cancelled the third runway at Heathrow because of the unacceptable environmental burden that it imposed, but we are committed to developing a new and sustainable aviation strategy that will allow the growth of aviation in the UK—but only when it meets its environmental obligations.

Motorway Speed Limits

2. **Stephen Mosley** (City of Chester) (Con): What recent representations he has received on varying national motorway speed limits. [61506]

The Parliamentary Under-Secretary of State for Transport (Mike Penning): My ministerial colleagues and I have received a variety of representations, including via the red tape challenge to the highways regulations, on the subject of varying the motorway speed limit. The issue raises interesting aspects of our current behaviour, and we will continue to look at it.

Stephen Mosley: The maximum motorway speed limit in several European countries, including France, Italy and Germany, is currently greater than 80 mph. In order to help deliver the economic benefit of reduced journey time, will my hon. Friend consider increasing the motorway speed limit to 80 mph?

Mike Penning: The existing limit has been in place since the '60s. We will weigh up safety and environmental aspects against enforcement—although we all know that 70 mph is not being enforced—and how increasing the speed limit to 80 mph would help the country to grow in infrastructure. We will look at the balance in those areas.

Jim Fitzpatrick (Poplar and Limehouse) (Lab): In assessing the impact on safety of increasing motorway speed limits, does the Minister agree that another potential consequence will be our ability to meet our carbon dioxide emission targets? Has he received any representations from his right hon. Friend the Secretary of State for Energy and Climate Change who, as we know, is something of an expert on these matters?

Mike Penning: I have great respect for the hon. Gentleman, who had my job before me, but he should have listened to the answer I gave a few moments ago before reading out his prepared question. We will balance the environmental aspects against the safety aspects, and also take into account the legislative process and whether or not we can get Britain moving better.

Dr Julian Huppert (Cambridge) (LD): May I press the Minister a little further? What analysis has he done of the extra fuel usage and CO_2 emissions that would result from increasing the speed limit from 70 to 80?

Mike Penning: The hon. Gentleman should also have listened to what I said. I did not say that we had conducted the consultation; I said we would balance various aspects during the consultation, and I am sure he would like to take part in that consultation and in our discussion about what is the right balance.

Urban Traffic

3. **Mr John Spellar** (Warley) (Lab): What steps he is taking to improve the flow of traffic in urban areas. [61507]

The Parliamentary Under-Secretary of State for Transport (Norman Baker): We are providing local authorities with the right tools and the freedom to use them effectively. Our £560 million local sustainable transport fund will contribute to local schemes that support growth and reduce carbon.

Mr Spellar: Last week, in answer to a written question that I tabled on street works, the Minister stated that an independent report had found that legislation was "fit for purpose" but local authority practice needed to improve. He can certainly say that again! He only has to step outside this building to see the chaos caused by nearby street works that continue for week after week with no work actually being done, and that pattern is repeated across London and the rest of urban Britain. What is he going to do to create a sense of urgency about freeing up the roads—and, as a start, will he get Boris to focus on his day job and start sorting out London's roads?

Norman Baker: All of us have considerable sympathy for those who encounter street works, which are a nuisance to motorists and pedestrians alike, and which cause congestion and adversely affect business. We are keen to take steps to improve matters, including by developing regulations to allow targeted lane rental schemes, cutting red tape from the private scheme approval process, and considering utility works overrun charges.

Swindon to Kemble Railway

4. **Neil Carmichael** (Stroud) (Con): When he expects the Swindon to Kemble railway redoubling project to commence. [61508]

The Minister of State, Department for Transport (Mrs Theresa Villiers): Network Rail has commenced design work, and I expect implementation to start in 2012-13, with completion by 2014-15 ahead of electrification works on the Great Western main line in 2016-17.

Neil Carmichael: Does the Minister agree that this is an example of intelligent investment to promote economic growth? It will be great news for Gloucestershire, and stands in complete contrast to the failure of the last Labour Government to provide any support of this kind to the railway system.

Mrs Villiers: I am grateful to my hon. Friend for his question. He and many of his colleagues in the House have fought a hard campaign for redoubling, and I am delighted that the coalition can deliver that. In addition, the introduction of intercity express programme trains should lead to reductions in journey times and to frequent services, which will benefit the economy in his constituency and surrounding areas.

Mr Robert Buckland (South Swindon) (Con): My right hon. Friend will know that local businesses, local MPs—including me—and the local authority in Swindon would like to see the development of a branch station on the Kemble line at Sparcells. What advice and encouragement can she give to me and to local agencies on the development of that station?

Mrs Villiers: My hon. Friend has also fought a hard campaign to improve rail services in his area. My advice in respect of that project would be to continue to engage closely with the local authority, which has the leading role in taking forward and funding such projects, and to engage closely with Network Rail and the train operator to see what might be logistically feasible to consider in the future.

Humber Bridge

5. **Nic Dakin** (Scunthorpe) (Lab): What progress has been made on the review of toll charges on the Humber bridge. [61509]

The Parliamentary Under-Secretary of State for Transport (Norman Baker): The second phase of the Humber bridge review was launched on 14 June, and we are now in the process of meeting stakeholders to gather views and ideas. As part of that process, the Economic Secretary to the Treasury and I intend to meet interested Members, including the hon. Gentleman.

Nic Dakin: I thank the Minister for his reply. Humber bridge tolls are essentially a tax on local people and local businesses. Is it right that at this time, with this review still going on, there should be an 11% hike in those taxes?

Norman Baker: I understand the hon. Gentleman's concern, of course, but the fact of the matter is that the Humber Bridge Board applied for an increase. I decided unilaterally to have a public inquiry, where people's representations could be heard. The inspector came back with a clear recommendation in support of the board's application for an increase, and there is no reason for Ministers to take a contrary view. What I would say, however, is that there has been no increase in the toll since 2006.

Martin Vickers (Cleethorpes) (Con): Notwithstanding the decision of the Humber Bridge Board this week to implement the recommended increase from 1 October—just six or seven weeks before we anticipate the review being completed—does the Minister agree that, irrespective of the outcome regarding the tolls, the governance of the bridge clearly needs revising so that residents and the local community have a clear spokesman? At the moment, councillors are almost forbidden from taking part.

Mr Speaker: Order. We are immensely obliged to the hon. Gentleman.

Norman Baker: I sympathise with the point that my hon. Friend is making. The governors' arrangements for the bridge are part of the review that we are undertaking. We inherited an unsustainable position from the previous Government in relation to the bridge. The Economic Secretary to the Treasury and I are very concerned about this and we are determined to make progress if we can on this matter and others.

Diana Johnson (Kingston upon Hull North) (Lab): In the general election, the Liberal Democrats ran a "Ditch the Humber Bridge Debt" campaign. In the light of the Minister's decision to endorse the 11% increase, should he not think again? Is this not another example of the Lib Dems' promises in the manifesto being broken now they are in government?

Norman Baker: I think that what the hon. Lady wanted to say was that we have decided, since the election, to offer a reduced interest rate on the Humber Bridge Board's debt, which will save the board £48 million in interest payments over the next five years.

High Speed 2

6. **Mrs Helen Grant** (Maidstone and The Weald) (Con): What progress his Department has made on its consultation on High Speed 2. [61510]

The Secretary of State for Transport (Mr Philip Hammond): I launched the national consultation on high speed rail on 28 February. It will close at midnight on 29 July and decisions will follow by December. The Government consider that a high-speed rail network between London and Birmingham and onward to Manchester and Leeds would drive economic growth and prosperity as well as providing vital new capacity on the west coast corridor.

Mrs Grant: Does the Secretary of State also agree that HS2 could bridge the wealth divide that exists between the north and the south?

Mr Hammond: Absolutely. My hon. Friend makes the point very clearly. I believe that it is not possible for Britain to maintain its prosperity in the 21st century in an increasingly competitive global economy unless we can close the growth gap between north and south. Governments for the past 50 or 60 years have wrestled with this challenge and we have not succeeded yet. This approach of investing in strategic infrastructure is the last best chance to achieve that.

Lilian Greenwood (Nottingham South) (Lab): Does the Secretary of State share my view that developing the eastern leg of the "Y", which will link the great core cities of Nottingham, Sheffield and Leeds, has a very strong business case and should be prioritised?

Mr Hammond: I agree that it has a very strong business case and it will be part of the "Y" network, but the logic of building this project is that we have to do the complex engineering challenge of getting out of London through tunnels—the difficult bit of the project—first. In engineering terms, once we are out of the tunnels, it is pretty much plain sailing to complete the remainder of the construction.

Mr Adrian Sanders (Torbay) (LD): Will the Minister please give thought to the people of the west country who have some of the slowest rail links with London and some of the most expensive fares? Rather than extra, speedy lines north, we would like some speedy and efficient lines south-west.

Mr Hammond: I am delighted to be able to tell my hon. Friend that electrification of the Great Western main line and the introduction of the IEP rolling stock will improve services in terms of speed, reliability, comfort and capacity on services between London and the west country.

Crossrail

7. **Emily Thornberry** (Islington South and Finsbury) (Lab): What steps his Department is taking to ensure that the Crossrail programme provides adequate toilet facilities at stations and on its rolling stock. [61512]

The Minister of State, Department for Transport (Mrs Theresa Villiers): Provision of adequate and accessible facilities is an important consideration for many passengers. The majority of Crossrail stations will have toilet facilities. Since this will be a high frequency metro service, with most passengers travelling relatively short distances, we have no current plans to provide toilets on Crossrail trains.

Emily Thornberry: Crossrail is currently building a huge new station at Farringdon, which we welcome. However, will the Minister join me in urging Crossrail to build some toilets at Farringdon station? As Councillor Charalambous so eloquently put it:

"They are causing years of inconvenience to local residents and businesses—this is the least they can do. At the end of the day,"

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"piss against everything around here—inevitably they'll be pissing in their stations and they won't like it."

Mrs Villiers: I am sure the hon. Lady will be aware that the redevelopment of Farringdon station involves Crossrail and Thameslink. It is going to be an exceptionally busy and important station after that and there will be toilet facilities. It is intended that those facilities will be provided in the London underground aspect as part of the Thameslink upgrade, so Crossrail passengers are likely to have access to facilities nearby as part of the London underground upgrade.

Nigel Mills (Amber Valley) (Con): When it comes to providing toilets, and indeed the whole rolling stock, will the Minister assure me that there will be a level playing field so that there is a fair chance that rolling stock can be constructed in Derby in the UK, rather than in Germany as in the announcement last week?

Mrs Villiers: It is vitally important that all procurement processes are entirely fair to suppliers, including Bombardier.

National Air Traffic Services

8. **Kevin Brennan** (Cardiff West) (Lab): What proportion of its stake in NATS Ltd the Government plan to sell; and if he will make a statement. [61513]

The Secretary of State for Transport (Mr Philip Hammond): I recently launched a call for evidence on whether the Government need to retain a shareholding in NATS in order to meet our aviation policy objectives. The results will inform decisions on whether to sell all, part or none of the Government's shareholding in the company. I expect to update the House once we have considered the responses to the call for evidence.

Kevin Brennan: Do I take it from that reply that the Secretary of State is considering a complete sell-off of the Government's interest in NATS? Will he also tell us what consultations he is having with the staff and the airline group about their views on the matter?

Mr Hammond: The call for evidence has gone to stakeholders in and around the company and the air traffic sector. We asked what the implications would be of selling all, part or none of our shareholding. We are open-minded and conscious of the fact that there could be strategic implications, and we want to understand from the people who work in the industry what those strategic implications might be before making any decision.

First Great Western

9. **Chris Evans** (Islwyn) (Lab/Co-op): What recent discussions he has had with FirstGroup on the future of the First Great Western rail franchise; and if he will make a statement. [61514]

The Parliamentary Under-Secretary of State for Transport (Norman Baker): Department for Transport Ministers and officials meet franchised train operators and their owners regularly. These discussions have included the decision which has been announced by First Great Western to exit the franchise in March 2013.

Chris Evans: On the electrification of the Great Western line, what action is being taken to ensure that the new franchisee works with Network Rail so that there is minimum customer disruption during that period?

Norman Baker: I assure the hon. Gentleman that that element is an important part of the forward programme that is occurring.

Geoffrey Clifton-Brown (The Cotswolds) (Con): When the First Great Western franchise is retendered, would the Minister consider allowing a provision to allow sufficient capital investment to improve the car parking at Kemble, which is already at capacity?

Norman Baker: We are reviewing the full franchise process, led by my right hon. Friend the Minister of State. As part of the franchise consideration, we are looking at longer franchises that may include that sort of issue in due course.

Mrs Louise Ellman (Liverpool, Riverside) (Lab/Co-op): Given the circumstances in which FirstGroup decided to relinquish the contract, how will the Minister address new franchises so that both the interests of the taxpayer and the welfare of passengers are heeded?

Norman Baker: That is an important and quite correct question, because the present franchise held by First Great Western was undoubtedly skewed towards the operator and away from the fare payer and the taxpayer. It is not a franchise that, frankly, the Government would want replicated. The whole process of franchise renewal is designed to eliminate that sort of unfair franchise.

Duncan Hames (Chippenham) (LD): I certainly endorse the Minister's most recent remarks. Residents in Melksham in my constituency will want to do a lot better from the new franchise than they did from the last one. Will he tell us when the public will have an opportunity to contribute to a consultation on the draft specification for the new Great Western franchise?

Norman Baker: I assure my hon. Friend that that matter has been fully taken on board. There will be a full consultation, including with residents of his constituency.

Gavin Shuker (Luton South) (Lab/Co-op): FirstGroup also manages First Capital Connect, the franchisee operating the Thameslink route. As that franchisee has consistently low scores on customer performance, will the Minister give an assurance that the franchise will not automatically be extended in 2015 but that we will have an opportunity to put it out to tender once again?

Norman Baker: No decision has been made on that matter, although clearly there are franchise terms to be adhered to by the franchise holder, and requirements in law that must be adhered to by them and the Department. Performance is an important matter for the railway and it is something I take seriously, as does my right hon. Friend the Minister of State. I am aware of the concerns that have been expressed by passengers on the hon. Gentleman's line and I shall be meeting railway operatives later today to discuss performance on the railway, including on his line.

Accessible Travel Information

10. **Mr Jim Cunningham** (Coventry South) (Lab): If he will bring forward proposals to ensure the provision of accessible public travel information for blind and partially sighted people. [61515]

The Parliamentary Under-Secretary of State for Transport (Norman Baker): The Department is committed to improving accessible transport information that is available to enable people to plan their full journey. For example, the development of a journey planner for spectators going to the Olympics has provided an important new opportunity to achieve high standards of accessible information.

Mr Cunningham: I thank the Minister for that answer, but has he had any discussions with the railway operators, particularly in relation to the implications of cuts in the staffing of railway stations for people with disabilities?

Norman Baker: Matters relating to individual stations are, of course, ultimately ones for the franchise holder, but we have offered financial support for new information systems at more than 170 railway stations since 2006 and audio-visual passenger systems have been mandatory for all new rail vehicles since 1998.

Mark Pawsey (Rugby) (Con): I received a visit from my constituent, Lionel Broughton, on this matter with regard to buses. My local bus company, Stagecoach, has said that it will look at introducing visual and voice announcements on its fleet. Can the Minister do anything to give the industry a nudge?

Norman Baker: I am delighted to say that I wrote to the Confederation of Passenger Transport, which represents the main bus operators, on 23 May, to give exactly that nudge.

Rail Fares

11. **Katy Clark** (North Ayrshire and Arran) (Lab): What recent assessment he has made of the effects on household budgets of changes in rail fares. [61516]

The Minister of State, Department for Transport (Mrs Theresa Villiers): A distributional analysis of the impact of rail fare increases was conducted during the spending review and used to inform Department for Transport and Treasury decisions on spending review outcomes.

Katy Clark: I thank the Minister for that answer. Is she aware of research by Passenger Focus that shows that people who buy their tickets from ticket machines pay far more expensive fares than if they used one of the staffed ticket offices? The McNulty report calls for the closure of half of all our staffed railway offices. Will she decide to reject those proposals to ensure, among many other reasons, that people get the cheapest fares they can?

Mrs Villiers: The industry needs to do a lot better on its ticket machines and to ensure that passengers are properly informed about the ticket choices available. We will continue to challenge the industry to do that through our fares review and the White Paper on the future of the rail industry which we intend to publish in November.

Andrew Gwynne (Denton and Reddish) (Lab): Given the Government's decision to increase rail fares by 3% above inflation for each of the next three years, many commuters will have to spend a fifth of their household income—more than their mortgage or rent—just to get to work. Incidentally, that would be equivalent to the Minister of State having to pay almost £20,000 a year. Instead of asking commuters to plug the hole caused by the transport budget being cut too far and too fast, will she think again?

Mrs Villiers: We faced the largest peacetime deficit that we have ever faced. To continue with the biggest programme of rail upgrades in modern history, we unfortunately must ask passengers to make a contribution. The blame lies fairly and squarely with the previous Government for leaving us with a deficit and letting the cost of the railways spiral out of control.

Cambridge and King's Lynn Rail Line

12. **Elizabeth Truss** (South West Norfolk) (Con): What assessment his Department has made of the potential benefit to the economy of upgrading the railway line between Cambridge and King's Lynn. [61517]

The Minister of State, Department for Transport (Mrs Theresa Villiers): Our current plans envisage that passengers on the fen line could benefit from new intercity express trains from 2018. That would offer improved passenger accommodation and a shorter journey time to London, subject to a satisfactory outcome to contractual negotiations with Agility Trains and timetabling arrangements that will be finalised with the future franchisee.

Elizabeth Truss: With the area's economic growth and the fact that passenger numbers between Downham Market and Cambridge have increased by 150% in the past 10 years, does the Minister agree that expanding the fen line northwards should be a key consideration in Network Rail's next phased upgrade?

Mrs Villiers: My hon. Friend has campaigned strongly to improve services on the fen line. I pay tribute to her and the other local MPs who take this seriously. She is absolutely right that passenger numbers have been increasing. This has been a real success story. I would certainly encourage her and her constituents to engage with Network Rail, as it looks to the next railway control period to see what infrastructure improvements might be deliverable within affordability constraints.

Low-carbon Vehicles

14. **Jo Swinson** (East Dunbartonshire) (LD): What steps he is taking to encourage take-up of low-carbon vehicles. [61519]

The Secretary of State for Transport (Mr Philip Hammond): The Government have made provision of over £400 million for measures to promote the uptake of ultra-low-carbon vehicle technologies. These measures include support for consumer incentives, the development of recharging infrastructure and a programme of research, development and demonstration work. Low-emission vehicles also benefit from tax advantages.

Jo Swinson: A convenient network of publicly available charging points is essential if we are to encourage the uptake of electric cars, so I welcome the £1.45 million of Government funding for Transport Scotland to build

375 charging points across the central belt of Scotland, but I was concerned at BBC media reports last month suggesting that the UK in general is behind schedule in getting these charging points in place. Will the Secretary of State give us an update on progress on charging points?

Mr Hammond: I am grateful to the hon. Lady for her question and I agree that we need to understand the way in which the public expect to use public charging points, in order to understand how we can best roll out the electric vehicle programme. Early evidence from other countries has produced some results that might not have been intuitive before the demonstration projects. It is true that the total number of charging posts that are rolled out will be less than was originally envisaged, because in a number of cases promoters of the plugged-in places schemes have determined that multi-headed charging posts are the best way forward. That accounts for some of the discrepancy in numbers to which I think the hon. Lady is referring.

Peter Aldous (Waveney) (Con): Will the Minister consider maintaining the duty differential for sustainable biofuels? This has played an important role in creating green jobs, which are now threatened by the removal of the differential in April 2012.

Mr Hammond: As my hon. Friend knows, the differential plays an important role in bringing forward sustainable biofuels. In particular, the re-use of used oils is an important source of sustainable fuels. However, all matters relating to duty are for my right hon. Friend the Chancellor to consider and, when the current arrangements expire in 2012, he will consider whether to renew them and on what basis.

Public Transport (2012 Olympics)

15. **Mr Tobias Ellwood** (Bournemouth East) (Con): What recent discussions he has had with the Mayor of London on public transport provision during the London 2012 Olympics. [61521]

The Secretary of State for Transport (Mr Philip Hammond): I have lead accountability in Government for transport preparations for the 2012 Olympic games. Ministers and departmental officials regularly meet and correspond with the Mayor of London and Transport for London officials on a variety of London transport issues, including those in relation to the 2012 Olympics. The Mayor of London also attends the regular meetings of the Cabinet Sub-Committee overseeing preparations for the Olympics, of which I am a member.

Mr Ellwood: Not all the events are taking place in London. Bournemouth is still coming to terms with losing the bid for the beach volleyball to Horse Guards Parade. However, Weymouth is delighted to be hosting the sailing events. Will the Secretary of State outline what improvements to transport will take place for 2012 in that area?

Mr Hammond: I agree that on the face of it Bournemouth has a better beach than Horse Guards Parade, but there we are. My hon. Friend is right to draw attention to the transport challenges around the other venues. Plans to improve transport access to Weymouth during the Olympic games include temporary traffic management and a £5.7 million scheme to improve the Canford Bottom roundabout, which will include the installation of 70 additional traffic lights to control traffic flow. During this summer, the Highways Agency will be trialling the use of its traffic officers on the route between London and Weymouth as an additional means to manage traffic flows.

A63

16. **Karl Turner** (Kingston upon Hull East) (Lab): What plans he has for future improvements on the A63. [61522]

The Parliamentary Under-Secretary of State for Transport (Mike Penning): The spending review announcement in October 2010 listed the A63 Castle street improvement scheme for potential construction in future spending review periods, subject to the statutory process.

Karl Turner: The Labour council has had productive talks with Associated British Ports and Siemens this week, but is it not about time the Government became enthusiastic about the massive investment in my constituency and considered bringing forward plans to improve the A63? We are desperate for that.

Mike Penning: The Government are very enthusiastic as well, and there have been discussions with colleagues in the area and the Secretary of State in past days. We have to accept the financial mess that the previous Administration left us in, but we will do everything we can. If there are huge investments going in, perhaps the investors would also like to invest in that infrastructure, as is the case in other parts of the country.

Andrew Percy (Brigg and Goole) (Con): The Humber local economic partnership recently submitted a bid for an enterprise zone based around both sides of the Humber—the green port in Hull and the Able UK site on the south Humber gateway. The A63 will be key to linking that. What discussions has my hon. Friend had with the Department for Business, Innovation and Skills about the enterprise zone? Will he work in a joined-up way across Government to progress the A63 development?

Mike Penning: We work across Government on all such projects. We accept that enterprise zones will bring in more investment and growth, which is what we need to get out of the financial mess that we are in. I am sure that we will meet other Ministers and work forwards, but we have to go through the statutory process first.

London Underground

17. **Gavin Barwell** (Croydon Central) (Con): Whether he plans to bring forward proposals to prevent unplanned industrial action on London Underground. [61523]

The Minister of State, Department for Transport (Mrs Theresa Villiers): Existing legislation requires trade unions contemplating industrial action to ballot their membership and give due notice to the employer. The Government encourage both London Underground and the trade unions representing its employees to resolve disputes as quickly as possible through negotiation.

Gavin Barwell: Given the huge disruption that strikes on the underground cause for my constituents and for London's economy, is it not about time that there was a no-strike agreement on this vital public service, preferably negotiated with the union, but failing that through Government legislation?

Mrs Villiers: Of course, I am well aware of the Mayor's ambitions to get a no-strike agreement, which I think would be very positive if he could negotiate it with the unions. With regard to changing strike law, the Government are not rushing to any kind of confrontation with the unions, but Mr Crow and his colleagues at the RMT must recognise that the more irresponsibly they behave, holding London to ransom, the more they strengthen the argument of those who want a change in strike law.

Topical Questions

T1. [61525] **Kate Green** (Stretford and Urmston) (Lab): If he will make a statement on his departmental responsibilities.

The Secretary of State for Transport (Mr Philip Hammond): Since I last answered departmental questions, Sir Roy McNulty has published his report on improving value for money on our railways, which I have committed to responding to by publishing detailed proposals for the future of the railways before the end of the year. I have published a new strategic framework for road safety and announced the outcome of the competition to build carriages for the Thameslink programme. Today my right hon. Friend the Minister of State has launched a consultation on proposals to reform the air travel organiser's licence holiday protection scheme. I have also dealt with the consequences of the Grimsvotn volcano eruption, which is a good deal easier to say than Eyjafjallajokull and, I am pleased to say, caused a good deal less disruption.

Kate Green: Trafford Park in my constituency is home to many international businesses and makes a crucial contribution to UK manufacturing and exports. Excellent rail links are essential to its success. In planning for High Speed 2, what is being done to ensure that it and the wider regional rail network are fully integrated?

Mr Hammond: I would make two points to the hon. Lady. First, High Speed 2 will release significant amounts of capacity on the west coast main line, which will be available for different types of service, including freight. Secondly, we are clear that high-speed rail is not an alternative to investment in our conventional railways. Once people arrive at the high-speed destinations they will still need to get to their local destinations across the region, so we have to reinforce the regional rail networks as part and parcel of the programme of rail investment.

T3. [61528] **Stephen Phillips** (Sleaford and North Hykeham) (Con): I recently had the pleasure of meeting the parish council in the village of South Kyme in my constituency, which brought to my attention the loss of the village's only bus service. Many constituents have reported to me the loss of bus services, which are incredibly important for rural communities. What support can the Department lend to re-establish that service and ensure that those that exist remain?

The Parliamentary Under-Secretary of State for Transport (Norman Baker): As my hon. and learned Friend will recognise, the provision of bus services is primarily a matter for either commercial operators or local councils through tendered services, but we are cognisant of the importance of such services in rural areas and so have provided £10 million extra for community transport initiatives, and the local sustainable transport fund of £560 million allows investment in bus services in rural areas.

Maria Eagle (Garston and Halewood) (Lab): This morning the Transport Committee asked the Government to withdraw their modernisation proposals for the coastguard and consult on revised plans. Its report is very clear:

"The evidence we have received raises serious concerns that safety will be jeopardised if these proposals proceed."

Despite failing to do so before now, will the Secretary of State finally listen to coastguards up and down the country and abandon his dangerous and reckless plan to close more than half of Britain's coastguard stations?

The Parliamentary Under-Secretary of State for Transport (Mike Penning): We welcome the Committee's report. If the hon. Lady looks at it carefully, she will see that it actually says that the status quo is not acceptable and that coastguard stations need to close. The process we inherited from the previous Administration had been sitting on their desks for years. We said right at the start of the process that we would listen and come up with proposals after consulting. It is a shame that they did not do the same.

T4. [61529] **Mrs Helen Grant** (Maidstone and The Weald) (Con): Will the Minister meet me to discuss performance issues on the Medway valley line, which runs through my constituency?

The Minister of State, Department for Transport (Mrs Theresa Villiers): I would be entirely happy to do that. It is important that all rail passengers have access to reliable services. The Under-Secretary of State for Transport, my hon. Friend the Member for Lewes (Norman Baker) and I are very focused on that issue and would be happy to meet my hon. Friend.

Margaret Beckett (Derby South) (Lab): Is the Secretary of State aware that words such as "rebalancing our economy to promote private sector jobs and skilled manufacturing" ring very hollow in Derby, where 3,000 such jobs are now at risk as a result of a decision to build Thameslink trains in Germany? I understand that the Government reviewed and reconfirmed the contract after the election, but I understand also that the Secretary of State still has the power to call in the process and to invite the bidders to re-tender. Can he confirm that he will now do so?

Mr Philip Hammond: I understand the disappointment felt by Bombardier and, indeed, the anxiety felt by the people of Derby about that decision, but before the right hon. Lady delivers me a finger-wagging lecture perhaps I can remind her of a couple of points. Her Government designed and initiated the procurement process, and some Members may remember that they used to call it Thameslink 2000. We inherited it 16 years late and £600 million over budget, and it fell to us effectively to open the envelope. The procurement was

carried out under the terms of the EU directive, and the Siemens bid offered the best value for money on the criteria for appraisal set out in the original competition that the previous Government launched. We have to comply with EU law, and I do not have the power that she suggests I have.

I firmly believe that free trade and open markets are the best way for us to proceed, but I believe also in the concept of the level playing field, and there is a case for looking at the way in which some of our neighbours and competitors operate the EU procurement directive, because it seems quite astonishing that, complying with that directive as we do, they have managed to achieve very high percentage penetrations of French-built trains on the French railway and of German-built trains on the German railway.

T6. [61531] **Mr Edward Timpson** (Crewe and Nantwich) (Con): As my right hon. Friend has just said, the previous Government tied the hands of this Government on such decisions, including the Thameslink contract, which, as he is aware, affects my constituency. What can we do to ensure that British business does not lose out as a result of this false economy of going for cheap foreign contracts that leave us picking up the domestic dole bill?

Mr Hammond: I understand the concern of people in Crewe as well, of course, but we must not fall into a trap. The Siemens bid clearly offered the best value for money, and we must not lose sight of that fact. The wider issue of how we operate the procurement directive, and of how we work with the UK supply chain in industries such as rolling stock construction, is something that we need to review, and I am in discussions with my right hon. Friend the Business Secretary about how we do that.

T5. [61530] **Lisa Nandy** (Wigan) (Lab): I recently met a group of my constituents from Hunter Lodge in Wigan, who told me that they are unable to travel together on train services throughout the country because most companies will carry only one wheelchair user at a time. Does the Minister agree that, 16 years after the landmark Disability Discrimination Act 1995, it is entirely unacceptable that that appalling situation should continue? What is he therefore doing to put pressure on train companies to ensure that the situation does not continue?

Norman Baker: I entirely sympathise with the hon. Lady's point about disabled people having difficulty accessing some trains. There is a long-standing arrangement by which trains are expected to become compliant by 2020, and we are sticking to that and putting pressure on the train companies to accelerate it wherever possible. In addition, we are spending a good deal of money on access for all at railway stations in order to ensure that stations themselves are properly accessible to all people who want to use them.

T7. [61532] **Peter Aldous** (Waveney) (Con): Can the Minister provide an assurance that the granting of a short-term, two-and-a-half year contract for the Greater Anglia rail franchise will not delay planning for the reintroduction of a through service from Liverpool Street to Lowestoft?

Mrs Villiers: The issue of a short franchise will not have an impact one way or another on those decisions, so I can give my hon. Friend an assurance on that. I cannot guarantee that future franchises will necessarily reintroduce through services, so it will be very important, with him, to work with bidders for the next franchise to find out what they consider viable and commercially viable. I can assure him, however, that the Government's commitment to delivering the Beccles loop will provide more frequent services and, I hope, a significant economic benefit to his constituents.

Heidi Alexander (Lewisham East) (Lab): Commuters in Lewisham repeatedly express to me their anger about having to pay ever increasing rail fares for ever more overcrowded train services. What discussions has the Minister had recently with the Mayor of London to impress on him that train services are as important, if not more so, than his beloved bikes?

Mrs Villiers: I can assure the hon. Lady that this Government are placing a high priority on tackling overcrowding on our railways. In more or less every spending squeeze there has ever been, the first thing that gets axed is transport upgrade projects. We have committed significant funds to the Mayor of London to upgrade London's transport systems, and we are committing significant funds across the rest of the country to support investment in our railways to relieve overcrowding. It is a high priority for us and for the Mayor.

T8. [61533] **Gordon Henderson** (Sittingbourne and Sheppey) (Con): What steps is my right hon. Friend taking to mitigate the effects of foreign hauliers who use their advantage of being able to buy fuel more cheaply on the continent to undercut British companies?

Mike Penning: We have a commitment to bringing in lorry road user charging to level the playing field. It is important, however, that we do not penalise our own truckers with whatever scheme we bring in. We are in ongoing negotiations with the Treasury and we are committed to introducing a scheme in this Parliament.

Mr Brian H. Donohoe (Central Ayrshire) (Lab): The Secretary of State will no doubt have seen the reports in yesterday's newspapers about Willie Walsh of British Airways having suggested that as a consequence of the fact that a third runway will not be built in the south-east at Heathrow, he will increase BA's business in Madrid. Is that not rather ironic?

Mr Philip Hammond: I am pleased to see that British Airways, along with BAA, now accepts the finality of the coalition Government's decision that we will not allow the building of a third runway at Heathrow airport. However, that is not the end of the matter. We have to provide for aviation growth in the south-east of England, and in the UK as a whole, in order to meet the needs of a growing economy in future. That is why we have launched a scoping document and will bring forward a new sustainable aviation policy by the end of next year.

T9. [61534] **Andrew Stephenson** (Pendle) (Con): Will my right hon. Friend update the House on what progress has been made on the reopening of the Todmorden curve, which will provide a faster rail route between East Lancashire and Manchester?

Mrs Villiers: I am very much aware of the potential benefits of that project in helping to regenerate an area that is heavily dependent on public sector jobs. For precisely those reasons, it would be an impressive candidate for funding from the regional growth fund. I understand that the local authorities are working on that at the moment. I pay tribute to the work done by those in Burnley and on Lancashire county council on getting the project moving. My officials stand ready, and are indeed working with the local authorities, to see how we might be able to help to take things forward. This is primarily a local matter, but there is the real prospect of a successful RGF bid.

Kelvin Hopkins (Luton North) (Lab): Eddington identified congestion as a major and growing cost to the economy. Across Europe, towns and cities have light rail systems, which alleviate congestion. When are the Government going to put real political will and resource behind developing light rail systems across Britain?

Norman Baker: I am happy to say that we have done a great deal for light rail in the time since the general election, including authorising extensions to the systems in Nottingham, Manchester and Birmingham. I have authorised a tram trial project in Sheffield and commissioned a report internally on value for money in light rail, and that report is now on my desk. We recognise the values of light rail and we are taking it forward in a real way.

WOMEN AND EQUALITIES

The Minister for Women and Equalities was asked—

Parental Leave

1. **Charlie Elphicke** (Dover) (Con): What assessment she has made of the effects on women workers of proposed reforms of parental leave. [61535]

7. **Gavin Barwell** (Croydon Central) (Con): What assessment she has made of the effects on women workers of proposed reforms of parental leave. [61543]

The Secretary of State for the Home Department and Minister for Women and Equalities (Mrs Theresa May): Our proposals for a new system of parental leave will protect mothers' rights while giving families more choice and flexibility over how they can share their work and caring responsibilities. The proposals mean that working mothers will be better able to keep in touch with their employer, and they will also aid career progression for working mothers and help to tackle pregnancy discrimination.

Charlie Elphicke: One of the key problems faced by working mothers is the gender pay gap, which is a shocking thing. Will these reforms help to reduce the gender pay gap?

Mrs May: I thank my hon. Friend for raising that issue. I think that the reforms will reduce the gender pay gap, because the division of caring responsibilities between parents is one of the underlying issues. The current arrangements for parental leave reflect an expectation that the mother will stay at home and care for the children. Those arrangements urgently need reform. Although we will use a range of approaches to reduce the gender pay gap, this is an important element.

Gavin Barwell: In the light of the Prime Minister's speech about the importance of men taking responsibility and a more active role in the upbringing of their children, is it not time for a much more flexible system, which encourages and allows them to do that?

Mrs May: I absolutely agree with my hon. Friend. That is precisely what our flexible parental leave proposals, on which we are consulting, will do. Crucially, they will not only allow the father and mother to share parental leave, but will enable them to take time off together in the early stages following the child's birth, if that is what they want. It will be possible for fathers to be much more involved in the very early stage of their child's life.

Homophobia (Sport)

2. **Dr Daniel Poulter** (Central Suffolk and North Ipswich) (Con): What steps she is taking to reduce the incidence of homophobia in sport. [61536]

The Secretary of State for the Home Department and Minister for Women and Equalities (Mrs Theresa May): We are encouraging every club, team, player and fan to sign up to our new charter, "Tackling Homophobia and Transphobia in Sport", and to work with us to put an end to homophobia and transphobia in sport. We are working with the top sports national bodies, Sport England and the London Organising Committee of the Olympic Games and Paralympic Games to tackle this issue. I am pleased to say that yesterday the Prime Minister hosted a reception in No. 10 to celebrate the good work that is under way to drive homophobia and transphobia out of sport.

Dr Poulter: Given our wish to get a lot of young people involved in sport, and with the Olympics happening next year, does my right hon. Friend agree that we need to break down homophobic attitudes among young people in particular and to ensure that young people can fully participate in sport? What will the Government do to facilitate that?

Mrs May: I agree with my hon. Friend that that is important. We want sport to be welcoming for everyone. Spectators and participants should feel that there is no barrier for them, and should not feel concerned about the sort of comments they might hear. It is important that young people are taught and shown the way forward. I think that our charter will help to do that.

We need to work on homophobia particularly in relation to football. Over time, football has not done enough to deal with this issue. Sadly, the terraces of football clubs are too often places where homophobic and transphobic comments are made. I am pleased to say that the Football Association was represented at the reception at No. 10 yesterday. Too often in the past there has been a reluctance among the football authorities to deal with this issue and frankly it is time that football got its house in order.

Chris Bryant (Rhondda) (Lab): I wholeheartedly endorse what the Minister for Women and Equalities has said about football. It is a great sadness that there has been only one out gay footballer, and he ended up committing suicide partly because of the reaction. Has the Minister come across the charity Diversity Role Models? It plays an important role in taking gay and lesbian people from many walks of life into schools, so that young people can see that the homophobic bullying to which they might have been subjected is not the right way forward.

Mrs May: I am not aware of that organisation, but I am happy for the hon. Gentleman to send me details about it. It is important that we use every opportunity to ensure that young people get the right messages, and that they do not just stand on the terraces or participate in sport and get the wrong messages. One problem, as the hon. Gentleman said, is that only a few key sports people have come out across a number of sports.

Chris Bryant: Rugby?

Mrs May: Rugby has a better record than football. I hope that we can have a situation in which gay sports players feel that they can come out.

Tom Brake (Carshalton and Wallington) (LD): I welcome what the Minister said in relation to the Olympics and tackling homophobia. Have the Government thought about how the Olympics can be used to encourage participating countries to tackle homophobia in their home countries?

Mrs May: The Olympic games present an important opportunity for a clear message to be sent across the world. The London Organising Committee of the Olympic Games and Paralympic Games has already produced a pin badge which, as well as the London 2012 logo, features a rainbow flag illustrating its commitment to tackling homophobia and transphobia in sport. It is considering what else it can do.

We should send that message from the Olympic games to other countries, but we should do more, and I am pleased to say that Ministers have agreed to raise lesbian, gay, bisexual and transsexual issues with other Governments whenever possible during overseas visits. The Minister for Equalities, my hon. Friend the Member for Hornsey and Wood Green (Lynne Featherstone), did just that during her recent trip to India and Nepal.

Disability Hate Crimes

3. **Chris Skidmore** (Kingswood) (Con): What steps she is taking to improve the recording of disability hate crimes. [61537]

The Parliamentary Under-Secretary of State for Work and Pensions (Maria Miller): The Government are committed to better recording of hate crimes, and important progress has already been made. Since April, police forces have been formally collecting data on disability hate crime for the first time. We are working with key voluntary sector partners, including disabled people's organisations such as Voice UK and RADAR, to encourage more reporting of hate crimes, and I think that that will make a significant contribution.

Chris Skidmore: In the light of tragic cases such as that of Fiona Pilkington, and the publication this week of Mencap's "Don't Stand By" report, does the Minister agree that police forces must identify the key challenges to the tackling of disability hate crime, and must use the data that they collect to improve the fight against that appalling abuse?

Maria Miller: I agree with my hon. Friend that it is important for us to learn lessons. I welcome Mencap's report, and was delighted to attend its launch earlier this week.

The police face a number of challenges, including not just data collection but the need to show leadership, to show that they are making the issue a priority, and to ensure that the right training is provided. I pay tribute to organisations such as Breakthrough UK in Manchester and BSafe Blackpool, with whose representatives I have discussed the issue at length.

Helen Goodman (Bishop Auckland) (Lab): Has the Minister discussed with the Secretary of State for Justice whether the proposal in his Bill for the duties relating to all hate crimes to be wrapped up into a general duty will enable the current focus on individual groups to be retained?

Maria Miller: The hon. Lady has raised an important question. The first stage in the overall process involves our ensuring that we are aware of the magnitude of the problem, and it is therefore important that, since April, hate crimes have for the first time been recorded. As the hon. Lady suggests, we must ensure that we have access to a breakdown of the figures, and I will ensure that the appropriate people in the appropriate Ministry are aware of our feelings in that regard.

Fiona Mactaggart (Slough) (Lab): As you know, Mr Speaker, I had hoped to ask a supplementary question about the impact on women of charges for learning English as a second language. I am disappointed that the Secretary of State, who has overall responsibility across Government for the women and equalities agenda, has decided that how that affects women is not an issue for her. I wonder whether she is considering only Home Office matters, but in any event this is a Home Office matter.

Mencap's "Stand By Me" report makes a clear demand for specialist policing. It reveals straightforwardly that police authorities with specialist police resources deal with disability hate crime more effectively than other authorities. Given that the Home Secretary is cutting the police force by removing 10,000 officers, what action will the Minister take to ensure that every police area has a specialist resource that is trained and able to deal with the issue?

Maria Miller: As the hon. Lady will know, Cabinet Office guidance on parliamentary questions governs what questions are answered in this Question Time.

It is important for us to take account of individual areas in the country and the needs that may arise there. The position is different in each police authority area, and local police constables and chief police constables should be able to take account of that. However, the police alone do not provide the answer. Disabled people's

organisations have an important role to play in helping to ensure that disabled people feel that they have an opportunity to report crimes accurately, and I pay tribute to those organisations for the work that they are doing in that regard.

4. **Mr David Hanson** (Delyn) (Lab): What recent assessment she has made of trends in the number of disability hate crimes. [61538]

5. **Mr Gerry Sutcliffe** (Bradford South) (Lab): What recent assessment she has made of trends in the number of disability hate crimes. [61540]

The Parliamentary Under-Secretary of State for Work and Pensions (Maria Miller): Until recently there has been no formal collection of data on disability hate crime. We are committed to promoting better recording of it, and from April this year forces started collecting the relevant data. When the statistics are published next summer we will have a clearer picture of local patterns and trends, which will help the police target their resources in the most effective way.

Mr Hanson: The Minister will know that following the publication of the Mencap report on Monday, there are some positive suggestions about how we can encourage further reporting of hate crime. Will she agree to have a discussion with the Association of Chief Police Officers to consider what I know from experience are very difficult issues?

Maria Miller: I am sure the right hon. Gentleman will be relieved to know that we are already having such conversations with ACPO. It is very important that those discussions include disabled people and the organisations that represent them, because they have an important role to play.

Mr Sutcliffe: I welcome the Minister's comments on reporting, but how can we give disability organisations and disabled people themselves the confidence to report crime? What work can take place on that?

Maria Miller: I reiterate the role that user-led organisations can have, such as the one in Blackpool, BSafe, that I visited with my hon. Friend the Member for Blackpool North and Cleveleys (Paul Maynard). Such organisations can have a real effect by giving people the confidence to report. If they have the right systems in place—we are helping RADAR develop those systems—third-party reporting can be effective as well.

Andrew Percy (Brigg and Goole) (Con): As schools already report any incidents of hatred against disabled people, will the Minister work with the Department for Education to ensure that the trends reported in schools are carried over to Home Office figures? Will the two Departments work together so that if there is a problem of hatred against disabled people in schools, the Home Office is aware of it and will work with schools to address it?

Maria Miller: My hon. Friend raises a very important point, and I will ensure that it is taken up.

Dame Anne Begg (Aberdeen South) (Lab): I was surprised to discover that the data have not been collected, so that trends cannot be found. I welcome the Government's commitment to collecting those data. May I suggest, however, that the Government also consider the catalyst of the crime that is reported, particularly as a number of disabled people say that they have been spat at in the street or called scroungers because of some of the headlines that have been in the newspapers?

Maria Miller: After 13 years of the previous Administration, it is a shame that speedier action was not taken on that. I am glad that the coalition Government have taken action so quickly.

The hon. Lady is right to say that we are dealing with the symptoms, not the causes, of the problem. That is why we are putting a great deal of effort and energy into ensuring that there are positive images of disabled people. We have a consultation at the moment on how to involve more disabled people in political life. Having disabled people at the centre of decision making will help to change people's attitudes.

Rape Prosecutions

6. **Dan Jarvis** (Barnsley Central) (Lab): What recent discussions she has had with ministerial colleagues on steps to increase the rate of prosecution for rape. [61542]

The Minister for Equalities (Lynne Featherstone): Rape prosecution is regularly discussed at ministerial level through the inter-ministerial group on violence against women. It is completely unacceptable that so many women and men are victims of this abhorrent crime. We have taken action to support rape victims and improve prosecutions by training specialist rape prosecutors in all areas, providing £1.72 million of funding a year for independent sexual violence advisers who support victims through the criminal justice system, and putting funding for rape support centres on a stable footing.

Dan Jarvis: Around 5,000 people each year are arrested on suspicion of rape and not charged. Some have gone on to commit further offences and been convicted as a result of being on the DNA database. The Prime Minister was not able to answer this question yesterday, so perhaps the Minister will today. Why does she think it is right to get rid of the DNA of those arrested for but not charged with rape?

Lynne Featherstone: Mainly because they are innocent. The Government start from the principle that someone who is arrested for, or charged with, a criminal offence but not subsequently convicted is innocent. Unlike the last Government, we will not hold the DNA of 1 million innocent people indefinitely. While they were busy filling the database with the DNA of innocent people, they absolutely failed to collect the DNA of the guilty, who were liable and had been convicted, and who might very well offend again.

Lorely Burt (Solihull) (LD): My hon. Friend has written that nine out of 10 rapes go unreported, and that 38% of serious sexual assault victims tell no one about their experience. Reported rape is just the tip of the iceberg. I know that we are putting £10.5 million into rape centres, but what can we do to encourage victims to walk through their doors in the first place?

Lynne Featherstone: I thank my hon. Friend for that question. She is quite right that reported rape is the tip of the iceberg. The funding—stable funding, unlike under the previous Government—to support rape centres right across the country is one thing we can do. We are also filling in the gaps: we will have centres in Hereford, Trafford, Devon and Dorset this year, and more work is being done to identify other areas so that coverage goes right across the country. The police have a job to do too, in the work that they do to send out a message loud—

Mr Speaker: Order. I am trying to help the House and to facilitate Back Benchers, but we must have short questions and short answers.

Yvette Cooper (Normanton, Pontefract and Castleford) (Lab): I am sorry that the Home Secretary chose not to answer that question, because it was raised in Prime Minister's questions and it is a serious issue. The answer from the Minister for Equalities to my hon. Friend the Member for Barnsley Central (Dan Jarvis) was deeply unsatisfactory. She is keeping on the database the DNA of people who have been charged but not convicted. However, she is refusing to keep the DNA of those who are arrested but not charged. In those 5,000 cases, the police have decided that there is enough evidence to pass a case to the Crown Prosecution Service, but the CPS has decided not to charge.

We know that, for a series of reasons, rape is notoriously difficult to charge and convict, and we know that there is evidence among those 5,000 cases of people who have committed serious offences and who will go on to offend again. Under the Minister's rules, the DNA of John Warboys would not have been kept. Will the Minister now think again and do something serious to increase rape prosecutions?

Lynne Featherstone: What the right hon. Lady has said is not accurate. When someone is arrested, there are circumstances under which the DNA can be retained. I shall run through those very briefly. DNA can be retained if the victim of the alleged offence is under 18; if the victim of the alleged offence is a vulnerable adult; if the victim of the alleged offence is in a close relationship with the subject; and, to answer her point precisely, if the police consider that retention is necessary to safeguard the public.

Business of the House

11.37 am

Hilary Benn (Leeds Central) (Lab): Will the Leader of the House give us the forthcoming business?

The Leader of the House of Commons (Sir George Young): The business for next week will be:

MONDAY 27 JUNE—A debate on House of Lords reform.

TUESDAY 28 JUNE—Remaining stages of the Finance (No.3) Bill (day one).

WEDNESDAY 29 JUNE—Second Reading of the Legal Aid, Sentencing and Punishment of Offenders Bill.

THURSDAY 30 JUNE—A motion to bring in a resolution, on which a Bill is to be brought in, followed by a motion to approve a regulatory reform order relating to Epping Forest.

The provisional business for the week commencing 4 July will include:

MONDAY 4 JULY—Conclusion of remaining stages of the Finance (No.3) Bill (day two).

TUESDAY 5 JULY—Opposition day (19th allotted day). There will be a debate on an Opposition motion. Subject to be announced.

WEDNESDAY 6 JULY—Estimates day (3rd allotted day). There will be debates on the Prevent strategy, and on Afghanistan and Pakistan. Further details will be given in the *Official Report.*

[The details are as follows: The Prevent strategy: 6th Report from the Communities and Local Government Committee of Session 2009-10, HC 65, "Preventing Violent Extremism".

Afghanistan and Pakistan: 4th Report from the Foreign Affairs Committee of Session 2010-12, HC 514, "The UK's foreign policy approach to Afghanistan and Pakistan"; and the Government's response, CM 8064.]

At 7 pm the House will be asked to agree all outstanding estimates.

THURSDAY 7 JULY—Proceedings on the Consolidated Fund Bill, followed by consideration of Lords amendments to the Fixed-Term Parliaments Bill.

I should also like to inform the House that the business in Westminster Hall for Thursday 30 June 2011 will be:

THURSDAY 30 JUNE—A debate on co-operatives and mutuality in the economy.

Hilary Benn: I am grateful to the Leader of the House for that reply.

On tonight's vote on stopping the use of wild animals in circuses, will the Leader of the House reassure us that the Government are not whipping their vote? Would it not be ironic if the whip were used to defeat the ban so that people can go on cracking a whip at circus animals?

It is learning disability week, and yesterday I met a group from Leeds who had come to tell MPs that they face discrimination every day. Does the right hon. Gentleman agree that any idea that disabled people should be paid less than the minimum wage would be outrageous discrimination, and may we have a statement condemning it?

Following your comments on Tuesday, Mr Speaker, about the Government holding press conferences on major policy announcements before they come to the House to answer questions from MPs, will the Leader of the House now make time available for the Procedure Committee's proposals on ministerial statements to be debated? The Committee's idea that Ministers would be forced to make a formal apology on the Floor of the House for breaching the rules might concentrate the Government's mind.

Last week I asked the Leader of the House about reconsidering the strategic defence review. Yesterday the Prime Minister came to the House and let slip that he is doing so already, although he had not previously told anyone, least of all the House of Commons. In the Prime Minister's own words:

"We have had a review of the national security and defence review over the past year"—[*Official Report*, 22 June 2011; Vol. 530, c. 315.]

When can we expect a statement on the outcome of the review?

This week the climate change Secretary attacked right-wing ideologues and deregulation zealots for putting environmental regulations, including those in climate change and national parks legislation, on a list of so-called red tape that might be scrapped. We wish the Secretary of State well in his fight to save the regulations, but has the Leader of the House had any indication that the Cabinet Secretary's right-wing, zealous Cabinet colleagues—presumably they were who he was talking about—have asked to make a statement by way of right of reply to this grave charge? If not, may we at least be given a list of their names so that we can keep score?

On the subject of zealots, may we have a statement from the Prime Minister on how he has got on since PMQs yesterday in his desperate attempts to prevent Tory MEPs from voting against a 30% reduction in emissions—which is, after all, a coalition policy—in the European Parliament today? This is a real test of his authority, and if he fails it his claim to be leading the greenest Government ever will be in tatters.

May I offer the Leader of the House an apology? I fear that my comments on weekly bin collections may have inadvertently contributed to a widening of the rift between the Environment Secretary and the Communities Secretary over whose turn it is to take the rubbish out. *The Daily Telegraph* today reported:

"Cabinet pair 'at daggers drawn' after bitter bin collection feud."

It seems that the right hon. Lady hung up on the right hon. Gentleman, and the pair are thought not to have spoken since. A colleague said:

"The whole thing is fairly unpleasant. . ."

So may we have a statement on why this fragile coalition inside the Conservative party now seems to be falling apart?

After all the policy changes, pauses, rethinks, repudiations, and U-turns in the past few weeks—by the way, I congratulate the Foreign and Commonwealth Office website on its honesty for yesterday announcing changes to the BBC World Service with the headline

"Massive U-turn on BBC World Service funding"—

did the Leader of the House see the conclusion drawn by one unhappy Conservative MP who this week said:

"It's not worth going out on a limb for something if it may be abandoned when the tabloids or the Lib Dems kick up"?

[Hilary Benn]

Pity the loyal Back Benchers: they are keen to help, eager to please and want to back their Government, but they now have absolutely no idea, with all this prime ministerial hokey cokey, whether policies that are in this week might be policies that are out next week, or at the very least shaken all about. May we therefore have a statement reassuring them that if they do take the plunge and voice support for the Government, they will not be left high and dry as so many of the Prime Minister's Cabinet colleagues have found themselves in recent weeks? Finally, does this collective loss of nerve by the Government not show just how right was the Treasury mandarin who last week complained:

"They just don't seem to have thought any of this stuff through"?

Sir Humphrey could not have put it better himself.

Hon. Members: More!

Sir George Young: We hear that the shadow Leader of the House's bid to lead his party goes from strength to strength. I can report that following my comments last week, even *The Independent* has been tempted into a flutter:

"I'd put £50 on Hilary Benn. He's not an automatic embarrassment. His performance as shadow Leader is widely admired. And there's the hereditary principle working in his favour."

With friends like those, what is holding—*[Interruption.]*

Mr Speaker: Order. I want to hear the views of the Leader of the House on the hereditary principle.

Sir George Young: As the sixth baronet, I am in favour of the hereditary principle.

Let me turn to the shadow Leader of the House's questions. I note in passing that he asked very few questions about next week's business. None the less, on the motion dealing with circus animals, we are tackling a problem that he singularly failed to tackle during his time in government.

Kevin Brennan (Cardiff West) (Lab): Are you whipping?

Sir George Young: The Government are perfectly entitled to defend their position in the House and in a Division.

As for shadow Leader of the House's question about disabled people and the minimum wage, the suggestion made was outrageous. It is not Government policy, and I agree with what he said about it.

We would welcome a debate on ministerial statements. It is for the Backbench Business Committee to find time to debate the proposals of the Procedure Committee. This Government have made roughly one third more ministerial statements a day than the outgoing Administration, and we are more than anxious to keep the House fully informed. There will not be another SDSR, as the Prime Minister made clear, and there is not a review of it.

As for the right hon. Gentleman's comments about zealots, which I believe were reported in the press, the comments and criticisms within the coalition Government are, from time to time, made by members of two different parties, whereas in the previous Government much more offensive comments were made about Ministers in the same party, so I am not sure that he should raise the issue on the Floor on the House.

So far as MEPs are concerned, the coalition's policy is wholly unaffected by what happens in the European Parliament. The coalition Government's commitment to reducing CO_2 emissions and climate change remains unaffected.

As for the Foreign and Commonwealth Office, I hope that the right hon. Gentleman welcomes the additional £2.2 million for the Arabic service, for which there was support among Members on both sides of the House. In the context of a budget for the World Service of some £250 million, it is difficult to describe that as a mammoth U-turn. It is a sensible and welcome change in response to pressure from the House.

So far as rethinking Government policies is concerned, I wonder how long it will be before the right hon. Gentleman's party reconsiders the shadow Chancellor's view on a reduction in VAT, which it seems was introduced without any consultation with his colleagues.

Sir Alan Haselhurst (Saffron Walden) (Con): Would my right hon. Friend consider it appropriate to hold a debate in Government time on the future of the Commonwealth? We are approaching an important Heads of Government conference in the autumn and, more imminently, the centennial conference of the Commonwealth Parliamentary Association here in London.

Sir George Young: I welcome my right hon. Friend's work as chairman of the CPA in organising an important conference at the end of next month. I am glad that a number of my ministerial colleagues will speak at the conference, which I hope will be a great success. I would be misleading him, however, if I said that I could find time between now and the summer recess for a debate on the Commonwealth, but I hope that there might be an opportunity to raise the issue in Foreign and Commonwealth Office questions or perhaps to seek a debate in Westminster Hall.

Natascha Engel (North East Derbyshire) (Lab): I am sorry to go on about this, but the Leader of the House gives me absolutely no option. The Government are not sticking to their promise of allocating one day a week as Back-Bench time. At the moment, we are running at about one day a month, and I am sure that the problem cannot possibly be the subjects that we are choosing to debate on the Floor of the House, so will he please again consider allocating one set, regular, non-Thursday slot as Back-Bench time?

Sir George Young: Let me reassure the hon. Lady, whose work as Chair of the Backbench Business Committee I admire, that we will stick to our promise that there will be 35 days in the Session, plus injury time because this Session is longer. We cannot offer one day every week, and a large number of days at the beginning of the Session were devoted to general debates. We might be able to catch up towards the end of the Session, but at the moment I am under enormous pressure to provide adequate time to debate Government measures, and she has a whole day today to debate Back-Bench business. I reassure her that we will honour the agreement of 35 days per Session, plus injury time because this Session is longer than normal.

Several hon. Members *rose—*

Mr Speaker: Order. A further 38 right hon. and hon. Members are seeking to catch my eye. As always, I should like to accommodate them, but I remind the House that two debates are taking place today under the auspices of the Backbench Business Committee, both of which are well subscribed. Brevity from Back Benchers and Front Benchers alike is therefore of the essence.

Mr James Arbuthnot (North East Hampshire) (Con): Does my right hon. Friend share my disappointment that he was unable to announce today a debate on the armed forces? Is he aware that the Backbench Business Committee—through no fault of its Chair, I have to say—has refused my request for a debate on the armed forces, although we have not had one since September last year, in favour of a request to debate eight or 28 circus animals? That is an important subject that would be appropriate for a debate in Westminster Hall, but I understand that that already happened a couple of weeks ago.

Sir George Young: I understand where my right hon. Friend, who is Chair of the Defence Select Committee, is coming from, but under the Wright Committee proposals the four days per Session that were allocated for defence have been put into the pot, which is now owned by the Backbench Business Committee. It is therefore up to the Backbench Business Committee to decide how to allocate those days, and I think that his comments were addressed as much to the Committee as they were to me.

Mr David Winnick (Walsall North) (Lab): On parliamentary accountability, or the lack of it, why did the Secretary of State for Defence table a written statement today on the cost of the military operation in Libya, rather than making an oral statement at the Dispatch Box? Is it not unfortunate that we get our information either from the media or from written statements, and that the Minister responsible does not come here to explain and justify his actions and to answer questions accordingly?

Sir George Young: The hon. Gentleman says that the Government have not made a statement, but he is holding in his hand the Government's statement. As I said a few moments ago, the record of this Government on making statements is better than the record of the Government whom he supported.

Mr Rob Wilson (Reading East) (Con): Following the schools Minister's welcome announcement this morning that grammar schools such as those in my constituency will be allowed to expand, may we have a debate on grammar schools and their positive impact on social mobility?

Sir George Young: Again, my hon. Friend's request might have been heard by the Backbench Business Committee. The policy of the coalition Government is that, where grammar schools exist, they should be allowed to expand. We are not, however, in favour of starting them in areas that do not have them. I personally would welcome such a debate, and I hope that that can be arranged through the Backbench Business Committee or possibly on the Adjournment.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): The Leader of the House will know that the base interest rate is 0.5%. Is he aware that my constituents and others up and down the land are paying 19.1% interest on their credit cards? The failure of the credit card industry to lower its rates in line with the base rate has ripped off our constituents by £500 million. When may we have a debate on the way in which interest rates are ripping off consumers and small businesses?

Sir George Young: I understand the hon. Gentleman's concern at the gap between the base rate and the rate charged by credit card companies and other lending organisations. There will be an opportunity to raise this matter of consumer protection in questions to the Department for Business, Innovation and Skills, as well as in Treasury questions. Alternatively, the hon. Gentleman could apply for a debate on the Adjournment.

Mr Peter Bone (Wellingborough) (Con): May we have a statement next week from the Leader of the House on why the Government are rowing back on their commitment to provide a day a week for Back-Bench business? It is no good for him to suggest that Members refer their requests to the Backbench Business Committee if the Government are not giving us any days. May I suggest that it is his job to resist pressure from the Executive for debates?

Sir George Young: I am under enormous pressure from both sides of the House to provide adequate time to debate Government legislation. We have accommodated two days for the Report stages of a number of Bills because we think it important that the House has adequate time for such debates. If my hon. Friend looks at the Standing Orders, he will see that the commitment was to 35 days per Session, not to one day a week. As I said to the hon. Member for North East Derbyshire (Natascha Engel), we will abide by our commitment. I must also point out that there would be no Backbench Business Committee at all, were it not for the coalition Government introducing one.

Pat Glass (North West Durham) (Lab): There is a Focus store in Consett in my constituency, as I am sure there are in many others. I have been contacted by Kingfisher, the parent company, which wants to take over the store and all its staff, but it has been advised that it will not get a decision from the Office of Fair Trading until September. That will be too late for my constituents, who will be made redundant by the Focus receiver on 18 July. The redundancy payments and welfare benefits represent a massive cost that does not need to be incurred. May we have a statement on what action the Government will take to speed up the OFT's decision?

Sir George Young: Of course I understand the concern that the hon. Lady expresses on behalf of her constituents, and I will contact the OFT today to remind it of her concern and ask it for an urgent response.

Priti Patel (Witham) (Con): Local communities in my constituency have been left devastated after the Planning Inspectorate imposed Traveller sites on various communities, based on the outdated planning policies of the previous Government. A Government consultation is taking place on the planning circulars. May we have a debate, so that Members can influence that consultation?

Sir George Young: I understand my hon. Friend's concern. It sounds as though that decision was reached under the existing rules on Traveller sites. Our view is that the rules are not fit for purpose, so we are consulting on an alternative set of proposals. The consultation closes on 6 July, and I am sure that my hon. Friend will respond to it. I cannot promise her a debate on the subject she raises, but the Localism Bill is now in another place, where there might be an opportunity to debate proposals on Traveller sites.

Mr Dennis Skinner (Bolsover) (Lab): Is the Leader of the House aware that hundreds of Derbyshire constituents are up in arms at the prospect of there not being an oral statement about the railway contract that went to Siemens in Germany, rather than to Bombardier in Derby? Why are this Government not acting like the Government in Germany, where about 90% of the contracts stay in Germany? About 100% of such contracts stay in France. And do not tell me it is because of what the last Government did; this Government are supposed to be doing something else. I never voted for the free movement of capital and labour, unlike the Leader of the House and thousands of others. Stop rolling over to the EU!

Sir George Young: I am not sure whether the hon. Gentleman was in Transport questions a few moments ago when that subject was raised.

Mr Skinner: I was. I tried to get in.

Sir George Young: If he was listening, he would have heard that the terms of the tender were set by the Government who, from time to time, he supported. His point about Ministers not being able to defend the proposition is wholly untrue; we defended it a few moments ago.

Chris Heaton-Harris (Daventry) (Con): The Local Government Boundary Commission's review of Daventry district has united all political parties locally and a huge number of the parishes against the proposals. Few if any of the views expressed in the consultation period have been taken into account, and I am being asked to pray against the measure when it is placed before the House after the summer. Will the Leader of the House advise me on the parliamentary routes available to me to get the Local Government Boundary Commission to listen to the views of my constituents?

Sir George Young: The short answer is no, but I will write to my hon. Friend outlining the procedures available to him to pursue this important matter.

Hywel Williams (Arfon) (PC): May we have an urgent statement on the newly leaked plans to close seven of the eight HMRC offices in Wales, leading to a possible 1,000 redundancies and affecting the quality not only of the service in Wales generally but in particular of the service through the medium of Welsh provided in Porthmadog?

Sir George Young: Of course I understand the hon. Gentleman's concern, which I will convey to the appropriate Minister and ask him to write to the hon. Gentleman as soon as he can.

Mr David Evennett (Bexleyheath and Crayford) (Con): Will my right hon. Friend arrange for a debate on the apprenticeships programme, in the light of today's excellent news about apprenticeship numbers? We should all be delighted that there are 114,000 more apprenticeships in the year, which will provide real opportunities for our young people.

Sir George Young: I am grateful to my hon. Friend for his question, and I commend to the House the written ministerial statement from the Minister for Further Education, Skills and Lifelong Learning. There will be some 25,000 more apprenticeship places as a result of the steps we have taken, and we see that as an important part of the road to recovery and dealing with the high youth unemployment that we inherited.

Mr Denis MacShane (Rotherham) (Lab): Ahead of the visit by the Chinese Premier Wen Jiabao, may we have a debate on human rights in China? We welcome the release yesterday on conditional bail of Ai Weiwei, but the Nobel peace prize winner Liu Xiaobo is still banged up in the Chinese communist gulag. When the Prime Minister meets his opposite number here in London, will he say in public that Liu Xiaobo should be freed? He did not do so in China, which I think was contemptible, but now that the Chinese Premier is coming to English democratic territory, will he tell him to his face to release Liu Xiaobo?

Sir George Young: I welcome the release to which the right hon. Gentleman refers. I give him the assurance that my right hon. Friends will raise with the Chinese delegation the important issue of human rights, and I am sure that they will do so diplomatically and effectively.

Nick de Bois (Enfield North) (Con): On a recent visit to an RAF station, it was highlighted to me that junior rank servicemen living in single room accommodation in blocks of more than 40 still have to pay the full television licence, even when serving abroad. With Armed Forces day approaching, could we have a statement from the relevant Minister to see whether we could review that situation?

Sir George Young: I understand my hon. Friend's concern. There will be an opportunity to question Defence Ministers on 4 July, when he might have an opportunity to raise the matter during topical questions.

Kevin Brennan (Cardiff West) (Lab): I am also in favour of the hereditary principle because, just like the right hon. Gentleman, I come from a very long line of parents. I know he reads the *Daily Mirror*. Has he seen today's report that Cardiff has been listed in *National Geographic* magazine as one of the top 10 alternative places to visit this summer? May we have a debate on tourism and the importance of promoting and publicising our wonderful cities like Cardiff?

Sir George Young: I am afraid that the hon. Gentleman risks setting up a bidding war between every Member who believes that his or her constituency is the best one to visit for holidays, but he has achieved his objective by putting his views on the record.

Neil Parish (Tiverton and Honiton) (Con): May I urge the Leader of the House to support having a debate on the rare cancer of neuroblastoma? My constituent, Mr Samual Daubany-Nunn, suffers from this rare cancer and has to go to Germany to get treatment. Some primary care trusts fund going to Germany for treatment, but the one in my constituency does not do so at the moment. I really think that people should be treated fairly throughout the country.

Sir George Young: I share my hon. Friend's concern. He will know that we have put extra resources into cancer treatment over the past year, but I will draw his remarks to the attention of my right hon. Friend the Secretary of State for Health.

Jim Sheridan (Paisley and Renfrewshire North) (Lab): I draw the attention of the Leader of the House to early-day motion 1956:

[That this House recognises the sacrifice of the UK's atomic test veterans; notes that many test veterans are now ill; further notes that many countries have paid compensation to ex-service personnel who were exposed to atomic tests; believes that atomic test veterans fulfilled their military duties in good faith; and urges the Government to make an ex-gratia payment to the UK's atomic test veterans.]

It calls for compensation payments to atomic test veterans. This issue has gone on for an extremely long time. At one time or another, we all praise the hard work of our armed forces; now is the time to turn those words into deeds. After all, there are not many of these veterans left and they are probably now outnumbered by lawyers.

Sir George Young: As the hon. Gentleman was good enough to concede, this problem has been going on for some time. There will be an opportunity to raise it with Defence Ministers on 4 July. In the meantime, I will remind my right hon. Friend the Secretary of State for Defence of the concern that this matter remains outstanding and urge him to do all he can to bring it to a satisfactory conclusion.

Lorely Burt (Solihull) (LD): My hon. Friend the Member for Bristol West (Stephen Williams) and, this morning, the Deputy Prime Minister are calling for shares in Northern Rock and Lloyds, which we substantially own, to be distributed to the British people. Given the interest in this proposal, may we please debate it on the Floor of the House?

Sir George Young: Indeed, that is one of a number of options. I think the reference was to Lloyds and HBOS, as I think a Treasury statement about Northern Rock was made last week. It is important to have an open debate about the options available to the Government when the time is right for transferring these banks to the private sector. I cannot promise an immediate debate, but I am sure there will be opportunities, perhaps in the remaining stages of the Finance Bill, to deal with it.

Ann Clwyd (Cynon Valley) (Lab): Is the Leader of the House aware that Syrians living in London are being threatened and intimidated by agents of the Assad regime? Does he know that these people have been photographed and the photographs shown to their families in Syria? The Syrian ambassador is about the Houses of Parliament this morning. Has he been called in and told that that is totally unacceptable behaviour in this country, which believes in freedom of expression and freedom of speech?

Sir George Young: I am grateful to the right hon. Lady for raising this matter. We are indeed aware of the reports and we are discussing them with the Metropolitan police. Any evidence of offences committed by embassy staff—or, indeed, anybody else—against demonstrators should be reported to the police. Anybody who has any such information should do the same. We will, of course, take up with the police any information they receive regarding alleged offences by the Syrian or any other embassy, and we will take the appropriate action.

Mr Philip Hollobone (Kettering) (Con): What has been the role of the Leader of the House in framing the new construct for the release of Government information—namely, a written ministerial statement, a press conference and then an oral statement to this House? Given your very clear pronouncement on this issue, Mr Speaker, will my right hon. Friend assure us that this will not happen again?

Sir George Young: On the specific issue that my hon. Friend mentions, we were following a precedent established by the previous Government. In December 2009, for example, Labour published its "smarter government" strategy via a written ministerial statement; it was then followed by a detailed speech by the then Prime Minister and an oral statement took place later in the afternoon. I have, of course, heard what you, Mr Speaker, said on both 14 and 21 June. I recognise that there is a balance to be struck between observing the proprieties of the House and informing the public. I will draw the attention of my ministerial colleagues to both those rulings and to my hon. Friend's point.

Barry Gardiner (Brent North) (Lab): May we have a statement on compliance with UN resolution 1973? We found out this week that the war in Libya is costing £0.25 billion and that this country's military leadership believe that our armed forces are overstretched in engaging in that endeavour. May we now have a debate to find out why British troops are not enforcing the ceasefire on both sides, but acting as the military wing for the rebels in a civil war?

Sir George Young: The Government have done all they can to keep the House in the picture on Libya—and, indeed, on Afghanistan and other issues. There will be an opportunity on 4 July to raise these issues again with my right hon. Friend the Secretary of State for Defence.

Miss Anne McIntosh (Thirsk and Malton) (Con): The Leader of the House may be aware of the possibilities for an early debate—I hope so, anyway—to discuss the guidance issued under the Reservoirs Act 1975 by the Institution of Civil Engineers, as approved by the Department for Environment, Food and Rural Affairs and the Environment Agency. At no stage has the House considered this guidance, which caused the failure of a flood defence in Pickering. May we have an early opportunity to discuss and, possibly, amend these guidance notes?

Sir George Young: I will raise those issues with my right hon. Friend the Secretary of State for Environment, Food and Rural Affairs. I cannot promise a debate. I was concerned to learn about the incident to which my hon. Friend referred. She might like to apply for a debate in Westminster Hall or on the Adjournment in the meantime.

Stephen Twigg (Liverpool, West Derby) (Lab/Co-op): Will the Leader of the House find time for a debate on the situation in Sudan? In recent weeks, tens of thousands of Nuba people have been displaced from their homes, and we have seen the resumption of aerial bombardment by Khartoum. In two weeks' time, South Sudan takes its place in the league of nations, but the situation is very fragile. May we have an opportunity to debate it in the House?

Sir George Young: I am aware of problems in Sudan, following the referendum and the decision to split the country. There will be an opportunity to raise this during Foreign Office questions in the middle of next month, but in the meantime I will share the hon. Gentleman's concern with my right hon. Friend the Foreign Secretary and ask him to write to him.

Tony Baldry (Banbury) (Con): May we have a debate on procedure? Politics is about choices. We have a slightly bizarre situation whereby it is possible and in order to draw attention to Opposition policies in debate, but not in questions. Surely the Opposition's approach to debt and the deficit and their proposals for unfunded VAT cuts must be a matter of parliamentary interest and a matter of concern to the country.

Sir George Young: That may be a question that you, Mr Speaker, feel better placed to answer than me. As my hon. Friend will know, we had an opportunity yesterday to test the Opposition on their VAT policies and, indeed, found them wanting. I am sure that you, Mr Speaker, will have heard what my hon. Friend has said about the propriety of questions on Opposition policies.

Mr Speaker: Yes. Questions are to the Government about the policies and proposals of the Government. 'Twas ever thus and 'tis still so.

Chris Williamson (Derby North) (Lab): May we have an urgent debate on how to secure the future of the British train manufacturing industry, following the decision to appoint Siemens as the preferred bidder for the Thameslink contract, which will potentially cost 3,000 jobs at Bombardier based in Derby and a further 12,000 jobs in the supply chain? This could spell the end of the British train manufacturing industry because, come this autumn, Bombardier's order books are empty.

Sir George Young: Of course I understand the concern felt in Derby about what has happened, but there has just been an opportunity to ask Ministers about this issue at Transport Questions, and questions were asked, and answers were given.

Kris Hopkins (Keighley) (Con): As this is a time when both central and local government are short of money, I ask that a Minister come to the House to explain, perhaps by making a statement, how we are supporting local government and the police in pursuing litter louts. That may seem a trivial issue, but my local authority is spending £6 million a year picking up rubbish, and that money could be spent on educating kids or looking after the elderly.

Sir George Young: I understand my hon. Friend's concern. I cannot promise a debate on this important issue, but perhaps he would like to put in for an Adjournment debate so that he can expand his ideas at greater length.

Albert Owen (Ynys Môn) (Lab): May I again press the Leader of the House for a debate in Government time on energy prices? He kindly suggested that I should make a request to the Energy and Climate Change Committee, yet I am, in fact, a member, and we have dealt with the issue on many occasions. Ofgem has made its proposals clear, yet prices are still rising. This issue affects every constituency, and such a debate would provide an opportunity for all Members to discuss it, and to stop our constituents getting ripped off.

Sir George Young: I note the hon. Gentleman's concern. Energy prices have risen by about 50% over the past 12 months. We have taken a number of initiatives: the cold weather payments are being maintained at their higher level, and we also have winter fuel payments, Warm Front and the green deal. We are doing all we can to reduce energy costs, particularly for poorer-income households, at a time of rising prices.

Stephen Barclay (North East Cambridgeshire) (Con): Further to the question asked by my hon. Friend the Member for Bexleyheath and Crayford (Mr Evennett), I welcome the announcement of 114,000 new apprenticeships and pay tribute to the Minister for Further Education, Skills and Lifelong Learning for his sterling work on that. However, may we have a debate or a statement on why so many publicly funded organisations—such as the Charity Commission and the Met Office—currently offer no apprenticeships whatever?

Sir George Young: I would be very grateful to my hon. Friend if he would let me have a list of the public bodies he thinks are not pulling their weight in offering apprenticeships, and we will, of course, then pursue the matter through the appropriate Minister.

Mr Nigel Dodds (Belfast North) (DUP): May we have a debate in Government time on what more the Government can do about the increase in fuel prices—they have gone up by 10% in the last year, compared with an average rise in retail prices of 5%—especially since the fuel duty stabiliser does not seem to have cut prices at the pumps?

Sir George Young: As a consequence of the fuel duty stabiliser, the price of petrol at the pumps is 6p a litre less than it would otherwise have been. We have the warm home discount, which amounts to £250 million a year, and the Warm Front scheme helping 47,000 families. We are also giving Post Office account holders a discount, and as a result of the £1.9 billion fuel duty package the typical Ford Focus driver will be £56 better off. We have, therefore, taken steps to try to insulate people against the higher fuel prices.

Bob Blackman (Harrow East) (Con): The National Union of Rail, Maritime and Transport Workers—the RMT—is threatening, on a minority vote of its membership, to make travelling in London a misery over the next few weeks. May we have a debate in Government time on requiring unions to secure a majority vote of their membership before they can take industrial action?

Sir George Young: I very much hope that the RMT will not go ahead with the industrial dispute, which will cause widespread disruption in London. I am aware of my hon. Friend's views on changing the law—and, indeed, those of the Mayor of London. We have said that we plan to keep the industrial relations legislation under review, but as of now we have no plans to change it.

Steve McCabe (Birmingham, Selly Oak) (Lab): I thank the Leader of the House for persuading his colleagues at the Department for Communities and Local Government to see sense over the ridiculous plan to impose a shadow executive mayor on Birmingham. May we now have a debate on the equally ridiculous plan to make the people of Birmingham pay for the Government's referendum at a time when their budgets are being cut to the bone?

Sir George Young: The hon. Gentleman is referring to the Localism Bill, which is now in another place, and to a number of Government amendments to it. If he has colleagues in the other place who share his concerns in respect of Birmingham, there will be an opportunity to press the Government further on the second issue that he raised.

John Glen (Salisbury) (Con): On 12 October last year, I had the privilege of a visit from the public health Minister, my hon. Friend the Member for Guildford (Anne Milton), to Porton Down in my constituency, when she said she hoped a decision about the future location of that facility would be made by the end of the year. I raised this matter in the House on 11 March, yet we are still no clearer. Does the Leader of the House agree that the time has now come for the Government to make a statement and thereby address the uncertainty felt by the large number of my constituents who work at Porton Down?

Sir George Young: As I am my hon. Friend's constituency neighbour and constituents of mine also work at Porton Down, I understand the concern felt locally about this matter. I will raise my hon. Friend's concerns with the relevant health Minister in order to try to discover the timetable for this decision.

Owen Smith (Pontypridd) (Lab): The Leader of the House will be aware that his colleague the Secretary of State for Wales has failed in the last 13 months in that job to say a single word from the Dispatch Box about Wales, save at Wales Questions. Will he prevail upon her to try to raise her subterranean profile in this House, and secure a debate in Government time on matters of importance to the people of Wales?

Sir George Young: I have the good fortune to sit next to my right hon. Friend the Secretary of State for Wales at Wales Questions, and I would have thought that 15 or 30 minutes would be sufficient time to deal with all the questions likely to be raised by Opposition Members. So far as the call for a debate is concerned, the hon. Gentleman will know that following the recommendations of the Wright Committee a decision on a debate on Wales—or London or any other part of the country—is now a matter for the Backbench Business Committee.

Harriett Baldwin (West Worcestershire) (Con): May we have a debate on the causes of child poverty? Members on both sides of the House are concerned that it costs 50p for every pound that the Child Support Agency is able to get to children, and that the arrears are £3.8 billion. We could also talk about the provision in the Welfare Reform Bill that gives parents much greater incentive to work and therefore lift their households out of poverty, including their children.

Sir George Young: My hon. Friend is right: children growing up in households where a generation or more has not worked is a real issue. I think I am right in saying that the Work programme is the UK's single biggest employment support programme. I hope it will help to end the cycle of worklessness that has blighted many families, and all out-of-work benefit customers will be able to access the programme at a time that is right for them.

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab): The Prime Minister is currently in Brussels attending the European Council meeting trying to prevent a crisis across Europe which would make Lehman Brothers look like a small event. The House again did not have a debate ahead of the European Council, however. I know that the Leader of the House thinks that this is Back-Bench business. If that is so, may we have a debate on what he thinks is Front-Bench business?

Sir George Young: In a nutshell, Front-Bench business is the Government's programme of legislation. There was a statement about Greece on Monday, and I know my right hon. Friend the Prime Minister will want to keep the House in the picture on what happens at the European Council. The question of the House having a debate before European Council meetings is, as the hon. Lady knows, a matter for the Backbench Business Committee.

Nigel Mills (Amber Valley) (Con): This morning, the Secretary of State for Transport announced that he was looking into the impact of the European Union procurement regulations and how France and Germany manage to procure their trains from their own domestic manufacturers, yet we seem to be unable to do so. Given the great interest that there will be in such a review, may we have a statement or a debate so that the Secretary of State can hear the full views of the House on this controversial issue?

Sir George Young: I understand the concern that is felt on both sides of the House about the procurement process for rolling stock and engines. I wonder whether the best way to proceed might be to have a debate on the final day before the recess, if the Backbench Business Committee decides to have a series of Adjournment debates, or for a Member to apply for an Adjournment debate in the Chamber or Westminster Hall.

Bridget Phillipson (Houghton and Sunderland South) (Lab): My constituent Joe Arthur was attacked, and subsequently died, while on holiday in Corfu in 2006. Five years on, the three individuals connected to his death are still awaiting trial in Greece. Mr Arthur's family have received exceptional support from Northumbria police, but they want justice. Will the Leader of the House arrange for me to meet a Foreign Office Minister to discuss the case and see what further assistance can be offered to the family?

Sir George Young: I am very sorry to learn of the death of the hon. Lady's constituent. Of course I will contact a ministerial colleague at the Foreign and Commonwealth Office to arrange a meeting for the hon. Lady.

Neil Carmichael (Stroud) (Con): May I, too, highlight the importance of human rights and human dignity, by drawing to the attention of the House the fate of the Baha'i religious community in Iran? May we have a debate to underline the importance of concerted action to promote human rights, as the Helsinki accords of 1975 did for people in eastern Europe in the following decades?

Sir George Young: Persecution of any individual on the grounds of their religious faith is unacceptable. I am aware of the problems faced by the Baha'i community in Iran. The FCO makes regular representations on this matter here, and we also make representations to the Iranian Government so that this persecution can be brought to an end.

Nick Smith (Blaenau Gwent) (Lab): In south Wales over the past three years the theft of metal from train lines has cost £3 million. Last year alone, there were 84 instances of cable theft in our area, leading to train journey delays. May we have a debate on this issue, which is making the lives of train commuters miserable?

Sir George Young: I will draw the hon. Gentleman's comments to the attention of my right hon. Friend the Secretary of State for Transport, who will no doubt want to contact the British Transport police to see whether more effective action can be taken to deter these sorts of thefts and bring the criminals to justice.

Andrew Stephenson (Pendle) (Con): Further to the questions of my hon. Friends the Members for Bexleyheath and Crayford (Mr Evennett) and for North East Cambridgeshire (Stephen Barclay) does the Leader of the House agree that a debate on apprenticeships would be a suitable birthday present for the Minister for Further Education, Skills and Lifelong Learning, whose birthday it is today, given the massive increase in apprenticeships that was announced this morning?

Sir George Young: By a miracle, my hon. Friend the Minister for Further Education, Skills and Lifelong Learning is now in his place and will have heard those wishes for a happy birthday, which I am sure are shared by hon. Members on both sides. I pay tribute to him for what he has been doing. It is a substantial achievement to have delivered 326,700 apprenticeships in the first nine months of this academic year and 114,000 in the previous year—more than double what we set out to do. That is the right way to provide a sound platform for long-term economic prosperity.

Tom Blenkinsop (Middlesbrough South and East Cleveland) (Lab): May we have a debate on the Floor of the House about why the Government have decided to stop publishing time to pay statistics in July and whether this is the beginning of the end of time to pay?

Sir George Young: I will make suitable inquiries and write to the hon. Gentleman about time to pay.

Gavin Barwell (Croydon Central) (Con): Notwithstanding yesterday's Opposition day debate, may we have a specific debate on tax so that we can, among other things, consider the shadow Chancellor's proposal for a £12 billion unfunded tax cut, on which all Members, but perhaps members of the shadow Cabinet in particular, might appreciate the chance to have an opinion?

Sir George Young: We all enjoyed yesterday's debate in which my right hon. Friend the Chancellor trounced the shadow Chancellor on his economic strategy. The Opposition have left their tax cut open-ended and unfunded. They have not given any definition of what constitutes "growing strongly again" and would simply be adding £51 billion to the deficit at the end of this Parliament.

Fiona Mactaggart (Slough) (Lab): May we have a statement on the accountability of the Government on women and equalities? Today, an oral question on the impact on women of the increases in fees for courses in English as a second language was transferred to the Department for Business, Innovation and Skills. The Department has form on this: on 3 March, I raised in questions to the Leader of the House the fact that questions on women and pensions had been transferred. How can we hold the Government to account given that we have only quarter of an hour for questions and no topical questions and given that questions specifically about the impact of Government policies on women are ducked by the Ministers responsible for women's policies?

Sir George Young: I say to the hon. Lady that we have adopted precisely the same arrangements for questions about women as we inherited from the outgoing Government.

Alex Cunningham (Stockton North) (Lab): I have been delighted by the response to my ten-minute rule Bill to ban smoking in cars when children are present, but I am aware that despite support from across the House and the country, the chances of the Bill getting a further detailed hearing are very slim. Will the Leader of the House therefore provide time for a full debate on the Floor of the House so that the topic can be aired in much greater detail?

Sir George Young: I congratulate the hon. Gentleman on having got a Second Reading for his Bill yesterday but I would be misleading him if I said that there was any time within the Government's programme to adopt it. However, there will be an opportunity in the next Session for him to apply for a private Member's Bill slot.

Chris Bryant (Rhondda) (Lab): May we have a debate on the solving of conundrums? Or perhaps the Leader of the House could solve one for me. The latest figures show that, at the moment, for every job available in the Rhondda there are 84 people seeking that job, whereas in his constituency of North West Hampshire there are only two people seeking each available job. So far as I can understand the Department for Work and Pensions' view on all this, the way to resolve the situation is for everybody from my constituency to move to his constituency. The vast majority of my constituents own their own home, but their homes are not worth the kind of money they would need to buy a home in his constituency, so what are my constituents to do to try to get into work?

Sir George Young: The hon. Gentleman's constituents would always be very welcome in North West Hampshire, but I understand the issue he raises. I think that the answer to his question is the Work programme, which is the biggest and most ambitious work programme ever to get people back into work. In addition, the Government are taking steps to build long-term, sustainable recovery, which I am sure will reach south Wales as fast it reaches anywhere else.

Mr Kevan Jones (North Durham) (Lab): May we have a Government statement on the Government's plans to mark the 100th anniversary in 2014 of the beginning of the first world war? I visited Belgium a few weeks ago, as a member of the Commonwealth War Graves Commission, and the other commissioners and I were briefed on the extensive work going on there. That contrasts with the confusion in the UK, where it appears that a decision is yet to be taken on whether the Ministry of Defence or the Department for Culture, Media and Sport will take the lead on that anniversary.

Sir George Young: I share the hon. Gentleman's concern that we should commemorate this anniversary properly. As a former Minister in the MOD, he will have a good background to this matter. I will raise it with MOD Ministers to make sure that we take appropriate action to commemorate this important anniversary.

Points of Order

12.25 pm

Kevin Brennan (Cardiff West) (Lab): On a point of order, Mr Speaker. I notice that the hon. Member for The Wrekin (Mark Pritchard) is the lead Member on one of the motions we are debating later, but yesterday a pager message was sent out to Conservative MPs cancelling all leave and requiring them to come and vote against the Back-Bench motion this afternoon. Is there any way that the hon. Gentleman, who is a Conservative Member of Parliament, can be forced by the Conservative Whips to withdraw or vote against his own motion, and what would happen in those circumstances?

Mr Speaker: First of all, I do not entertain hypothetical questions. Secondly, that is not a point of order and, thirdly, I say—with an audible sigh of relief—that I am not responsible for the conduct of the Whips.

Fiona Mactaggart (Slough) (Lab): On a point of order, Mr Speaker. You will have heard my question to the Leader of the House about the accountability of the Government on women and equalities matters. He said that the arrangements had not changed at all, but I dispute that. I do not believe that the previous Government ever transferred oral questions on women and equalities to other Government Departments—and certainly not with the frequency that this Government are doing so. Is there something that you can do to protect the rights of Back Benchers to hold the Government to account on issues of women and equalities? At present, we do not have a Select Committee, we have only 15 minutes for questions, there are no topical questions and Ministers are not answering questions if they do not like them.

Mr Speaker: I am grateful to the hon. Lady for her point of order and for advance notice of her intention to raise it. She has put her views very firmly and explicitly on the record. There is very little I can do about this matter, but let me say to her that I have considerable sympathy with Members who seek to ask oral questions on what might be described as cross-cutting subjects. As she and the House are aware, transfers are a matter for the Government, but I am sure that her point of order will have been noted. When a Member tables an orderly question to a Department in respect of that Department's responsibilities, it is unfortunate if it is transferred and we need to keep an eye on the matter. The hon. Lady should seek the advice of the Table Office before the next oral questions to the Minister for Women and Equalities.

Chris Bryant (Rhondda) (Lab): On a point of order, Mr Speaker. Further to the point that was raised in questions to the Leader of the House by the hon. Member for Kettering (Mr Hollobone), there is still the remaining issue of how to deal with the fact that the Government are regularly briefing the press before briefing the House of Commons. *[Interruption.]* Many of us also deprecated it when it was done by the Labour Government. I realise that it is very difficult for you to exercise any direct powers in relation to the Government, but this is a question not only of supply but of demand. Might I suggest that any journalist whom you find has written an article saying, "Tomorrow, the Government will announce that..." should have their pass withdrawn so that they cannot work in the House any longer?

Mr Speaker: Let me say to the hon. Gentleman, who is a very experienced Member of the House, that it is extremely naughty of him to tempt me in that way. I think he should be careful about such an approach. The wider point he raises has been raised a number of times in the past couple of weeks. I have made my views about it extremely clear in the House and in the conversations that inevitably take place about these matters. I think it is extremely important that the responsibility of Government to explain and answer first to Parliament is accepted and that effect is given to it. It would be very unfortunate if a regular pattern of the kind that the hon. Gentleman has been complaining about were to develop. If, in extremis, this were to continue to happen, and as a consequence the Government's own business were to be damaged or lost as a result of what might be described as retaliatory action, that would of course be very unfortunate.

Backbench Business

[29TH ALLOTTED DAY]

Transport Committee Report (Coastguard)

12.30 pm

Mrs Louise Ellman (Liverpool, Riverside) (Lab/Co-op): I beg to move,

That this House notes the publication of the Sixth Report from the Transport Select Committee on The Coastguard, Emergency Towing Vessels and the Maritime Incident Response Group, HC 948.

I am delighted to present the Transport Committee's report on the Floor of the House, and I thank the Backbench Business Committee for giving me this opportunity. It is an encouraging development for the House and I hope that it will continue to be utilised for other key Select Committee reports.

This report warrants being presented here today because there has been so much interest across the House and from many members of the public about the future of the coastguard service. It is fair to say that the overwhelming view of Members, from all parties and regardless of whether their constituency happens to include a coastguard centre, has been deep concern about the proposals.

The report looks at the three areas addressed by the Government: first, the plans for the drastic closure of coastguard co-ordination centres; secondly, the withdrawal of the Government's funding for emergency towing vehicles; and, thirdly, the removal of Government funding for the specialist firefighting service at sea. We received a great deal of written evidence from serving and volunteer coastguards, all of which was critical of the Government's proposals, and most of which was highly critical. Unfortunately, most coastguards were prohibited by the Government from giving oral evidence to the Committee; we criticise that decision in our report. However, we were able to visit the coastguard centres at Falmouth, Clyde and Stornoway, and I am sure that my colleagues on the Committee agree that those visits proved invaluable in learning about the operation of the centres at first hand and enabling us to speak to serving and volunteer coastguards about their concerns, although those were informal discussions rather than official evidence.

Albert Owen (Ynys Môn) (Lab): I congratulate the Committee and my hon. Friend as its Chair on an excellent report. I think the Government will take notice of it, because they said they would wait for the report and act on its conclusions. Does my hon. Friend agree that had coastguards across the United Kingdom had an opportunity for input into the future of the service, MPs' debates would have had a different tone? More important, are not the proposals a way forward for the Government, not a way out, and must they not include input from all coastguards?

Mrs Ellman: We were extremely critical of how the proposals were put together, excluding any opportunity for input from serving coastguards.

Our report is unanimous. We recognise that modernisation of the coastguard is desirable. We see the coastguard as an essential emergency service, whose work load is increasing, and any proposals to restructure the service must not be made in haste.

Sheryll Murray (South East Cornwall) (Con): Does the hon. Lady agree that willingness to listen and change policy is a sign of strength, as the Prime Minister asserted at this week's press conference? My regional paper emphasised that point today in an article which concluded that the consequences would be counted in lives lost.

Mrs Ellman: The hon. Lady makes an important point. Our concern is about the saving of lives. The Government have indeed stated that they are listening; the test will in part be their reaction to our report.

The Committee cannot support the Government's proposals for the future of the coastguard in their current form, and we call on the Government to withdraw them. The evidence that we received raised serious concerns that safety would be jeopardised if the proposals proceeded. That is why we call on the Government to withdraw them and issue revised plans that address the points that we have raised. Those proposals should be substantially different from those that have been offered, and they should be subject to a further short period of consultation.

Mr Philip Hollobone (Kettering) (Con): I congratulate the hon. Lady on her report. One of the most devastating of her recommendations was:

"It appears to us that the current proposals pay more attention to the MCA's statutory obligations towards the commercial shipping industry and far less to its obligations towards leisure craft and small boat users. Accidents involving commercial vessels represent only a small proportion of all those that the Coastguard manage."

Mrs Ellman: The hon. Gentleman raises an extremely important point; we noted that although the proposals appeared to address the commercial shipping sector to some degree, they seemed to ignore smaller vessels and the fishing industry. We were extremely concerned about that omission.

Dr Julian Huppert (Cambridge) (LD): I congratulate the hon. Lady and the Committee on an excellent report that raises a number of alarming concerns about both coastguards and emergency towing vessels, about which I am particularly worried and which she describes as "inviting disaster". Given that the proposals were started under the previous Government and have taken a while to reach this stage under the current Government, does she agree that the Government should take their time to work out proper proposals? They do not have to rush into things.

Mrs Ellman: The hon. Gentleman makes an important point. I will talk about emergency towing vehicles shortly; I accept his point that decisions about human life should not be made in haste.

Our major concern is about safety and the loss of local knowledge, or "situational awareness", among coastguard officers which will inevitably occur under the proposals. Reducing the number of full-time maritime rescue co-ordination centres so drastically, from 18 to three, with five centres operating in daytime only, and completely closing 10 centres, would reduce the quality and rate of exchange of information, particularly at critical points when it must be passed swiftly to save lives.

Mr John Leech (Manchester, Withington) (LD): I thank our Chairman for giving way. Does she agree that regardless of how many coastguard stations we end up with, it is vital that existing stations are open 24 hours a day to ensure operational continuity when there is an incident?

Mrs Ellman: The hon. Gentleman played an important part in producing the report and, like the Committee, I agree that 24-hour stations should be the way forward. The Committee expresses serious concerns about the concept of daylight-only stations. The proposals assume that technology can replace local knowledge, but we were not convinced and think that that puts lives at risk. To refer again to his comments, we are not convinced that the proposal for daylight-only stations should be proceeded with.

Dr Alan Whitehead (Southampton, Test) (Lab): I, too, congratulate my hon. Friend and her Committee on their excellent report. I have visited the Solent coastguard station, which would be the radio centre for most of the country under the proposals, and it was clear that it would be difficult to achieve local knowledge on the basis of those radio arrangements. Does my hon. Friend agree that even the stations that will be saved under the proposals face inadequate operating arrangements, particularly in terms of local knowledge and radio communication?

Mrs Ellman: I agree with my hon. Friend's comments. The concern about local knowledge or, perhaps more broadly, situational knowledge cannot be emphasised enough. Our concern in that respect relates not only to the coastguard officers themselves, but to the volunteer coastguard. When we conducted our inquiry, particularly when we visited the coastguard stations, we were struck by the amount of teamworking, which is essential. We were concerned that the proposals would endanger that teamworking. To refer to the point made by the hon. Member for Kettering (Mr Hollobone), I stress again the importance of considering the safety of leisure craft and small fishing vessels, as well as the commercial sector, and we felt that that part of shipping was omitted from consideration in producing the proposals.

Iain Stewart (Milton Keynes South) (Con): I am grateful to the hon. Lady, who is the Chair of the Committee. I, too, gained a great deal from visiting the three stations—Falmouth, Greenock and Stornoway—and what struck me particularly was the willingness of the serving officers there to adapt and move forward. They do not necessarily wish to keep the status quo, but they want to be properly involved and to tap into their vast experience in shaping a sensible way forward.

Mrs Ellman: I thank the hon. Gentleman for his comments. He played an active part in drafting our proposals, and I certainly agree with what he says. Indeed, our Committee is asking the Government not just to withdraw their current proposals, but to introduce alternatives and, in doing so, to consider the alternative proposals that have been submitted by coastguard officers across the country.

I should like to refer now to the proposals on the withdrawal of funding for emergency towing vessels—the tugs that are there to prevent major pollution incidents.

[Mrs Ellman]

That decision for change was made against the findings of an independent risk assessment, and we consider it unwise and short-sighted; it is quite literally inviting disaster. Our evidence strongly suggests that no suitable commercial alternative exists to replace the current arrangements. We urge the Government to reverse their decision to terminate the provision of emergency towing vehicles by the Maritime and Coastguard Agency, although we welcome efforts to find alternative sources of funding to help to fund such procedures.

The third part of the Government's proposals concerns the withdrawal of Government financial support for the firefighting service at sea—the maritime incident response group, which is funded by the Government and firefighting authorities. We are extremely concerned that the Government have withdrawn their funding from that service and appear to expect the local fire and rescue authorities to fund it themselves. It is a national firefighting service, and we consider it unreasonable to expect the local fire services to fund it, particularly at this time of financial constraint. Our concern is that, if the burden was put entirely on the local fire and rescue authorities, that excellent service would cease to exist. The service is extremely important; not only is it to do with firefighting, but it is deals with chemical hazards. I ask the Government to remember how important that is and what the consequences of withdrawing the service could be.

Taken together, the proposed changes to the coastguard service, with the drastic closure of coastguard co-ordination centres and the possible loss of emergency towing vehicles and the maritime incident response group, represent a significant restructuring of the country's marine search and rescue and accident and pollution prevention capabilities. It is deeply regrettable that the Department for Transport announced all three sets of proposals with no prior consultation whatsoever and did not consider their combined impact on safety. Although this cross-party Committee recognises the pressure on the Government to make financial savings and the need to modernise and use new technology, we simply cannot support proposals that reduce maritime safety in that way.

Albert Owen: Does my hon. Friend agree that any future proposal should be made in an oral statement to the House, so that Members on both sides have an opportunity to ask questions on that initial statement?

Mrs Ellman: My hon. Friend makes an important point. New proposals should enable the widest possible consultation, including the involvement of hon. Members.

I call on the Government to withdraw their proposals and to produce alternatives that address the concerns that we have identified. I present the report to the House.

Question put and agreed to.

Congenital Cardiac Services for Children

12.45 pm

Stuart Andrew (Pudsey) (Con): I beg to move,

That this House notes the review led by the Joint Committee of Primary Care Trusts into the reconfiguration of children's heart surgery; welcomes its aim of establishing a more sustainable provision of congenital cardiac services in England which has strong support from professional associations and patient groups; notes that concerns have been expressed during consultation on the proposals; calls on the review to take full account of accurate assessed travel and population projections, the views of ethnic minority communities affected, evidence supporting the co-location of children's services, and the need for patients and their families to access convenient services; and therefore calls on the Joint Committee not to restrict itself to the four options outlined in the review but instead to consider further options in making its final recommendations.

I thank the Backbench Business Committee for allowing us the opportunity to hold this valuable debate. I apologise to the Committee and the Clerks for taking so long to table the motion, but I feel passionate that it is right to get a motion that has the effect that we want. I have probably learned more this week than in the past year, and if I have not got it right, I am sorry. I also thank the hon. Member for Scunthorpe (Nic Dakin) and my hon. Friends the Members for Oxford West and Abingdon (Nicola Blackwood), for Leeds North West (Greg Mulholland) and for Winchester (Mr Brine), who have helped me through the past week.

This debate is timely, as the consultation by the review of children's heart surgery around the country will come to an end soon. I completely agree with and support the professionals and patients who say that the review of congenital cardiac services is needed. Of course, we all want what is best for our children, and we want the best centres in the world. It is absolutely right and necessary that we learn from past mistakes in other units, but serious concerns about the process have been raised with me by clinicians and parents. I believe that it is my duty and that of others to scrutinise the review if we feel that there are problems.

There have been accusations that this has been turned into a political campaign. I stress that I have been keen not to make this a political campaign, and I have been incredibly impressed by the cross-party support of the Members from across the country who have been helping us. We will hear from other Members from all over the country—the debate is not just about the unit in Leeds—but I want to highlight the fact that my concerns relate to the review and not just to one centre. Although I will naturally refer to Leeds to highlight examples, I am sure that other Members will highlight similar problems with the review and relate them to their units. I am keen that the campaign does not set one centre against another, but that they are all considered equally.

I want first to deal with what I perceive as the flaws in the review. That is my main concern. From speaking to patients and families, I know that that has made them lose confidence in the review. We would all agree that public confidence in the review is important. The review has stated that the objective is to have centres that perform 400 procedures a year. The first version of the pre-consultation business case showed that patients from Doncaster and Sheffield would travel to Birmingham. That is absolutely right and in line with advice from the Yorkshire and Humber specialised commissioners, but

in version 2 and the consultation options, the flow had changed to Newcastle. I understand that that helps the Newcastle figures, but I and anyone else who knows the area would surely question the likelihood of that happening. Far more plausible is that people would go to Birmingham or Leicester. What happens to Newcastle then? In addition, one of the options—the 400 minimum procedures—is not even met. The JCPCT explains that that is due to new patient flows.

At a number of centres, activity has increased in the past year. For example, Leeds is now doing 370 procedures a year, but in the pre-consultation assessment it was not afforded the same consideration as other centres that carry out similar numbers of procedures. Furthermore, the health impact assessment had not been completed before the final options were presented for consultation. The independent company undertaking that work said that this was not the usual approach taken in large reconfiguration proposals. That means that the public will have no access to the findings during the consultation period.

An issue that affects the black and minority ethnic community is that until 24 May the consultation questionnaire was available only in English and Welsh. As a Welsh speaker, I approve of having a Welsh version, but it was not until 12 weeks after the consultation began that the questionnaire became available in other languages, leaving just five weeks for the community to respond. In Leeds, more than 20% of the patients come from the BME community, so this is an important issue that needs to be addressed.

Finally, on the flaws, yesterday when the Safe and Sustainable team were here, we heard them say that co-location of services, in their view, meant anything up to 10 minutes away, yet the British Congenital Cardiac Association issued a statement on 18 February 2011, two days after the release of the business case, to clarify its professional view of the importance of co-location. I believe this demonstrates the BCCA's dissatisfaction with the review's interpretation of co-location.

Julian Smith (Skipton and Ripon) (Con): My hon. Friend refers to a meeting of the steering group with MPs yesterday. Does he agree that it was a slightly strange meeting and that there was a significant degree of defensiveness on the part of the steering group?

Stuart Andrew: That is a very good description of the meeting. I agree with my hon. Friend. If nothing else, it is good that this debate got the review board to come to Parliament and speak to MPs so that we could express our concerns.

On the case for Leeds specifically, as I said a moment ago, co-location of services is considered crucial by the BCCA. In Leeds we have one of the largest children's hospitals in the country. A considerable amount of time has been spent bringing all the children's services under one roof at Leeds General infirmary. The centre serves a population of 5.5 million. I cannot understand why the option has not been considered for Leeds when it has been considered for centres in Birmingham and Liverpool. Yorkshire has a growing population and a growing BME community. As I said, 20% of the patients come from that community. It is crucial that we take account of population numbers when considering the review.

How we care for all those families is also important. When I worked at Martin House children's hospice, it was not just the care of the poorly child, but the care of the whole family, that was important. When people have a very poorly child, they want their family to be together. It has been said that parents will travel anywhere. Of course they will, but does that mean that we should make them travel when there could be alternatives?

The Yorkshire and Humber congenital cardiac network board has a well-established network model, is regarded as an exemplar in this country and is held in high regard across the region by both the professionals and the patients involved in the service. Although this was recognised by Sir Ian Kennedy's expert panel and Leeds Teaching Hospital Trust was awarded the maximum score for networks in that assessment, the JCPCT, as part of the scoring of options for future configuration of centres, gave all potential networks the same score. It is unclear why a proven track record of delivering an exemplary network model was not considered an important factor in the ability to deliver this across a larger population and greater geographical spread in the future.

On the requirement for a minimum of 400 operations, Leeds delivered 316 cardiac operations in the 0 to 16-year-old group in 2009-10 and 372 in 2010-11. The process of recruiting a fourth surgeon is under way. By the time the review's recommendations are implemented, Leeds Teaching Hospital Trust will deliver the minimum number of operations, which is 400, and it will have the minimum number of surgeons, which is four, that the standards require from within the current population base. Equally, Leeds Teaching Hospital Trust has provided detailed information to the Safe and Sustainable team for expansion of the current service, should it be required to deliver a change in capacity to support patients from a centre that does not get designation.

The review said yesterday that the debate is not about current services. It is about what will be provided in the future. The figures that I have cited show that Leeds' case for being a centre caring for more than 400 patients is strong. Many patients and particularly clinicians have pointed out to me that it seems odd that we are having a review of children's heart services without referring to adult services. Many of those patients will be the same: those children will grow up, and the doctors who perform the operations are often the same people caring for both groups, so why are we not looking at adult services now? It has been suggested that that review should come later, but if we have made decisions about children's heart surgery, surely we have pre-empted what might happen in the future.

Greg Mulholland (Leeds North West) (LD): I thank my hon. Friend and neighbour for giving way. Going slightly further on his last point, does he realise that if those surgeons are no longer there, they will not be able to perform operations on adults? Adult surgery would be very detrimentally affected.

Stuart Andrew: I could not agree more. My hon. Friend is right; if we have a review of children's cardiac services, surely we must consider what will happen to adult services. We should be talking about that now.

I could go on much longer and talk about the cases of various parents whom I have met, but I know that other hon. Members will do that, probably far more eloquently

[Stuart Andrew]

than I could. I am keen that the motion is supported because I want it to send a clear message to the review team that we are asking it to consider all the points that will be made today and all the points that have been made by the campaigns across the country. It was a privilege to go to Downing street the other day with children, patients and clinicians from the Leeds centre to present a petition of more than 500,000 names. That is a significant petition by anybody's standards and a credit to that campaign.

I am concerned that after consideration of the consultation responses, it will be difficult to respond to all the evidence by pigeon-holing them into the four options in the review. That is why our motion today urges the joint committee not to restrict itself to those four options and instead to think outside the box, as they say. Let us look at a different proposal that delivers the services and the quality that we want and also takes account of all the responses that we have received.

Finally, I want to pay a personal tribute to all the families and campaigners, especially in Yorkshire and the Humber. In all the campaigning that I have ever done, I have never seen such a well-organised and dedicated campaign. The subject is sometimes emotional, but the responses that have come from patients across Yorkshire shows that there can be an alternative that delivers the services that we want. I hope the House will support the motion.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Nigel Evans): Order. As hon. Members can see, this is a popular debate. There is, therefore, a six-minute limit on contributions.

12.59 pm

Mr Andrew Smith (Oxford East) (Lab): I congratulate the hon. Member for Pudsey (Stuart Andrew) on introducing the motion and arguing his case so powerfully. The debate shows the value of Back Bench-initiated topics, which has enabled the House to speak out on an issue of enormous concern to the public, as demonstrated by the petition he referred to and by the *Southern Daily Echo* petition of nearly 250,000 signatures that was taken to Downing street earlier this week in support of the Southampton centre, which is mainly what I want to speak about. I will make just a few key points, as many Members wish to speak.

First, I want to praise the work done in the existing centres, including the John Radcliffe hospital in my constituency, which commands fantastic support from the parents of children who have been treated there. The Young Hearts organisation, which was set up to support parents of children with heart conditions in Oxfordshire, has been leading a great campaign, rightly paying moving tributes to the skill and dedication of surgeons, doctors, nurses and whole medical teams who have saved children's lives and to whom we all owe a debt of thanks.

Secondly, as the hon. Gentleman noted, a key concern in the debate, and in considering the Safe and Sustainable review, must be to secure the best possible treatments and outcomes for children with congenital and other heart conditions. We must be guided by medical and research expertise, which few of us in this place are in a position to second-guess. I am therefore mindful of the joint statement by the Royal College of Surgeons and the Society for Cardiothoracic Surgery, in which they strongly support the concentration of treatment centres. They state:

> "England has the right number of heart surgeons treating rare heart conditions in children, but we do know that they are thinly spread over too many units. A better service would be provided if this expertise were condensed in fewer units with the critical number of staff to support each other, disseminate new techniques and train the next generation of specialists."

They believe that the proposals

> "will result in rapid and significant improvement in treatment for some of the most vulnerable patients treated by the NHS."

We should give great weight to that unequivocal statement.

The joint statement went on to suggest—this brings me to my third point—that:

> "The benefits of undertaking this change, however, need to be balanced against longer journeys for some families".

That, along with quality, is a matter of great concern on both sides of the House, and certainly in Oxfordshire. It was also stressed by the Oxfordshire joint health overview and scrutiny committee and the Young Hearts campaign in relation to the implications for patients in our area if any option other than option B, which is to retain the centre at the Southampton University Hospital NHS Trust, is chosen. As today's *Oxford Mail* editorial states:

> "If Southampton loses out in the Government shake up of children's heart services, then so does Oxford."

The benefits of this option, and in particular of retaining the Southampton centre, lie not only in the fact that the Kennedy review ranks Southampton highest in the country outside London for quality, but that the Oxford Radcliffe Hospitals NHS Trust has developed a joint network of care with Southampton, enabling local children who have surgery in Southampton to receive follow-up care and support services in the excellent facilities at the Oxford children's hospital and to be able to progress as they grow older to the Oxford heart centre, thereby maintaining continuity of care, which the hon. Gentleman rightly said was so important in the relationship between children's services and adult services. I very much hope that this south of England congenital heart network, with Southampton and Oxford working closely together, will be part of the option that is finally chosen.

That network does not figure in the present options, but I welcome the news in today's briefing from Safe and Sustainable that a specialist team is examining it. The need for this flexibility is a key reason why I support the call in the motion for the joint committee not to restrict itself narrowly to the options set out in the original review. As Young Hearts has pointed out, it is important to consider the children needing paediatric cardiac services who were not born with a heart defect but who have suffered a virus or accident requiring cardiac treatment. The Oxford-Southampton partnership will retain ready access to the skills and facilities needed for that care.

That form of partnership network, with collaboration between a surgical centre and another cardiac care centre, offers a good model for other parts of the country. It enables us to ensure that children have the benefit of both the critical mass of surgery, which surgeons advise can significantly and rapidly improve treatment, and more convenient access to related services and continuing care nearer their homes. Surely that is

the outcome that we all want. I very much hope that the review and the Government will take it forward, with the Southampton-Oxford partnership being the best way to retain high-quality and accessible services for central southern England.

1.5 pm

Mr Stephen Dorrell (Charnwood) (Con): Like the right hon. Member for Oxford East (Mr Smith), I congratulate my hon. Friend the Member for Pudsey (Stuart Andrew) on introducing the motion, which is of huge importance to my constituents and to the national health service. In contributing to the debate, I wear two hats. First, I represent the village of Glenfield. Glenfield hospital is actually in the neighbouring constituency of the Opposition spokesman, the hon. Member for Leicester West (Liz Kendall), but it takes its name from the village in my constituency. Secondly, I am Chair of the Health Committee. The Committee has not approached the subject specifically, because we have been looking at a number of other matters, but we have so far published two reports on commissioning, which is precisely at the heart of today's debate.

In a sense, I personify the conflict that every Member feels between the constituency interest and the national interest, and in this case I do so in a particularly dramatic form, as one of the surgical units involved is closely associated with my constituency. My first point is that that conflict exists for all Members. We are of course here to represent our constituents' interests, but I argue that we are here first and foremost as Members of a national Parliament and should seek, as my hon. Friend the Member for Pudsey recognises, the right answer for all NHS patients, not simply for a particular local interest.

Chris Bryant (Rhondda) (Lab): I wish to make a very small point because the right hon. Gentleman used the word "national". Many of the services we are considering are also used by Welsh and Scottish constituents, so it is important to ensure that there is that communication between the different elements.

Mr Dorrell: I agree with the hon. Gentleman's point.

My hon. Friend the Member for Pudsey said that this is not a political issue, by which he meant that it is not a party political issue. That is exactly right, but issues can be political without being party political. It is important that the House, in approaching the subject, makes it clear that the issue should ultimately be resolved according to clinical standards, not as a form of political bartering, whether party political or through the general representation of local interests.

I am in the happy situation, personifying, as I do, the conflict between local and national interests, that the specialist group has recommended a solution that accords with my constituents' views, but I think that in approaching the subject it is important to be clear about the ladder of interest: we should approach this from the point of view of national standards for the service delivery. We of course should represent the views of our constituents, but we should be clear that the national view should come first.

Writing in *The Times* today, Sir Bruce Keogh, the medical director of the NHS, states:

"Intellectually, the case for change is compelling and widely accepted. Sadly, the realpolitik is that the closer we get to a solution, the more personal, professional and political interests conspire to perpetuate mediocrity and inhibit the pursuit of excellence...For too long this has been filed in the 'too difficult' box. Time is running out."

Those words should ring loud in our ears as we debate the subject this afternoon.

We should recognise that the whole issue of child heart surgery has form in the history of the national health service. It is now over a decade since Sir Ian Kennedy published his review of circumstances that illustrate what can go tragically wrong when things are allowed to drift on and when real issues are not addressed. Although I am of course here as a Member representing my constituents' interests, I think that the key priority for the House this afternoon is to support the principle that this issue must be decided in the interests of the children who are the patients and who will become the adult patients, and in a way that satisfies the key driver of the pursuit of excellence in clinical standards.

I welcome the fact that the previous Government set up the review to ensure that we addressed the issues that had been left to drift on for too long since the Bristol heart review a decade ago, and I wholeheartedly endorse the view, expressed by Sir Bruce in today's *Times*, that the time to act is now.

As a local MP, I wonder what the effect is on Leicester of this drive to a decision. I have already referred to the fact that I am not in an uncomfortable position, because on page 93 the review states:

"Option 2"—

which became option A—

"is viable as it is consistently the highest scoring potential option."

The review's recommendation is that the process go ahead based on option A, and that is convenient from the point of view of the person arguing the case that I do, but I conclude that if anyone wants to argue for an alternative outcome, it behoves them, particularly in view of the history of this issue in the national health service, to present a coherent, whole argument for how their solution represents a better solution for the patients of those services, while reflecting, of course, the local interest of the people we are elected to represent.

1.12 pm

Mr Nicholas Brown (Newcastle upon Tyne East) (Lab): It is a pleasure to follow the right hon. Member for Charnwood (Mr Dorrell) in debate, something that I have not done for 15 years in this place, and as ever I agree with the broad thrust of what he has said. I welcome the opportunity to take part in this debate about the Safe and Sustainable review. I want to make two points about the case for the review itself and the case for children's cardiac care at the Freeman hospital in my constituency.

The review of paediatric cardiac services in England and Wales was instigated in 2008 under the previous Government. It was instigated not by them, not by the civil service but by the health care professionals themselves. There were two previous reviews, in 2000 and 2003, recommending the establishment of fewer, larger cardiac surgical centres; in 2006, a national workshop of experts concluded that the current configuration was unsustainable; in 2007, the Royal College of Surgeons called for the concentration of surgical expertise in fewer, larger surgical centres.

[Mr Nicholas Brown]

The 2008 exercise has been carried out on behalf of the 10 specialised commissioning groups in England and their primary care trusts. The clinical case for the exercise is pretty formidable: clinical outcomes are better at high-volume centres; it is undesirable that surgical expertise is spread too thinly, because apart from anything else it mitigates against the provision of 24-hour surgical cover; the increasing complexity of what can be achieved argues for fewer specialist centres; it is easier for fewer units with larger case loads to retain surgeons and to develop expertise; and strong leadership from surgical centres underpins non-surgical cardiology care in local hospitals.

Mr Kevan Jones (North Durham) (Lab): Will my right hon. Friend give way?

Mr Nicholas Brown: If my hon. Friend will forgive me, I will not.

There is strong clinical support for the review. The relevant royal colleges have all endorsed it; the available research evidence underpins it; and all 10 specialised commissioning groups and their local primary care trusts committed themselves to it at the outset. That seems to be a pretty formidable case.

I am the constituency Member for the Freeman hospital in Newcastle upon Tyne, and on 10 June I visited its paediatric surgery unit. I never cease to be impressed by the care, kindness and surgical skill that the national health service provides. It is very moving to see very young children whose lives are literally being saved, and to meet youngsters who, 20 years ago, would not have had a chance of life. The unit at the Freeman is one of two children's heart transplant units in England, the other being Great Ormond Street in London, and of course the unit benefits enormously from its link with the internationally renowned adult cardiac services on the same site.

The expertise at the Freeman has been built up over decades. The first successful child heart transplant in the UK was carried out there 20 years ago, and I am happy to tell the House that the young lady is alive and well, living and working on Tyneside.

Clinical outcomes at the children's heart unit at the Freeman are excellent. On my visit, I saw artificial ventricular device systems, known as Berlin hearts, attached to very young patients, but, if the unit closed, that pioneering work would move, probably to Birmingham, leaving the whole of the north without provision. There are similar issues with the extra corporeal membrane oxygenation services currently provided at the hospital. The children's heart unit really is a national resource, with an international reputation.

No one can doubt the commitment of the senior management and of the trust board to the pioneering children's cardiac work at the Freeman. The trust has invested in services and, pending the outcome of the review, has a further investment programme ready to go. The review team, in its assessment, has weighted quality, sustainability and deliverability more heavily than access and travel, and that seems to me to be the right prioritisation.

I want to make two final points. Although this is an England and Wales review, the people of Scotland could also be affected by the outcome, certainly as far as nationally commissioned services are concerned. As well as with Scotland, the Freeman hospital has well established connections with Northern Ireland and with the Republic of Ireland, and although I recognise that this was not formally part of the review team's remit, I welcome its decision to invite observers from Scotland and Northern Ireland to its deliberations.

My final point echoes the point that the right hon. Member for Charnwood, the Health Committee Chair made. I welcome the effort made by the review team and its sponsors to meet MPs yesterday in the House. They made an impressive case for the review itself, and for the thorough and detailed way they have gone about it. We are constituency representatives, each trying to do our best for the communities we represent. Having said that, I believe we should think very carefully before trying to impose our political judgments—based on support for the constituencies that we represent—over the judgments of the health care professionals who have studied the issues in detail and spoken so clearly about the clinical priorities involved for the whole country.

1.18 pm

Greg Hands (Chelsea and Fulham) (Con): I very much support the principle that lies behind the review—that we need larger, more sustainable centres with the same overall number of specialists throughout the country. That is why charity and campaign groups, such as the Children's Heart Federation and Little Hearts Matter, back the change.

I recognise that people will have to travel further as a consequence, and that will sometimes be extremely difficult, for families in particular, but the choice is between people travelling further and getting the best outcome for their child, and people having a shorter distance to travel but perhaps compromising the outcomes that can be achieved. The clinical evidence is unambiguous: travelling further means that some children will live who would otherwise die. On that basis—the whole basis behind the review—we have to bite the bullet and make change.

I support the principle of fewer, larger units, but the experience of Royal Brompton hospital in my constituency has made me question the process that is being used to make individual decisions. As my hon. Friend the Member for Pudsey (Stuart Andrew) pointed out, the matter needs to be depoliticised from the outset. The review is taking place at arm's length from the Government. Indeed, as the right hon. Member for Newcastle upon Tyne East (Mr Brown) said, it was set up under the previous Government and is being administered by a body called the joint committee of primary care trusts, which I assume is up for abolition.

Phase 1 of the assessment process involved ranking all the existing units on core standards, sustainability, facilities and so on. Great care was taken, and that makes the next phases all the more mystifying. Out of the 11 units ranked, the Royal Brompton came joint fourth, on 464 points. Of the 11 units assessed, only two had the maximum number of four surgeons—the Royal Brompton and Great Ormond Street. In terms of the number of procedures undertaken each year, the Royal Brompton came fourth highest of all. In each of the three objective criteria, the Royal Brompton was in the top four nationally. I therefore asked the joint committee

of PCTs this question: why bother to rank all the units only then to stipulate that one of the top four has to close whatever else happens? That is the consequence of the decision arbitrarily to rule out keeping three centres open in London. One of the top four units in the country is to be axed, no matter its size and no matter its quality, due merely to its location. That flies in the face of the starting point of the review—that it was all about clinical outcomes, not geography.

The Royal Brompton has four specialist surgeons who perform 520 operations, including 453 children's heart operations, per year. It has a fantastic safety record, with an aggregate mortality rate of 0.94 of 1%—less than half the national average of 2%. Why, then, when it is already a model example of what the review wants to create, does the consultation, in all the options available, decree that it must close? The joint committee of PCTs is claiming that it has an open mind, but in reality it is consulting on four options, all of which would shut the unit at the Royal Brompton.

The knock-on effects on services elsewhere in the trust would be considerable, especially on children with cystic fibrosis, of whom there are 300 in the country. The future of provision for those children would be extremely unclear. It is also unclear what capacity the remaining two hospitals in London would have to take on—

The Minister of State, Department of Health (Mr Simon Burns) I will speak with great care because—my hon. Friend is as aware of this as I am—of the possible judicial review with regard to the Royal Brompton. I would like to say, though, as I think it may help him, that no decisions have yet been made. The consultation literature specifically asks consultees for their views on how many centres it is best to have in London—two or three. If they agree that two is optimal, they are asked to state which two they prefer, including the Royal Brompton. Even though it is not included in any of the pillars, people who are taking part in the consultation process can argue its case, and it will be considered because the JCPCT is taking a flexible approach to the consultation process.

Greg Hands: I welcome that intervention from the Minister. He is right that it is open to the consultation to consider it, as it says on the last page of the consultation document, but the document was contradictory on this point in the first place. On page 84, it says:

"London requires at least 2 centres due to the size of the population it covers",

but in a footnote on page 93 it still imposes the arbitrary limit of two centres at most.

The joint committee has belatedly recognised a problem. Under pressure, it announced at the beginning of May that an expert panel would be established to review the wider impact on other services if cardiac paediatrics were to close. That was welcome, but it has continued to press ahead with the original consultation and names for the new panel were not proposed until this week. By the time the new panel reports in August, the consultation will have closed. What happens if its response reflects the serious concerns about a whole series of national services? Having consulted on options A, B, C and D, it can hardly go for an option E that no one was asked about. It would then probably have to re-consult.

I became the MP for the Royal Brompton in May last year, although, as the neighbouring MP previously, I have been very familiar with its work for many years. Its previous MP, my right hon. and learned Friend the Member for Kensington (Sir Malcolm Rifkind), also strongly supports its campaign to fight the proposal. I have visited the hospital three times in the past year. The proposal to end its cardiac paediatrics has been brought to the attention of parliamentary colleagues across all parties and across large parts of London, the south-east and East Anglia. A huge petition has been gathered, signed by more than 30,000 people, and tomorrow we are delivering it to No. 10. I have written at length and in detail to the Secretary of State on the matter, and he helpfully replied—I think this was confirmed by the Minister—that

"no decisions have yet been made",

including on the number of units to be located in London. That is a cause for encouragement.

I repeat that I support the aims of the review, but the consultation has been badly flawed. Three units in London, perhaps restructured, should have been an option, and the knock-on effects of closing services should have been considered. The case must now be re-examined. The Royal Brompton is good enough, large enough and loved enough to survive.

1.26 pm

Jon Ashworth (Leicester South) (Lab): I, too, congratulate the hon. Member for Pudsey (Stuart Andrew) and other members of the Backbench Business Committee on securing this timely debate.

When I delivered my maiden speech in the Chamber two weeks ago I mentioned my support for the campaign to maintain the children's heart unit at Glenfield hospital, which, as the right hon. Member for Charnwood (Mr Dorrell), said, is in the constituency of my parliamentary neighbour, my hon. Friend the Member for Leicester West (Liz Kendall). The campaign is supported by my hon. Friend and by my right hon. Friend the Member for Leicester East (Keith Vaz), as well as by many Members from across the county, if not the east midlands as a whole. It is right that this does not become a party political matter.

Last week, my hon. Friend the Member for Leicester West and I attended the public consultation event on Glenfield at the Walkers stadium in my constituency attended by hundreds of concerned parents, dedicated staff and local people, not only from Leicester but beyond the east midlands. Many of those people have never used the unit at Glenfield and, one hopes, will never need to use it, but they were all convinced of the logic of maintaining it. We heard moving stories from parents telling us how outstanding was the quality of care provided to their children. We heard testimonies from many of the staff at Glenfield, who described in remarkable detail the quality of the care that they provide and how they intend to continue to improve it.

We also heard many people, particularly members of the Asian community, express frustration, if not anger, about the fact that Glenfield features in only one option—option A. Many Members will know that Leicester has a very diverse population. Evidence shows that there is a high prevalence of heart disease in Asian communities, and some of my constituents from those communities

[Jon Ashworth]

are particularly concerned that Leicester features in only one option. In the past few weeks, people from mosques, gurdwaras, Hindu temples and the Federation of Muslim Organisations have been very vocal about this.

I want to focus my remarks on something that is unique and specific to Glenfield: our world-class ECMO—extracorporeal membrane oxygenation—service. An ECMO machine—I have to concede that I am far from an expert on these things, so Members may want to correct me—rests the heart and/or lungs of a patient waiting for recovery. I have been told by many at Glenfield that this procedure was pioneered there 20 years ago. Today, Glenfield has more than 10 machines, and it is no exaggeration to describe it as a world-leading centre in this field. Glenfield is the only centre in the country that provides ECMO for patients of all ages, from newborns to adults. Its expertise has been recognised on many occasions. For example, last year 110 adults were treated during the swine flu outbreak at Glenfield's ECMO centre.

How is that relevant to the future of the children's heart unit? Quite simply, the ECMO service is provided by the same staff who work in the congenital heart centre. Therefore, if that centre closes, Glenfield will lose its ECMO service as well. Of course, the ECMO service could go to Birmingham, as is mooted in the consultation, but that rather misses the point. Many of the staff working at Leicester's ECMO centre have done so for nearly 20 years. Their combined expertise has helped to make Glenfield's ECMO unit the world-class facility it is today. Many of my constituents are concerned that it would be years before an ECMO unit could be re-established elsewhere with the same level of competence. Training new staff to have the level of expertise offered at Glenfield could take up to 10 years. That is why many people in my constituency feel that keeping this national service is vital. Giles Peek, a consultant paediatric heart surgeon, told the *Leicester Mercury*:

"We use it not just after surgery but also to stabilise children and to stop them dying before surgery. We are almost always full and often take children from other hospitals... Our role at Glenfield as national reference centre for this treatment is important and underestimated."

Although I understand that this is a consultation and that it is right that these decisions are made by clinicians and not politicians, I hope that the joint committee will consider further options because of the expertise at our ECMO centre. Many of my constituents would be grateful if the Minister reflected on the national implications of Glenfield losing its ECMO centre and, at an appropriate time, made some remarks about that.

1.31 pm

Jason McCartney (Colne Valley) (Con): I, too, thank my hon. Friend the Member for Pudsey (Stuart Andrew) for his hard work, along with other colleagues, in securing this Back-Bench debate.

I will speak on behalf of the Leeds children's heart surgery unit, which serves the whole of Yorkshire. I was fortunate enough to visit the unit in November. I met its wonderful staff and surgeons, and spoke to many parents and some of the patients. Over the next couple of hours, we will hear a lot of intricate detail, just as we have already. There will be many statistics, facts and figures. I want to give a few facts and figures of my own. Half a million names were on the petition to save the Leeds unit, which we delivered to No.10 Downing street on Tuesday. That is the biggest petition ever raised in Yorkshire, and we can be very proud about that. The two-hour radius around the Leeds heart surgery unit reaches 14.5 million people. Including check-up appointments, the unit sees 10,000 children annually, and it performs 340 operations.

Julian Smith: As well as the number of operations performed at Leeds, will my hon. Friend talk about the rurality of many of the areas it serves? Skipton and Ripon is the most rural part of North Yorkshire. I have received many representations from my constituents about the issue of distance that there will be if Leeds does not survive.

Jason McCartney: My hon. Friend makes an important point. Many of those 14.5 million people are in rural areas, such as his North Yorkshire constituency. I will touch on that issue in relation to my Colne Valley constituency shortly.

I want to say a few words about the inconsistencies in the options. The Safe and Sustainable review has said consistently that centres should perform a minimum of 400 operations a year, and ideally 500. However, under option B, Bristol and Southampton would fail to achieve that number. The review's projected figures show that they would perform 360 and 382 operations respectively. During the meeting in Leeds, campaigners were told that it was not viable to have three centres in the north of England because the figures would be 347 for Leeds and 381 for Newcastle. If option B is viable, why is it not viable to have three centres in the north of England? Would not a solution be to keep Leeds and Newcastle open, and to give them two years in which to achieve all the standards set out by the review?

Mr Steve Brine (Winchester) (Con): That is precisely why the motion calls on the JCPCT to show maximum flexibility and not to restrict itself to the four options. The answer could be, "Yes we can."

Jason McCartney: I agree that that is what we are looking for. The idea behind the motion is to ask for more flexibility.

I have talked about statistics and about the 500,000 names on the petition, but there are three compelling reasons why I am speaking in this debate—or perhaps I should say three young reasons. Those three young reasons all happen to be at one school in my Colne Valley constituency. I met three pupils at Linthwaite Clough school near Huddersfield, who back the campaign to save Yorkshire's only children's heart surgery unit because they owe their lives to it. George Sutcliffe is a 12-year-old who uses a wheelchair six days a week and attends the heart surgery unit in Leeds about once a month. Ben Pogson, who is 10, and Joel Bearder, who is just four, both underwent major heart surgery at the unit. Ben and Joel's mums, Sam and Gaynor, have played leading roles in the campaign to save the unit, along with many others, and I praise their contributions. As well as those three pupils, one of the teachers at the school owes his life to the skill of the medical staff in Leeds. Richard Quarmby, a learning mentor at the school who will start his teacher training in September, had major surgery for his congenital heart condition at the Leeds heart surgery unit.

Those people owe their lives to the unit. They cite its wonderful staff and its proximity to Huddersfield as crucial. It takes less than an hour to get there. The unit gives fantastic family support and there is accommodation for parents if needed. As a result of George, Ben and Joel's treatment at the unit, the Linthwaite Clough school council has decided to support it as its annual chosen charity. Already, it has organised a series of fundraisers, including a colourful, cheerful day. For the reasons I have given, I think that the Safe and Sustainable review should be renamed the safe, sustainable and supporting families review.

Finally, on behalf of Ben, Joel, George and many others, I shall support the motion.

1.37 pm

Mr George Mudie (Leeds East) (Lab): I congratulate the hon. Member for Pudsey (Stuart Andrew) on the hard work he has put in to secure this debate. I compliment him on the sensitivity with which he phrased his contribution. I hope that that will allow the Government Whips to stay out of the decision and allow Members to get what we seek, which is not interference in clinical observations, but a review of how this is being carried out geographically.

The right hon. Member for Charnwood (Mr Dorrell) was more sanguine than I am about the involvement of Sir Bruce Keogh, the NHS medical director. I found his article in *The Times* this morning ill-timed, coming on the morning of a debate, when feelings are running high. I do not find it acceptable for him to say that anyone who opposes his view is "disingenuous" and that

> "political interests conspire to perpetuate mediocrity and inhibit the pursuit of excellence."

I find that offensive. Nobody in the Chamber argues with the clinical objectives. I find it unacceptable that some youngsters who are taken to centres for medical treatment get excellent treatment and that others get less than excellent treatment. I find it sensible and laudable that we should rationalise those centres to build up experience and techniques, and so that there are more people to share their experiences.

The right hon. Member for Charnwood said that we should not oppose the proposal because it is right clinically. He told us not to think of our own hospitals, but to think nationally. "Nationally", however, also means "regionally". The point that has not been made is that, while the Chamber should accept the clinical arguments, equality of access is also important. That is what is being said by most of the opponents of the proposals, and they are not being disingenuous. For instance, in the Newcastle versus Leeds argument, it would not be acceptable for me to argue in favour of the Leeds case on the basis that Leeds children should not have to travel 100 miles to Newcastle, because if we won our case, Newcastle children would have to travel 100 miles to Leeds. If it is wrong for us, it is wrong for them.

If the rationalisation, which we accept, takes place properly—and this is where the Minister comes in—there will be an underlay of fairness and equality of access. We have a National Theatre in London, but it is not a National Theatre for Yorkshire. It is nice for Hampstead, but it is not very good for Seacroft in Leeds.

Mr Dorrell: I think that the hon. Gentleman slightly misrepresented what I said. I did not say, "You must accept it", or "Take it or leave it". I said that those who wished to argue for a different approach must argue for the whole approach, and not for a sectional interest.

Mr Mudie: I entirely accept that, and I did not intend to suggest that the right hon. Gentleman had said anything different. My point is that, while the clinical case for a rationalisation is unarguable, equality of access is as important a consideration as any. Excellent treatment must not be available to only a certain number of people.

Greg Mulholland: We all accept the clinical premise of the review, but is it not incredibly arrogant for anyone to suggest that it cannot be fallible? There are obvious flaws in it. Many clinicians themselves say that it is flawed.

Mr Mudie: I hear what the hon. Gentleman says. I think that the same case was made by the right hon. Member for Charnwood. We may prevaricate for one reason or another, but sometimes it may be necessary to make a decision even when we think that it is not perfect, and I think that this is an instance of that. If the life of a child is involved, we must make a decision.

If we continue to challenge the clinical aspect of the review, we will fall into the trap of allowing a bad situation to continue. The case for change has been proved, and, while we may differ on how that change should be made, what is important is for us to express the view—and I should like to see it challenged—that there should be equality of access. Each region should ensure that every part of it has equality of access where possible, although that will involve some difficulty if Yorkshire is lumped together with the north-east.

In the last year I have had to move from my constituency office, which was in the centre of the constituency. I was offered cheaper, perhaps even better, accommodation in the outer part, but I felt that it would be unfair on the other wards for me to move away from the centre. If option 4 is either Leeds or Newcastle, I think that that is unfair on both. I do not want to close Newcastle, and Newcastle does not want to close Leeds. Locating provision sensibly in each region is important, but the House should also recognise, as it rarely does, that the country has some corners in which there is no equality of access in any respect. Those in Newcastle, in the top corner, and those in Cornwall, in the bottom corner, do not have access to many facilities that are accessible to people in the midlands, in Yorkshire and, above all, in London.

I believe that the House should accept the motion, and that the review team should forget about the clinical arguments and produce a template that proves to every Member that the excellent services that we should be demanding for children's care will be shared equally around the country. The team should give some real, positive, out-of-the-box thought to how to deal with areas that generally lose out.

1.45 pm

Greg Mulholland (Leeds North West) (LD): It is a pleasure to follow my Leeds colleagues, and it is a pleasure to work with all the Leeds and Yorkshire and

[Greg Mulholland]

Humber Members of Parliament throughout the House in support of the inspiring campaign to save the Leeds unit. I too was proud to be there to help present that remarkable petition. Nearly half a million people in the region have spoken out in an attempt to save the unit. When I visited it, I had the same experience as other Members have had when visiting their local units. I found it incredibly moving to meet those babies and children and their families, while also being conscious that I was walking into a centre of excellence. It benefits from a genuine co-location of services, which is the gold standard that has been set, and 370 operations are already being performed there—very close to the 400 figure.

Mr Kevan Jones: I note the size of the petition, but as a former Defence Minister responsible for defence medical services I faced similar petitions when the Ministry of Defence was concentrating military health care at University Hospital Birmingham NHS Foundation Trust, which is now a centre of excellence not just in this country but internationally. Although petitions are valuable, clinical outcomes must be at the forefront of any decision, and the MOD's decision to concentrate defence medical services at Birmingham was the right one.

Greg Mulholland: It would be very worrying if the extraordinarily overwhelming views expressed by people were ignored, but of course the clinical view is vital, and, as I have said, many clinicians have a problem with the flaws—clinical flaws—in the review.

Stuart Andrew: My hon. Friend mentioned the co-location of services. As I said in my speech, Leeds has spent considerable time ensuring that all children's services are under one roof. If we lost the heart unit there, might not other services be affected as well?

Greg Mulholland: I have not yet had a chance to congratulate my hon. Friend on the way in which he has co-ordinated our campaign. It has been a pleasure to work with him so closely, and I look forward to continuing to work with him and other colleagues. He is right: one of those serious flaws is the failure to consider the impact on adult heart services, which would be a huge problem.

There is real concern out there, as has been demonstrated not only by the petition in Yorkshire and petitions in other parts of the country, but by the views expressed by many respected practising and retired clinicians. The concern about the closures is understandable, but there is also concern about the review itself. There is concern about the process, about the conclusions reached so far, about the lack of consistency in the recommendations, about the lack of logic in relation to the premise of the review, and, I am sorry to say, about a lack of impartiality.

That is why it is right for the House to have an opportunity to express that concern on behalf of all the areas concerned, and why it is fitting that the Minister of State, Department of Health, the right hon. Member for Chelmsford (Mr Burns), is present. I thank the Minister for the way in which he has engaged with us, and I urge Members in all parts of the House to support the motion, so that we can address the concern that has been expressed outside and inside the House by considering the possibility of other configurations.

I wish to echo three points that have been made about the wonderful Leeds unit. The first is about the co-location of services. The unit is a case of true co-location, which is what the British Congenital Cardiac Association has called "gold standard" care. Leeds is currently one of only two hospitals shown in the review to have such a type and level of service. Mr Joe Mellor, a consultant anaesthetist at Leeds, says:

"What is particularly upsetting about the proposals is that our patients from Yorkshire would leave the Leeds unit and have to travel to Newcastle or Leicester. Leeds has centralised all its children's services onto one site. Neither Newcastle nor Leicester have come close to achieving this. Congenital cardiac surgery is a very complicated form of medical treatment. If in Leeds we encounter a problem where the child needs the help of an intestinal surgeon, or a neurosurgeon, or need renal therapy, or a host of other possible therapy, then we get it immediately in our own children's hospital."

Jonathan Darling, a consultant paediatrician at the Leeds General infirmary, states:

"To lose heart surgery from the Leeds Children's hospital would be a huge blow, especially when we have just centralised services precisely to realise the benefits of having all paediatric services co-located on one site. The Review process does not seem to give sufficient weighting to this true co-location."

I am afraid that it simply has not done so, which is worrying and quite extraordinary.

The second point that I wish to make is on the issue of population, which colleagues from the region have already raised. It simply makes no sense to close a wonderful unit that is already performing almost the number of operations that it must, when there are so many people in the area and the population is growing. I echo the comments of the hon. Member for Leeds East (Mr Mudie) when I say that of course we do not want to see the Newcastle unit close. We do not want to see any unit close, because this is about getting things right. However, I say to him and others that it would be absolutely perverse to close Leeds simply to enable Newcastle to perform a sufficient number of operations. If we stick to the number in the review, Newcastle can only perform that number of operations if Leeds closes. That is absurd.

Mr Mudie: The point I was making was that if we are to take the review's point and place units strategically, the obvious place with a mass population is Leeds. However, I said that that would leave Newcastle out on a limb, and something has to be done about that. The case for Leeds is unchallengeable.

Greg Mulholland: Indeed, and we have to get the point across to colleagues in other areas that perhaps we have to challenge the premise of the review and some of its figures if we are to reach other recommendations.

The third matter that I wish to mention, as the hon. Gentleman did, is travel. In the meeting yesterday with the review team, I was frankly dismayed by how little consideration was being given to the reality of ordinary working families and the effect that having to travel would have on them. I shall give a couple of examples. Johanne Walters, the mother of Emma, states that to them the change

"would mean her...surgery will be undertaken miles away from home and nobody would be there to support me—no family no friends—and it is incredibly difficult being there 24/7 at your child's bedside, even with this support".

Joanne and David Binns, whose son Oliver has been treated, have said:

"Oliver is our only child, and I'm sure you can imagine how it turned our world upside down. But we knew that we had family and friends who could just pop in and make us some food at the end of a long day, bring us clean clothes, and just be there if we needed a chat. I can't imagine how much extra pressure it would have been at this point to have to think about long distance travel and accommodation on top of everything else."

Matthew and Karen are the parents of Liam Hey, a constituent of mine who has become something of a celebrity. He is a wonderful young man who is being treated at Leeds. Karen has said:

"My son would not be here if it wasn't for the LGI. It would be too much of a trauma to transfer children to another place."

Travel has simply not received adequate consideration. It comes out top of the criteria that people give when we ask them, but it is not anywhere near the top of the list of the review's considerations. That is wrong.

We have to re-examine the situation. I am delighted that the House has had a chance to debate it today, and that Ministers have been so accommodating in enabling us to do so. I urge the House to support the motion. We should come back with some proposals that will really work for children and that we can all support.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Nigel Evans): Order. To accommodate more Members, I am reducing the time limit to five minutes. I hope that both Front Benchers will take into account the popularity of the debate and the need to get Back Benchers in when they make their contributions.

1.54 pm

Pat Glass (North West Durham) (Lab): I do not have a children's heart unit in my constituency. I do not even have one close by. There are parents in my constituency who are 50 miles from the nearest unit, but they tell me that they do not care about that. They would travel to the ends of the earth to get access to the best provision. That is what matters to them, not having somewhere on their doorstep.

Stuart Andrew: I have to take issue with that. The parents I have spoken to are very concerned that they might have to travel. Of course they will travel as far as they have to, but if we can provide a service closer to their homes, should we not strive for that?

Pat Glass: They are saying that because they have a unit on their doorstep now. We do not all live in big cities, and some people have to travel a long way. Parents tell me that what they want is the best services, and even if they have to travel to get them, that is what comes first. Travel and access are issues to consider, but every parent who has contacted me has confirmed that the most important thing for them is that their child gets access to the best provision available, and to surgeons who carry out these complex operations a couple of times a week, not a couple of times a year. They tell me that they will go anywhere to ensure that their child gets the best chance of surviving and that their condition improves.

Mr Kevan Jones: Does my hon. Friend agree that in County Durham, the concentration of adult cardiac surgery and emergency care at the Freeman hospital and the James Cook university hospital, which was controversial when it happened, has improved not only care but the survival rates of individuals from County Durham? Even though there are hospitals in the county closer to some people, survival rates have gone up because of that concentration.

Pat Glass: Absolutely, and we need to appreciate why such moves are necessary. None of us wants another Bristol baby tragedy, and I think there is general agreement that we need changes in the organisation of services to drive up the quality of treatment and bring together specialist surgeons to work in larger teams.

Andrew Percy (Brigg and Goole) (Con): Will the hon. Lady give way?

Pat Glass: Practically everyone remains in agreement that those changes need to be made.

Andrew Percy: Will the hon. Lady give way?

Pat Glass: The argument is simply about which units will specialise in surgery, even though all existing units will continue to offer ongoing cardiology care.

Andrew Percy: Will the hon. Lady give way?

Pat Glass: I am not going to give way, no matter how much the hon. Gentleman hassles me. I can see that that is what he plans to do.

Many local campaigns have been mounted, and they have been supported by local MPs fighting for their own units or fighting to delay decisions. I absolutely understand that, but the decisions have been put off before for many reasons, which I believe is to the detriment of patients.

The decision should not be made on a political basis. Few of us in the House are qualified to judge the quality, sustainability and deliverability of clinical outcomes in children's heart provision. On 7 June, when I questioned the Minister of State, Department of Health, the right hon. Member for Chelmsford (Mr Burns), on the matter, he gave me a categorical assurance that decisions would be

"based on clinical outcomes, not political considerations."—[*Official Report*, 7 June 2011; Vol. 529, c. 12.]

I hope that he will keep his nerve in the face of sustained political lobbying.

The Minister of State, Department of Health (Mr Simon Burns): If it encourages or reassures the hon. Lady, I will give her that commitment again today.

Pat Glass: I thank the Minister.

The Children's Heart Foundation has advised me that the closer we get to a decision, the more difficult the political battle will become. In a bid to save surgery facilities in their areas, some parents and clinicians are asking MPs to stall progress towards a decision. Parents have been told that some units will close, when in fact even if surgery is centred elsewhere, local units will continue to provide specialist medical treatment on a "hubs and spokes" model. I believe that parents have been misled on some matters.

[Pat Glass]

These decisions are crucial to the future clinical outcomes and life chances of our children. The Minister has again today categorically assured me that they will be based on clinical outcomes only, and I thank him for that.

1.59 pm

Mr. Andrew Turner (Isle of Wight) (Con): I shall confine my speech to issues that uniquely affect my constituents. The Safe and Sustainable consultation is fundamentally flawed. Three of the four options envisage the closure of the Southampton centre. Those options are based on wrong assumptions and inaccurate data. Let me set out the background. The consultation document states:

"All options must be able to meet the minimum requirement to collect a child by ambulance…within three hours of being contacted by the referring unit".

It then examined "detailed access mapping" using train and road journeys—that is important—and considered how existing networks were affected. More options that did not meet the "three hours" criteria were ruled out. Bristol is included in "all viable options" because south-west Cornwall and south Wales are more than three hours away from either Southampton or Birmingham.

Unfortunately, nobody in that expert team seems to have noticed that people cannot travel by train or road from the Isle of Wight. There is a clue in the name: it is an island, separated from the mainland by the Solent. I have said before that the ferries provide lifeline services for my constituents, but in this case that is literal. The error in the data was that because we must cross the Solent by ferry, the island is more than three hours away from either Bristol or London.

In May, that was pointed out to Mr Jeremy Glyde, the programme director of the Safe and Sustainable review. A statement issued on 3 June said that the team

"based retrieval times between the island and the mainland on travel by air. This was an oversight"

because the policy is

"to retrieve children from the Isle of Wight by road and ferry".

That is very odd, because the consultation document explicitly states:

"Air travel has not been considered because it cannot always be relied upon".

The statement goes on to say that

"an ambulance must reach the referring hospital within 3 hours, or within 4 hours in 'remote areas'".

The conclusion was that

"it is sensible to measure retrieval times to the Isle of Wight against the threshold for 'remote areas'."

On remote areas, the consultation document states:

"Removing surgery from some centres could have a disproportionate impact on children in some remote areas because ambulances would not be able to reach the child in three hours or less"—

meaning three hours or less from Southampton in my case.

On 3 June, Mr Glyde did not say why the Isle of Wight suddenly became a "remote area" when previously it was not. I am sure it did not move without me or any of the other 130,000 residents noticing. I asked Mr Glyde to point me to the guidelines that determine when an area is designated as "remote". He told me that it was a "subjective interpretation" and that the review board recognised that the island,

"by its very nature, is remote from the mainland".

Of course, that is accurate, but the board should have noticed earlier. After starting the consultation and working on it for years, it suddenly struck the board that there are

"unique factors around retrieval times by ferry".

My Glyde was very helpful. He explained:

"We have been able to generate potential scenarios that could enable the ambulance to meet the standards".

They did so not by using the "three hours" standard set out in the consultation, but by deciding that the "four hours" will apply to the newly remote Isle of Wight. It may be possible to generate scenarios in which an ambulance from Bristol or London can get to the island in four hours. I can generate some scenarios in which I become Prime Minister. Neither possibility can be entirely ruled out, but they do not reflect what is likely to happen in real life—[Hon. Members: "No!"]

Putting aside my political future, let us examine some realities. The AA route planner shows that it takes two hours to get to the other side of the Isle of Wight, and an hour at least—

Mr Deputy Speaker (Mr Nigel Evans): Order.

2.4 pm

Catherine McKinnell (Newcastle upon Tyne North) (Lab): That the children's heart unit at Newcastle's Freeman hospital is cherished across the north-east is undisputed. One has only to read the coverage of the *Newcastle Evening Chronicle* "Keep Our Children's Heart Unit" campaign in recent months to appreciate just how the unit has changed the lives of countless young people and families over the past decades.

Indeed, because of the pioneering work of the children's heart unit at the Freeman, it is recognised nationally and internationally as a centre of excellence, with particular strength in quality and outcomes. The unit has also had significant investment over recent years. It is the only unit in the country able to offer all forms of heart treatment, regardless of age, under one roof, and the Freeman is recognised as having led the way in the UK in providing end-stage heart failure treatment for children.

As my right hon. Friend the Member for Newcastle upon Tyne East (Mr Brown) said, the Freeman famously and bravely performed the UK's first successful baby heart transplant in 1987. It has performed more than 200 child heart transplants overall, and was recently the first hospital in the world to enable a young child to survive for four months with an artificial heart, while the baby's own heart recovered.

The quality of the work carried out at the Freeman means that young patients and their families travel to Newcastle for treatment not just from the west of Cumbria or north Yorkshire, but from as far afield as Scotland, Northern Ireland and even the Republic of Ireland.

For those reasons, I believe that the children's heart unit at the Freeman is well-placed to continue providing its excellent, world-leading cardiac surgery services for children. Three of the four options put forward by the Safe and Sustainable review propose that that should be the case. However, I have concerns about attempts to

move the debate away from the key issue at hand: ensuring that congenital cardiac services provided to children in England and Wales continue to be high quality, and therefore safe, and sustainable and deliverable. That was the intention of the Safe and Sustainable review.

Andrew Percy: Will the hon. Lady give way?

Catherine McKinnell: I shall give way once.

Andrew Percy: I do not think any hon. Members who are fighting to save their local units are trying to move the debate away from that. I shall quote what health professionals from the North Lincolnshire and Goole NHS Foundation Trust say:

"In summary, we believe the babies, children and families of northern Lincolnshire would be largely disadvantaged...knowingly relocating a well run and safe service without providing additional advantage to our families is questionable and unnecessary."

We are not moving the debate away from the clinical issues at all.

Catherine McKinnell: The hon. Gentleman has put his thoughts and concerns issue on the record.

I mentioned the intentions of the Safe and Sustainable review, which was instigated by national parent groups, NHS clinicians and their professional associations. Those intentions must be the primary drivers in deciding the final outcome of the review.

I am equally concerned at suggestions that the decision and outcome of the review should be stalled, or that the remit should be altered. I am not alone in expressing such concerns. The Children's Heart Foundation argues that that would leave

"the door wide open for another Bristol Baby tragedy".

Meanwhile, the charity Little Hearts Matter believes that the Safe and Sustainable service reconfiguration offers—

Stuart Andrew: Will the hon. Lady give way?

Catherine McKinnell: No, I will not.

Little Hearts Matter says:

"The Safe and Sustainable Service reconfiguration offers a monumental opportunity to ensure that every child with a heart problem has access to the best heart surgery service that this country can offer—a gold standard service."

I urge anyone in a position of influence, including hon. Members, to support that step forward, and not to halt the process because of personal bias.

A number of hon. Members are concerned about the co-location of children's services. However, it is important to note that during the development of the £100 million new Great North Children's hospital at the Freeman's sister hospital, the Royal Victoria infirmary, a deliberate decision was made to retain children's heart services at the Freeman, aligned with the world-renowned adult heart services there.

Services that simply did not exist 20 years ago have created a new generation of adults needing care, and the service at the Freeman allows for a seamless transition into adulthood. Of course, services at the Great North Children's hospital are available to the Freeman in a matter of minutes—throughout the review process, they have been recognised as though they are on the same site.

In conclusion, I am not asking those who will make the final decision to give special treatment to the children's heart unit at the Freeman, or indeed to the people of Newcastle and the north-east. I am all too aware how difficult this process has been for all children's heart units under consideration. Each is valued and each has a great story to tell. However, I am asking that the decision is made on the grounds of clinical excellence and the quality of services that are currently provided, and on those grounds alone. I urge that a decision on the future of children's congenital cardiac services is not put off or prolonged, because the safety of babies and children in need of heart surgery should be paramount in this debate.

2.9 pm

Mr Robert Syms (Poole) (Con): I congratulate my hon. Friend the Member for Pudsey (Stuart Andrew) on the measured, sensible and sensitive way in which he moved his motion. There is clearly a lot of strong feeling in the Chamber today, which is understandable given the number of people potentially affected by these changes. We all know that geography in this country is an important consideration, and although a political argument can be made for having fewer centres—it might save some lives—it can also be argued that for some families, particularly those living further from theses hospitals, these proposals could cost lives, if people are unable to get to one of the hospitals.

My hon. Friend the Member for Isle of Wight (Mr Turner) made an extremely good point about the difficulties with moving the Southampton unit. Yes, parents will go wherever they can get the best treatment, but they prefer to go somewhere nearby. I have constituents who have moved to Poole simply because of its proximity to the Southampton unit, and I expect that families around the country with similar problems also sometimes vote with their feet by buying a home in close proximity to a unit. This point needs to be taken into account. A Mrs Owen made the point to me quite forcefully that it was one reason she and her family moved to Poole.

The chairman of Poole borough council's health and social care overview and scrutiny committee has concerns, as do Councillor Charles Meachim and Antoinette McAaulay, who is a consultant paediatrician at Poole hospital. The latter raised concerns about the impact on the Southampton unit and pointed out that Southampton had the highest quality score for clinical care outside London and the second highest in the UK following the Kennedy review in 2010, suggesting that the children's cardiac paediatrics service in Southampton is a safe service. She also points out that the numbers for Southampton might be wrong because since the suspension of services in Oxford, the numbers have gone up considerably from those quoted in the study.

Although I agree with the motion and think it silly to stick only with options A, B, C and D, people in my area of the country would prefer B because of the impact it would have on the Southampton centre. People in my constituency have pointed out that the option B proposal includes the centre with the highest quality score, the centre with the best surgery survival rates and the centre with the highest score for research. A strong argument can be made for retaining the Southampton unit. It has strong support from my constituents and people in Dorset, so I hope that the joint committee will consider it carefully.

Annette Brooke (Mid Dorset and North Poole) (LD): Representing part of Poole, I am aware of the strong feelings there. Equally, however, I take on board the need for clinically driven decisions. Many Members are raising concerns about flaws in the proposals, so it makes a lot of sense to proceed with the motion, because whatever happens we want to be sure that the best decisions are being made. Does my hon. Friend feel that there is great uncertainty?

Mr Syms: I agree with the hon. Lady. It is important to get this right, rather than to rush. Clearly there are concerns. I know that the Minister is a sensible soul and will respond—*[Laughter.]* Well perhaps he was once a sensible soul. I am sure that he will respond to Members' concerns. The important thing is that many people out there have concerns that we need to address if we are to deliver a first-rate service that our constituents feel is good for them.

2.13 pm

Stephen Twigg (Liverpool, West Derby) (Lab/Co-op): I congratulate the hon. Member for Pudsey (Stuart Andrew) on securing this important debate. I have the privilege to have in my constituency the hugely impressive and world-class Alder Hey children's hospital, which I am delighted is included in all four options in the motion. I would express some concern, however, were the motion to be agreed to and were we to go beyond those four options. I hope that Alder Hey would be included in any further options that the joint committee would consider and consult on.

Alder Hey's cardiac unit treats children with all forms of heart disease, not only in Liverpool and the wider Merseyside area, but those travelling from the wider north-west of England, north and mid-Wales and the Isle of Man. The total catchment area for children using Alder Hey's cardiac unit covers about 7 million people, so many people already travel very long distances to use the excellent services there. Since 2006, the hospital has treated more than 4,000 patients for cardiac conditions and performed surgery on more than half of them. I spoke to the hospital this week in anticipation of today's debate, and it expects that the concentration of surgery at Alder Hey will further increase demand, and has built that into its current plans. Alder Hey is on track to have a brand-new hospital with a children's park. The plans are very exciting and have got a strong commitment from the local community in my constituency in West Derby. The hospital is strengthening its services. For example, it is investing in the existing team to add a sixth cardiologist and an eighth intensivist, increasing its theatre capacity to enable the delivery of 637 cases per year, and it has already achieved the minimum required activity for this operational year of 447 cases.

Members have spoken about the balance between our responsibilities to consider the national picture and our constituency responsibilities. Happily I am in a position to argue that the proposals work both in terms of national policy and for my constituents. The Children's Heart Federation has highlighted some of the benefits of the Safe and Sustainable review's proposals, which have been mentioned by hon. Members today: minimal cancellations and short waiting times for surgery; better outcomes from surgery; and an end to high-risk rotas in which a surgeon in a small team covering for a colleague on leave can operate all day and be on call all night several days running. As has been pointed out, these changes have been put forward by clinicians, and I would urge the House to tread with great care in jeopardising the outcome of such a clinician-led review. We must remind ourselves that the review does not propose the closure of any centres, and would instead concentrate surgery in the centres where it can be performed safely.

I finish with a broader point that the Minister might like to reflect on. This review is a good example of evidence-based policy making in the NHS. Perhaps we can have more of that as the process of NHS reform moves forward.

2.17 pm

Craig Whittaker (Calder Valley) (Con): I thank my hon. Friend the Member for Pudsey (Stuart Andrew) for his incredible hard work on this issue, not just this week but over many months.

Yesterday many MPs received an e-mail from the chief executive of the Children's Heart Federation, who is also a member of the Safe and Sustainable programme steering group. She wrote:

"'Clinicians have led these changes and we believe it is wrong that some politicians are now trying to block the process that will lead to the vital improvements in children's care."

I do not agree with that assessment because I agree absolutely with the aims of the review, as do many of my hon. Friends. However, I have an issue with the process of the review and what it has missed out. In the case of Leeds, there has been no formal opportunity to correct factual inaccuracies in Sir Ian Kennedy's pre-consultation assessment report, and no impact assessment was undertaken before the four options were announced in the consultation

As my hon. Friend the Member for Leeds North West (Greg Mulholland) said, Leeds delivers what is considered a gold standard of service, and is one of only two hospitals that offer this gold standard. However, the weighting in the criteria did not take account of that at all. It would be fair to say, therefore, that I, my fellow Yorkshire, Humber and Lincolnshire MPs and the more than 500,000 fellow Yorkshiremen who handed in a petition to the Prime Minister this week have little faith in an open and transparent process that is fair for the people in the current Leeds catchment area.

Diana Johnson (Kingston upon Hull North) (Lab): And women.

Craig Whittaker: I apologise if I left out women.

Greg Mulholland: Let me too say that it is a pleasure working with my hon. Friend, but can we debunk this myth that we are talking about a review without flaws that is based on clinical guidelines? Option B, which he mentioned, does not even get us to 400 operations for some centres. In too many places the review does not even follow its own logic.

Craig Whittaker: I agree with my hon. Friend, who is absolutely right. This comes back to my basic premise, because all we are asking for is an open, honest and transparent process that will produce the desired outcomes.

Last year, one of my constituents, Miss Libby Carstairs, spent many months in Leeds hospital and underwent heart surgery several times over several months. As we know, the aims of the consultation clearly show that

parents would take their child anywhere to get the best treatment when they are as poorly as Libby is and was. Under the proposals, Libby would have gone backwards and forwards several times, probably between Newcastle for surgery and Leeds for her convalescence. Currently, her care and surgery all happen in one place. As with all families at such a stressful time, it was hugely beneficial that the family could visit regularly and help in the convalescence period. Libby's mum spent her life in that unit with her, and her grandparents played a huge role with relief and support. Libby's being in Leeds even allowed her head teacher, from Carr Green primary school, the opportunity to visit and take messages of support from her classmates and friends. I saw first hand not only how that cheered Libby up, but how it helped to fast-track the recovery of this poorly little girl. It also without question helped Libby eventually to go home, albeit with high levels of support. Such support from family and friends would not have been possible had Libby been up and down to, say, Newcastle or Liverpool, which are many miles away.

Although the main principle of parents taking their child wherever they need to go to get the best treatment is absolutely correct, it does not take into account the loss of income to the family through not being in work, the huge cost of travelling much further distances, and the incredibly important network of support from family and friends at what is an awfully frustrating and stressful time for everyone involved—the big society at its best, as it were. I cannot imagine what it is like not to know whether one's child is going to live or die, so I cannot begin to comprehend the full extent of the support needed and appreciated by families.

Contrary to the e-mail received yesterday, MPs do understand the process, as do the 500,000 people who have signed the petition. However, it is scandalous that Leeds fits into only one of the four options, particularly as vital information has been missed out of Sir Ian Kennedy's assessment. To sum up, if the Government are big enough to listen to the people and amend their proposals on issues such as the NHS and jail, surely clinicians at the JCPCT should be big enough to review their plans, by listening to what 500,000 people from Yorkshire, Humberside and Lincolnshire are telling them to do.

2.23 pm

Dr Alan Whitehead (Southampton, Test) (Lab): Southampton children's services are located at Southampton General hospital, right in the middle of my constituency. The hard work undertaken by the large numbers of people who organised the petition presented at No. 10 yesterday—I and a number of fellow Members from across south-central England managed to get ourselves very wet helping to deliver it—showed not partisan fighting on behalf of a particular unit, regardless of its quality or the service that it represents, but genuine mystification that the process appears to have dealt so peripherally with Southampton's role in the national roll-out of services. In 2010, Sir Ian Kennedy rated Southampton as provider of the highest quality service outside London, rating it particularly highly on paediatric intensive care and support for parents, and highly on training and innovation.

That mystification as to why such a unit should feature in just one of the options in the review was compounded by an examination of the background to that review. Indeed, perhaps the explanation for why Southampton appears to have been treated so peripherally can be found in the review itself. Of course it is important that the review should be completed, that changes should be made and that judgments be made on clinical grounds. However, I would suggest that it is not on clinical grounds that anyone should have forgotten that the Isle of Wight exists. That is the province of geographers rather than clinicians. If clinicians depend on the material in a review setting out the factors that will be taken into account in their final decision, much of their power in making that decision could be overthrown by what goes into that review in the first place.

It is not a clinical decision for the review to state that Southampton has two surgeons and undertakes 231 procedures, when in fact it will have four surgeons by this summer and undertake almost 400 procedures, as a result of, among other things, its excellent collaboration with Oxford, which my right hon. Friend the Member for Oxford East (Mr Smith) mentioned earlier, but which the review appears to neglect. If such a decision is made by the review, which appears to have got so many things wrong about the background to Southampton's excellent services, the 250,000 petitioners who signed the petition that went to No. 10 yesterday will justifiably feel let down by the process, whoever conducts it. The national health service has a long and honourable record of stitching people up for the right reasons. If as a result of the review those 250,000 people end up feeling stitched up for the wrong reasons, they will have every right to feel very aggrieved indeed.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Nigel Evans): Order. Just to inform the House of the procedure, I will now call the Minister. The recommendation from the Backbench Business Committee is that he speaks for about 15 minutes. However, I should remind the House that if he takes persistent interventions, that will extend the time that he spends on his feet, which will deny other Back Benchers the opportunity of speaking. The shadow Minister will be speaking towards the end of the debate.

2.28 pm

The Minister of State, Department of Health (Mr Simon Burns): I congratulate my hon. Friend the Member for Pudsey (Stuart Andrew) on securing this debate on the review of children's heart surgery services. He has a strong record of campaigning on this issue and of bringing the concerns of his constituents to the attention of the House. I also congratulate him and the other hon. Members on the motion they tabled. The Government and I wholeheartedly support its contents, and I urge other hon. Members to do so as well.

I should also like to take this opportunity to pay tribute to the dedicated NHS staff who work in children's heart services in my hon. Friend's constituency and across the country. They do a tremendous job, for which we are all incredibly grateful, more often than not in complex and difficult circumstances.

I should like to confirm that the review is totally independent of the Government, and that it is clinically led. It is not driven by me, by other Ministers or by the Department of Health. It is therefore not appropriate for me to comment on the specific hospitals consulted

[Mr Simon Burns]

during process. I do not wish to act, or to be seen to act, in a way that could influence or prejudice the process that is going on. As many hon. Members have said, this is a highly emotive issue, particularly for those whose children's lives have been saved by the services under review. It is worth reminding ourselves why the review was conceived and planned and is now being carried out.

This is not a new issue. The provision of children's heart surgery has been a cause for concern since the Bristol Royal infirmary inquiry in the late 1990s. Understandably, there has been considerable pressure from national parents groups and professionals to ensure that children receive the best treatment, and the sole purpose of the Safe and Sustainable review is to ensure that children with congenital heart problems receive the best possible care now and long into the future. To do that, we must be certain that the centres in which surgery takes place are as good as they can be.

Mr David Davis (Haltemprice and Howden) (Con): The Minister will not be surprised to hear that my constituents, like all the others in Yorkshire, are in favour of Leeds, but I do not want to draw him on that. I would like him to help us in our argument by telling us what the clinical outcomes for Leeds are and how they compare with other centres. In particular, will he confirm that they are all safe?

Mr Burns: I am grateful to my right hon. Friend for that intervention. With regard to Leeds teaching hospital, he will know that this is a complex issue. There are 36 different surgical procedures listed on the central cardiac audit database, but the three most relevant ones in the context of his question are those that deal with atrioventricular septal defect, arterial switch and Fallot's tetralogy. Over the past six years, 304 operations have taken place involving those three specialties. Sadly, the number of patients who died within 30 days was 12, and 18 died within one year. The results of surgery in all units are good, with no significant divergence. The issue, however, is the future. We need to prepare for units that can deal with these highly complex procedures and the intense technology needed, and provide the qualified doctors and nurses involved, in order to keep up with professional and public expectations of the high quality of care required. This is not so much about today's figures as about how we meet the challenges of the future to provide the finest and safest possible care in this deeply complex area of medical treatment.

The consensus among professional associations is that there should be no fewer than four congenital surgeons in a centre, each performing between 100 and 125 procedures every year, for a centre to be optimally staffed. Over the past few years, the outcomes for the services have remained good, as the figures that I have just given to my right hon. Friend illustrate, but there have been several warning signs that the current arrangements are fragile. For many years, professionals and national children's charities, including the Children's Heart Federation and the British Heart Foundation, have urged the NHS to review services for children with congenital heart disease. They have consistently raised serious concerns about the risks posed by the unsustainable and sub-optimal nature of smaller surgical centres.

Many of the 150 types of operation undertaken by these dedicated teams are among the most complex, challenging and technically demanding areas of surgery. Success requires intricate surgery on hearts often no bigger than a walnut, coupled with finely balanced judgments drawn from a combination of advancing science, personal experience and compassion. It involves a range of highly trained individual team members—before, during and after the operation.

The risks posed by the complex nature of heart surgery include not just possible death after surgery, but lifelong complications such as brain damage and other disabilities. The judgments of any expert medical team caring for a particular child therefore have a direct and long-lasting impact not only the future of each vulnerable child, but on that of their families.

There is also the issue of recruitment. The fact is that smaller centres have problems with recruiting and retaining the very best surgeons. There is a risk that those working in smaller centres will find themselves working in isolation and in units that are not as up-to-date with techniques and clinical practice as the larger ones are.

Greg Mulholland: We all understand the premise of the review about the need to move to larger centres, but does the Minister not understand—I am not trying to draw him—the real concern when Leeds is performing 370 procedures a year and Newcastle, a smaller unit, performed only 255 last year, yet Newcastle is in all four options and Leeds only in one?

Mr Burns: I fully appreciate the hon. Gentleman's point, but I hope that he will appreciate that he is now trying to draw me into a discussion on the merits of Leeds as against Newcastle. As I said earlier, it is inappropriate for me as a Minister to do that. However, it is a point that the hon. Gentleman, my hon. Friend the Member for Pudsey and others can make more than adequately to the joint committee, which will be able to determine the merits of the argument prior to reaching a decision. I urge the hon. Gentleman to understand how inappropriate it would be for me to go down the route of arguing the merits or demerits of one area or another.

Smaller centres struggle to train and mentor junior surgeons, making these units less attractive to the senior surgeons of tomorrow and making it difficult to provide a safe 24-hour service. We must ensure that our surgeons and their teams are well supported. They need opportunities to develop their experience as they become increasingly expert in these intricate and complex procedures. We must ensure that all the hospitals that provide heart surgery for children can also provide care within safe medical rotas.

No parent would wish the care of their child to be entrusted to a surgeon who, though an excellent doctor, is overly tired because they have had to work around the clock without any peer support. This means that to reduce the risk of surgery in sick children and to improve their long-term outcomes, we must focus our surgical expertise in larger centres. The need has become ever more pressing with the increasing complexity of treatment.

As hon. Members will know, the national review is known as the Safe and Sustainable review. Its aim is to ensure that children's heart services deliver the very highest standard of care. The NHS must use its skills

and resources collectively to gain the best outcomes for patients. As I stated at the beginning of my speech, in line with the Government's entire approach to the NHS, this review is both independent and clinically led. May I reassure hon. Members that the objective of the review is not to close children's heart centres? Far from it. While surgery may cease in some centres, they will continue to provide specialist, non-interventional services for their local population.

Indeed, the review proposes to extend local care further, supported by the professional associations that support the increased clinical expertise across England. This wider support is crucial. Surgery is usually a single, short episode in what is often a lifelong relationship with specialist congenital heart services. The aim is to improve those services as a whole and to ensure that as much non-surgical care as possible is delivered as close to the child's home as possible through the development of local congenital heart networks. These will enable children to be safely and expertly cared for nearer to home in the longer term.

Given the complexity of the issues for consideration, the NHS has held a four-month, rather than the usual three-month, consultation. Hon. Members should be reassured that the consultation process has been impressive in its scope, inclusiveness and transparency.

Julian Smith: Will the Minister give way?

Mr Burns: I will, but it will be for the last time.

Julian Smith: I thank the Minister. Will he comment on the lack of translation of certain consultation documents, which has affected many communities, particularly in and around the Leeds area?

Mr Burns: I am grateful to my hon. Friend for raising that issue, and I will address it later in my speech.

No decision has yet been made about which centres should continue to undertake surgery. That decision will be made only after the responses to the consultation have been properly and fully considered. The chair of the joint committee of primary care trusts, Sir Neil McKay, has made it clear that it is a genuine consultation and that all viable proposals will be considered, and I agree with that. There has been no pre-determination of the number of centres that will be selected. Rather, the review remains flexible and open-minded as to the final number and is happy to listen to all options that would produce the excellent clinical outcomes for our children that we desire.

As I have said however, this review is being driven by a powerful clinical imperative. The trend in children's heart care is towards increasingly complex surgery on ever-smaller babies. That requires surgical teams that are large enough to provide sufficient exposure to complex cases, so that surgeons and their teams can maintain and develop their specialist skills. Larger teams also provide the capacity to train and mentor the next generation of surgeons. In recent years, other countries have recognised the clinical necessity of larger surgical units and have reconfigured their services along the lines proposed by the Safe and Sustainable proposals. Here in the United Kingdom, there are successful precedents for centralisation. In the past 15 years, the congenital cardiac services in Cardiff and Edinburgh have ceased heart surgery on children, as they recognised that their centres were just too small to be sustainable.

I also want to reassure Members about the integrity of the process that was followed in developing the options for consultation. In the past, concerns have been put to me in this House about mistakes in the assessment process, particularly relating to the Leeds service, and Members have referred to that again today. I understand that since our last debate in February or March of this year the chair of the joint committee, Sir Neil McKay, has written to the chief executive of the trust in Leeds to explain why mistakes have not been made in relation to the Leeds centre.

Members, including my hon. Friend the Member for Skipton and Ripon (Julian Smith) in his recent intervention, have also raised the issue of documents not being made available in a sufficiently wide range of languages, thereby excluding those who speak those languages from the consultation process. The relevant documents have for several weeks been available in 10 different languages, including Urdu, Arabic, Farsi and Punjabi. *[Interruption.]* The hon. Member for Leicester West (Liz Kendall) shakes her head, but I assure her that they have been available for several weeks, although I accept that they were not available from the first day of the review. That may be the point the hon. Lady was seeking to make, and I agree with her if she thinks they should have been from the first day. We cannot change the fact that they were not available from then, however, but they have been available from, I believe, 20 May, and the consultation process runs until 1 July, which gives sufficient time for people who need to access the documents in those languages to do so and to be able to input their views.

I hope to be able to reassure my hon. Friend the Member for Isle of Wight (Mr Turner) on retrieval times and access times from the Isle of Wight, given its unique geographical situation. It is my understanding that the joint committee of primary care trusts has agreed that Southampton University Hospitals NHS Trust has provided evidence on this issue that requires further consideration and has invited the trust to develop a detailed case regarding retrievals from the Isle of Wight, which the committee will consider as part of the evidence to determine the optimum reconfiguration.

Several Members raised the issue of the inclusion of black and minority ethnic communities in the consultation process. There have been a number of workshops and focus groups, many of which have been aimed specifically at the BME communities. Almost 2,000 community groups and organisations that have an interest in BME issues have been contacted and invited to take part in the proceedings. Public meetings have been arranged, particularly in Leeds, specifically for the Asian population of Yorkshire in partnership with representatives of local BME groups. The Leeds meeting is on 29 June, there is a meeting planned for Bradford on 30 June and a further meeting is planned for Kirklees. I hope that hon. Members who represent parts of Yorkshire and the surrounding catchment areas will be assured by that.

To abide by your rules, Mr Deputy Speaker, I will now conclude by saying that I am confident about the consultation. Everyone will accept that all consultations of this nature can be difficult, when tough decisions have to be taken. The decisions have to be taken for the

[Mr Simon Burns]

right reasons, based on clinical evidence about the best way to improve and enhance care and the quality of care for patients. That is particularly true in this case because more often than not the patients are very young children with very complex needs—that is what makes this issue so difficult.

Let me reiterate that no decisions have been taken or will be taken until the joint committee has had an opportunity to consider the independent analysis of the consultation responses, reports from any local overview and scrutiny committees and a health impact assessment. Throughout, it will remain open-minded and flexible as to the number of centres. The only important consideration will be the sustainability of clinical excellence at the centres chosen. I doubt whether this is the case, but if any hon. Members have not taken part in the consultation I urge them to do so. I also urge them to ensure that their constituents and organisations in their constituencies with an interest in this matter take part in the consultation if they have not already done so, so that the committee can have the widest range of views, information and opinion before reaching what will, in any circumstances, be difficult decisions.

2.47 pm

Nic Dakin (Scunthorpe) (Lab): It is a pleasure to follow the Minister, who was very careful in setting out how he is attempting to ensure that this process proceeds in an appropriate way. I was pleased by his comments about the consultation being genuine and about the review being flexible, open-minded and not limited to a particular set or number of outcomes. His contribution was very reassuring and I thank him for that.

I would like to use as my reference point a lady who attended a meeting in Scunthorpe, at the Wortley House hotel, for people who have used the Leeds children's heart unit's services in recent years. Her use of the service goes back to when it was in Killingbeck hospital a long time ago before it moved to Leeds General infirmary in 1997. At that point, as has been pointed out, all children's services were located in one area to great positive effect for the children of the Yorkshire and the Humber region. What she said to the people from Leeds at that consultation was that she really did not mind where the heart surgery locations were, but that she wanted the very best to be delivered for children in need so that they could access the best and most excellent services. She went on to say that her experience of the Leeds service was such as to give her assurance that it would meet those needs. She was particularly concerned that proper outreach services should remain in any future configuration. Her daughter was expecting another child and was already engaged, in relation to her pregnancy, with service support through Leeds, which was going to make it less likely that there would be significant cardiac problems that could not be dealt with at the appropriate time and with appropriate effectiveness.

In the Scunthorpe area, we tend to be on the periphery of things, so we always have to travel, in this case to Leeds. The weather conditions at the end of last year made it difficult to travel to and from Scunthorpe, and a two-hour journey with unwell youngsters would have led to great concern.

We need to make sure that there are proper outreach services to give support in future and, as my hon. Friend the Member for Leeds East (Mr Mudie) said earlier, we must recognise that people should have equality of access to excellence wherever they are in the country. That is important for my constituents.

Ian Mearns (Gateshead) (Lab): Does my hon. Friend agree that it seems a little unfortunate that the options in the consultation would not include the continuation of services at both Leeds and the Freeman hospital in Newcastle? That was deeply upsetting for parents in the communities that both hospitals serve. There is real concern that the excellent heart and lung transplant service at the Freeman hospital could be jeopardised.

Nic Dakin: I thank my hon. Friend for that important point. One of the things illustrated by the debate is that there are many forms of excellent practice, with excellent people working across the country in this area of medicine.

Mr David Ward (Bradford East) (LD): It is good to be working with the hon. Gentleman on this issue, but does he agree that there is a fundamental problem? Newcastle performs only 255 procedures, so it needs the Leeds unit to close to reach the 400 figure specified in the review, whereas Leeds can stand on its own. Together, we have to challenge that premise, because the European regulations state that 250 procedures is perfectly safe. The Newcastle unit is safe and the Leeds unit is safe; they are both excellent. Together, we have to challenge the review.

Nic Dakin: I thank the hon. Gentleman for those comments. Leeds delivered 316 cardiac operations in 2009-10 and 372 in 2010-11, so the numbers meet the criteria fairly closely.

I congratulate the hon. Member for Pudsey (Stuart Andrew) on securing the debate. The Minister will have heard from his comments that there is still not total confidence in the integrity and transparency of the review. I feel that the Minister has helped to allay those fears and I am reassured by his saying that the review will be open, genuine and flexible. I thank him for putting that message across so strongly. The hon. Member for Pudsey clearly outlined the concerns, especially the need properly to engage with the ethnic minority community. Although it sounds as though steps have been taken latterly, they ought to have been taken at the beginning of the process, given the fact that young people in that community have a higher incidence of cardiac issues than the rest of the population.

I hope that the people conducting the review will hear the excellent comments that have been made by Members on both sides of the House, and from all regions of the country, during the debate, and that they will think outside the box, as the hon. Members for Pudsey and for Colne Valley (Jason McCartney) said earlier. We need to be flexible. We do not need to compromise on clinical excellence or clinical outcomes for children, but we should recognise the need for equality of access to excellence, as my hon. Friend the Member for Leeds East said. I hope that our debate will be part of the consultation process that the Minister assures us is genuine, listening and ongoing, and that it will assist us in reaching an outcome that we can all applaud.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Nigel Evans): Order. I am sure that hon. Members will show time discipline, so that we can get as many of them in as we possibly can.

2.55 pm

George Hollingbery (Meon Valley) (Con): I should like briefly to place on the record my grateful thanks to the 18 highly qualified consultants from Portsmouth who recently wrote to me to express their support for the Southampton unit. As time is short, rather than repeating much of what has been already said, I should like to concentrate solely on one element of the review: retrieval times and their effect on the volume gateway.

The number of operations that a centre undertakes is clearly important to generate wide experience across a team and maximise the accumulated wisdom in any unit and, crucially, its support services. That seems entirely logical and sensible, and it is, of course, at the very centre of the entire review, but the available volume is crucially affected by one absolutely critical variable: the distances of emergency admissions, or retrieval, as it is known.

The paediatric heart unit closest to my constituency is in Southampton—thus, of course, it has been the focus of my attention. I absolutely agree with the point made by many hon. Members that we should not let our local sympathies cloud our judgment on what is a national matter, and I hope I have not done so. It is worth pointing out to hon. Members that for many constituents in Meon Valley, my constituency, the reality is that the loss of the Southampton unit would not be a huge disadvantage. The change would result in their becoming clients of the Evelina children's hospital at Guy's and St Thomas's—hardly a poor alternative for them—but we should notice that the insistence that a three-hour, road-based retrieval time for emergency admissions should act as part of the gateway excludes certain parts of the south-west and south Wales from Southampton's potential catchment. Initially and puzzlingly, as we have also heard, the Isle of Wight was also excluded, but that seems to have been sorted out, for which we are all grateful.

Why is this important? Simply because Southampton has the second highest score for quality in the country at 513 points, with the Evelina at the top of the list with 535 points. Although I genuinely do not believe that it is the place of elected politicians to wade in every time that the NHS wants to reconfigure local services, I am concerned that the review is likely to result in the loss of one of the very best heart units in the country.

We have been told that quality was presumed to be the overall driver of the review and that quality trumped geographical proximity and convenience. So the decision to include the Southampton unit, which is rated second in the country for quality, in only one option must be regarded as running counter to the core principles of the decision-making process. I fear that the panel may choose to lose one of the highest-quality options available in favour of a lower-quality alternative, for reasons that do not necessarily stand up when looked at closely.

I believe that those who are tasked with making the decision need to satisfy themselves that the overall three-hour road retrieval criterion is truly as crucial as it seems. Can it really be right that, in a review driven at its core by quality, the population-level risk of closing the second highest-rated paediatric cardiac surgical unit in the country is truly outweighed by a possibly longer-than-three-hour retrieval for a small number of potential patients? Only the joint committee of primary care trusts can make that judgment, and I leave it to do so. I simply ask that it considers that key variable and wish it the very best in making a decision that, although entirely necessary, is bound to upset many people.

2.58 pm

Nicky Morgan (Loughborough) (Con): I will try to keep my remarks as brief as possible to allow other hon. Members to have their say. I congratulate my hon. Friend the Member for Pudsey (Stuart Andrew), who secured the debate, and all the other Members who have supported him. I thank the Backbench Business Committee for allowing the subject to be debated in the main Chamber.

I shall speak in favour of the motion. I was first contacted about the issue shortly after the election, and I should like to thank in particular the Russell family in Loughborough for bringing it to my attention. The review is called Safe and Sustainable for a good reason, and I entirely endorse the statement that all hon. Members probably received from the Little Hearts Matter campaign that the review offers a monumental opportunity to ensure that every child with a heart problem has access to the best heart surgery service that this country can offer. I am sure that that is what we all want.

I am, however, concerned by a few comments made by Opposition Members and in a recent article in *The Times*, which seemed to question why MPs felt the need to defend their local services whenever a reconfiguration is suggested. That is a misunderstanding of the role of 21st century Members of Parliament, however long ago they were elected. We are here to speak up on behalf of our constituents. I am sure that all hon. Members here today and those who cannot be here have been contacted by constituents who are concerned about their access or that of their children and grandchildren—those born and not yet born—to heart surgery should the need arise. It is absolutely our duty to stand up for that and to ask whether the review and the options are right. However, I am very pleased that, as a Member of Parliament, I am not the one making the final decisions.

As I said, I support option A, as do my right hon. Friend the Member for Charnwood (Mr Dorrell) and the hon. Member for Leicester South (Jon Ashworth). I am sure that, although the hon. Member for Leicester West (Liz Kendall) will focus on the national perspective, she will manage to get in a reference to Glenfield hospital somewhere in her concluding remarks. That hospital serves my constituents extremely well and I am in awe and admiration of those who work there—the surgeons, those who run intensive care units, all the nurses, and the many staff who packed the Walkers stadium for two consultation meetings last Thursday. Option A is the highest scoring option and the most cost-effective.

In the time available I want to talk about a topic that the hon. Member for Leicester South touched on—the ECMO services at Glenfield hospital. The hospital treated many of the patients who had swine flu over the winter, and the national leaders of the NHS said that the

[Nicky Morgan]

nation owed Leicester a debt of gratitude for the work that it had done with ECMO. My worry about the review—if option A were successful, I would not have this worry—is that we have a clinically excellent service in ECMO and I do not want to see that jeopardised in any way. As has been said, if the children's ECMO service is moved, that will inevitably have an impact on the adult ECMO services. We should be very careful in this country about not respecting such clinically excellent services. We should allow them to continue in places where the staff are already well trained and well versed and offer a service of national importance.

My final point, which the Minister addressed—I am grateful to him—is about translation. There are a large number of ethnic minority people in Leicester and in my constituency of Loughborough. My right hon. Friend the Minister generously acknowledged the fact that it would have been helpful if the documents had been translated earlier. The question posed by hon. Members in the debate is whether that impacts on the fairness of the review and the way the process has been carried out. That is clearly for others to judge. It will be interesting to see how many people reply using documents that have been translated.

The timeline in the consultation document shows that the process has been going on for a long time, so it should not have been beyond the wit of man or of the review committee to realise that many of the services are located in areas where there are high ethnic minority populations, and that those documents should have been translated early enough to make sure that members of those populations could play their full part in making their views heard.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Nigel Evans): Order. If hon. Members speak for just under four minutes, everyone will get in.

3.2 pm

Mr Steve Brine (Winchester) (Con): I begin by congratulating my hon. Friend the Member for Pudsey (Stuart Andrew). There have been some interesting moments in the past week and I know he has enjoyed every minute of it.

I want to be clear from the outset that I have never called and am not calling for the Safe and Sustainable review to be stopped or even paused. The Children's Heart Federation said to me this week, as it said to many Members:

"We urge MPs countrywide to support the need for change and fight for the highest quality national children's heart service."

I could not agree more and I could not have put it better myself. In the words of Sir Ian Kennedy, whom Members know well:

"Mediocrity must not be our benchmark for the future."

Spot on, again.

On that point, let me take head-on the inevitable comments in some of today's newspapers. Intellectually the case for change is compelling and, to be clear, I am not co-sponsoring today's debate out of political or personal interest. For me, today is about getting us back to a point where the focus of the review is on quality. I recognise 100% that, since the recommendations from the Bristol inquiry were published a decade ago, professional bodies and patient groups involved in children's heart care have been united in pressing for changes in the organisation of services to drive up the quality of treatment.

The Safe and Sustainable review states its main aim as providing

"excellent care for children with congenital heart disease".

I have yet to meet one person who disagrees with that statement, but I have met many who take issue with how we are trying to get there. Each speaker this afternoon has in mind the children's heart centre serving their constituents and many of us, myself included, will no doubt make points in support of the option containing their unit. That is fair enough. As my hon. Friend the Member for Loughborough (Nicky Morgan) said, we are MPs and would not be representing our constituents if we did anything less.

However, for me it is not all about my backyard. The points I have to make about Southampton have a wider purpose and illustrate the bigger picture. During the past few months, Members from across the House have listened to one another speak on the subject and heard the arguments ring one or two bells. For me, that moment came in the Adjournment debate that my hon. Friend the Member for Pudsey secured in March. That is what brought us together. As so often happens in this House, disparate parts come together to form something much bigger.

It is true that some campaigns in other parts of the country have been bigger and more muscular than others. It is also true that the campaign based around the so-called option B, which is to retain children's heart surgery at Southampton, has been enormous by any measure. Its momentum flows directly from the fact that 17 weeks ago, when the options were published, the second-best children's heart unit in the country was given only a one-in-four chance of survival. I want to be crystal clear that the team from Southampton supported the Safe and Sustainable review taking place and, on balance, still does, but it was shocked to the core to learn that a process that is about quality could put one of the world's top centres on such a sticky wicket.

This week I received the final submission from the Hampshire health overview and scrutiny committee to the joint committee of primary care trusts. The opening paragraph does not pull any punches:

"Given that it has taken over a decade to reach this point, our observation is that the overarching objectives of this exercise—to improve the quality of these services for children—has been lost in an adversarial and divisive consultation exercise which has focused predominantly on defending the process and not on delivering the desired outcome."

My fear is that Sir Ian Kennedy's feared "mediocrity" is exactly the outcome that we are in danger of delivering unless those leading the process change their focus. The scrutiny committee also said:

"The responses to issues raised by clinicians, parents and other stakeholders seem to reflect a preoccupation by those driving 'Safe and Sustainable' with defending the process against legal challenge rather than securing the prize of better quality care for these patients. This is not acceptable or in the interests of the patients affected."

That puts it very well.

The Isle of Wight factor is fast moving centre stage in the Southampton campaign. My hon. Friend the Member for Isle of Wight (Mr Turner) spoke with his usual force on the subject, so there is no need to say any more on it, other than to say that it is not too late in this regard and that the Safe and Sustainable team is listening carefully to the island's arguments.

Finally, I will be supporting the motion because it clearly welcomes the aim of sustaining the provision of services based around quality. Above all—this is the key part that we worked so hard to include in the motion—I support the call for the joint committee not to restrict itself to the four options outlined in the review document. A case can be made for options A, B, C or D, but it can also be made for E and F. I ask it to bear that in mind as it goes forward to the end of the process on 1 July.

3.8 pm

Nicola Blackwood (Oxford West and Abingdon) (Con): I, too, congratulate my hon. Friend the Member for Pudsey (Stuart Andrew) on his leadership in securing the debate. I open my remarks by paying tribute to Oxford's paediatric cardiac team, including Professor Steve Westaby. The team have saved countless lives and have the complete confidence of the patients and families who have asked me to speak up for them today. I also pay tribute to the Young Hearts charity, which has stood up for children with congenital heart disease and their families in Oxfordshire and presented a petition, which I am holding in my hands, with thousands of signatures to the Prime Minister in his constituency this month. They have done much to assure services in Oxfordshire.

Few would take issue with the basic aims of the Safe and Sustainable review; who does not want to improve outcomes for children with congenital heart disease? That is not where the concerns lie. The review works on a simple premise: more surgeons doing more surgeries will achieve better outcomes for more patients. That makes perfect sense, but in this instance, as the motion states, size is not everything. Although the simple centralisation of specialist services is backed by clinical evidence, some clinicians in Oxford, Southampton and elsewhere are of the opinion that it draws on too narrow an evidentiary base and that matters such as the co-location of services, assessed travel and population projections must also be considered.

On co-location, for example, a 2008 Department of Health report states that cardiac surgery requires the absolute co-location of paediatric cardiology, paediatric critical care, specialist paediatric anaesthetics, specialist paediatric surgery and specialist paediatric ear, nose and throat services. Even though Safe and Sustainable states that the co-location of those services should be mandatory, it is not clear how the four proposed options meet the standards of the framework of critical interdependencies or, for that matter, the standards of Safe and Sustainable itself. I hope that the Minister will note those grave concerns, which patient groups, families and clinicians have expressed, and will ensure that the joint committee of primary care trusts takes the process forward, clarifying the issue of the co-location of service and properly and transparently communicating that clarification to those groups.

A child with congenital heart disease does not exist in isolation. He or she is cared for tirelessly by family members who have to make terrifying treatment decisions, and by siblings who have to accept that home life is on hold while parents go to and from hospital and everyone concentrates only on keeping that child alive. That is what parents do for their children. It is what they sacrifice and do without hesitation, because nothing matters more than bringing that child home again, happy and healthy, so that everything can get back to normal. No matter how freely they give that care, however, caring for a child with congenital heart disease puts massive stresses on parents and siblings, and the outcome of the review should also try to relieve that pressure, if at all possible.

That is not just a moral argument; paediatric patient outcomes improve when carers cope better. I know that Ministers believe that the best possible surgical outcome is the best way to help families, but families who come to see me are worried that they will not be able to get to the hospital for the surgery in the first place; that there will be longer waiting lists; that they will not have continuous care under surgeons whom they can trust with their child's life; that staff at units that close will not be able to move to those that scale up; that we will lose dedicated people from the NHS; and that there will be a shortfall in service while new staff are trained up. All those concerns are just as valid and significant as ensuring that the surgeon has the necessary skill once he gets the patient on to the operating table.

The irony is that, while the Safe and Sustainable options are causing that concern, Oxford and Southampton already have an option that is working as we speak. The south of England congenital heart network offers the quality guarantees of an increase in clinical team size and patient base that Safe and Sustainable seeks, while creating and retaining the continuity of care and patient access that local clinicians and patients fear losing. That network was developed and is led by clinical teams at Oxford and Southampton; it has five congenital heart surgeons and nine consultant paediatric cardiologists; and it is the first time that two teaching hospitals have collaborated to provide joint tertiary clinical service.

That is exactly the kind of networking arrangement that Safe and Sustainable aspires to create, but the network puts the patient first, not the surgeon. It makes the best use of existing services but does not require extensive restructuring of human or physical resources; it addresses the problems of waiting times, travel times and co-location which Safe and Sustainable has failed to address; and, most importantly, it has been tried and tested for more than a year.

There is a risk that Safe and Sustainable will be seen as a top-down, inherited review, so a locally innovative system such as that network, which is supported by local heart groups, supported by local clinicians and clinically driven, is something that the Government should seek to support.

3.13 pm

John Glen (Salisbury) (Con): In view of the time, I will be as brief as possible. I thank my hon. Friend the Member for Pudsey (Stuart Andrew) for initiating this debate, and I thank my hon. Friend the Member for Winchester (Mr Brine), who has provided much sound advice and support as we have brought this case to the House.

[John Glen]

Two issues about the calculation of quality have come to my attention through my constituents Joanne Diaper and Richard Maguire. Southampton scored extremely well, but I am concerned about the differences between the various hospitals and how they have scored. If there is a range of difference of up to 20% on outcomes, I am concerned that the review could institutionalise mediocrity, not excellence.

There is consensus throughout the medical world that, as the Children's Heart Foundation chief executive says,

"the majority of parents recognise that paediatric cardiac surgery is a specialist service,"

and that there will need to be some rationalisation nationally. She goes on to say that parents

"support the concept of larger but fewer centres of excellence"—

not of centres that are quite good but could become better over time. Given the complexity of the procedures that need to be undertaken, it behoves those reviewing the decision to note excellence and to embed it in future provision. We need to drive up standards in areas that do not have excellence.

Some clinical experts may move to the other side of the country, or perhaps to another country altogether. Most parents of chronically sick children with conditions that can be treated only by two or three specialists will travel any distance because they want to know that they have the best chance of having their children's lives extended. The motion makes a sensible case in recognising the need for partnerships, and I welcome the partnership that exists between Southampton and Oxford.

It was announced in the Safe and Sustainable pre-consultation business case that 400 surgical procedures constituted a minimum threshold, but the mix could be extended to include surgery on adults as well as children. It is vital to look at what is clinically the right thing to do instead of imposing a threshold that seems convenient but does not do justice to the skills that exist in individual hospitals.

In the interests of time, I will now conclude my remarks to allow some of my colleagues to make, I hope, some different points.

3.16 pm

Alec Shelbrooke (Elmet and Rothwell) (Con): I will try to be brief to allow as many of my colleagues as possible to speak.

I do not want to take up too much time in defending the case for Leeds because that has been done exceptionally well by many others. Like me, a good number of the Leeds MPs who now occupy this place were city councillors there, including my hon. Friends the Members for Leeds North West (Greg Mulholland) and for Pudsey (Stuart Andrew) and the hon. Member for Leeds East (Mr Mudie)—a distinguished leader of Leeds council who was very much involved in achieving our aim of having the children's hospital all in one place. As Leeds councillors, we had personal experience of this matter when one of our colleagues died of heart disease in his early thirties. He was from the black and minority ethnic community, which makes up 23% of the population of Leeds. Sadly, that community has inherent heart problems. That has been overlooked, and it needs to be given weight in the review.

We have heard about many of the flaws in the review. The Minister rightly says that he does not have any influence over the review, which is independent, and as individual MPs we probably do not have much influence over it either. What we do have, however, is this place. Twenty-four hours ago, we were knocking nine bells out of each other. It was raucous and it was fun; we made some serious points and we were having a go. Today, from across the Chamber, some very serious speeches have been made. No matter which side of the House we are on, politics does not come into it. This House is speaking with one voice, and that voice should be heard by the people carrying out the review.

When Members of a House such as ours, which can be so confrontational, all come together, that shows the real power of our parliamentary democracy. Although the Minister, and we as individuals, may not have any direct influence on this process, it would be extremely foolish for the people involved not to take note that we will almost certainly not divide on the motion and that we all support it, including the Minister himself and the Government. My constituents are always asking whether we can work together, and we can. Everyone has come together to say that the House of Commons says that the review needs to be looked at again and other options need to be developed. That is a powerful message that I want to go forth to the people who are carrying out the review.

3.19 pm

Caroline Nokes (Romsey and Southampton North) (Con): I add my congratulations to my hon. Friend the Member for Pudsey (Stuart Andrew) on securing this debate. I thank the Minister for his important comments on, and support for, the motion.

I feel strongly that there should be a change in the configuration of children's cardiac surgery, but it must create the right configuration. We want the correct answer to the question, and we want the review team to listen to all the arguments and make its decision based on the best possible evidence. I argue strongly, representing as I do part of the city of Southampton, that when we are looking at the important issue of children's cardiac surgery, we must base our decision on quality.

I have been in regular contact with a constituent of mine, Mr Jim Monro, whose name will be familiar to all Members who have investigated this matter because he is one of the country's most eminent cardiac surgeons. He is now retired. He first conducted a review into children's cardiac surgery after the tragedies in Bristol in the 1990s. He feels strongly that he has seen this matter kicked into the long grass for too long. We must crack on and ensure that the review is completed. However, it must take into account the best available evidence and come up with the right outcome. None of us wishes to see a recurrence of the dreadful tragedies in Bristol. That is where the roots of the review lie.

Although I support the need for the review, I do not endorse the process, nor the recommendations in their entirety. I question three elements in particular. Fundamentally, the review must be about quality. We have to ensure that the best outcomes are achieved for

the very sickest babies and children. However, the Southampton unit, which has a superb record of outcomes, finds itself in only one option—option B, the so-called quality option. I cannot believe that that is right for one of the highest performing units in the country. It carries out difficult procedures, does not cherry-pick cases where the best outcomes are likely, has proved that it can work collaboratively with Oxford, is widely acknowledged to be one of the best units in the country, and already has three surgeons, with a fourth starting shortly. I have heard colleagues describe it as a perverse outcome that one of the country's top performing units is included in only one option, in which postcode matters more than the life chances of the sickest babies.

Secondly, and I will not rehearse this argument at great length, there is the additional complication of the Isle of Wight. My hon. Friend the Member for Isle of Wight (Mr Turner) has informed us of that issue clearly. People from Southampton want an answer to that question. Six weeks ago at a consultation meeting, they were promised that more information would be forthcoming from the review team about how significant the Isle of Wight factor was. We are still waiting.

Thirdly, the manner in which the consultation is being conducted has created an adversarial climate in which cardiac unit is put against cardiac unit and surgeon is put against surgeon. I feared that today we would see MP against MP, but we have not. As my hon. Friend the Member for Elmet and Rothwell (Alec Shelbrooke) said, this has been a collaborative debate that has picked up on the strengths of each case.

I welcome the spirit in which this House has responded to the motion.

3.22 pm

Julian Sturdy (York Outer) (Con): Like many Members, I have a local heart unit that I shall seek to defend. However, before discussing the merits of retaining the Leeds unit, it is important to acknowledge the wider context of the debate.

I strongly believe that the Safe and Sustainable review is a necessary and genuine exercise. Its aim is to ensure that the highest possible level of surgical care is provided to each and every affected child, regardless of where they live. There is no doubt that the case for change is medically accepted. Nevertheless, I believe that decisions over the potential closure of local health services cannot and should not be taken lightly. In the light of the huge amount of evidence behind the motion, I urge the review's steering group to take as much time as possible in considering the performance, locality, capacity and strength of each unit, among other factors.

On the basis of those four criteria, I strongly believe that closing the Leeds unit would be a huge mistake. The first and most important factor is performance. Leeds General infirmary is at the forefront of work on cardiac conditions. All the relevant reviews and statistics highlight its record of excellence in providing safe and high-quality children's heart surgery. An important contributing factor in that excellence is the centralisation of the whole children's services operation at the site in Leeds. However, the review document contains discrepancies when it comes to the definition of co-location of services. To me, co-location means all children's services operating on a single site, and Leeds is one of only two hospitals cited in the review that offer that gold standard.

The second principle is locality. The unit is within two hours' travel time for nearly 14 million people, including 5.5 million in the Yorkshire and the Humber area. In such highly populated areas, surely the focus should be on delivering services to the people and delivering them to the greatest area of need, not vice versa. In my view, the location of the unit and the huge number of children whom it serves make its continued existence imperative.

The review document states that parents need not accompany their children. I have two young children myself. What parents would not want to accompany their children in such difficult circumstances? Sadly, however, that is not always possible. There are child care arrangements to be made, and work issues and transport links to be considered. The stress of all that is extremely disturbing for all families in such circumstances. I realise that that applies to all the centres, not just Leeds, but I believe that we must take account of the core principles: the need to deliver services to the people, and the need to provide easy access for as many as possible. That means locating services in highly populated areas with good transport links and travel times. Birmingham and Liverpool have been included in every option in the review, and rightly so, but why has Leeds not been identified in the same way on the basis of those core principles?

3.26 pm

Damian Hinds (East Hampshire) (Con): The review document is called "Safe and Sustainable", and that is absolutely the right title for it. It is worth repeating what has been said by every speaker today, and by the clinical leadership of the review: this is about saving lives, not about saving money. We must bear in mind the link between scale and quality and between quality and safety. The "scale" factor applies to the number of procedures per surgeon per year and to the number of surgeons per unit. The challenge was summed up best by the statement from the Royal College of Surgeons, to which the right hon. Member for Oxford East (Mr Smith) referred, that although the country has the right number of surgeons carrying out these complex operations, they are too thinly spread. Change is clearly needed.

Coincidentally, in the last three weeks my family has had occasion to rely on the paediatric intensive care units and surgery at Southampton General hospital, in the constituency of the hon. Member for Southampton, Test (Dr Whitehead), where we benefited from outstanding care. This was not heart surgery, but the experience gave me plenty of cause to reflect on the value of not just convenience and location but, above all, quality of care. In such circumstances, families will do what they have to do, although it may be very difficult, and they will find a way of securing care of the highest quality. The experience also taught me something about the interconnection between services.

All the criteria set out in the review document have a role to play, but in my view the most important criterion of all must be quality, and I do not think that that comes across as much as it should in the review. How can it, given that the centre that is ranked second out of the 11 in the country for quality appears in only one of the four options? The question also arises, in the context of Southampton General hospital, of whether—given

[Damian Hinds]

the role of scale and quality—sufficient consideration has been given to the most recent trends since the suspension of paediatric cardiac surgery at the John Radcliffe hospital.

Other factors have also not been given sufficient weight. First, there is the requirement for co-location of paediatric surgery with other essential services for children. Secondly, there is the impact on paediatric intensive care units, paediatric intensive care retrieval, and the other networks mentioned by the right hon. Member for Oxford East. Thirdly, there are the implications for services that provide longer-lasting care for people with cardiac conditions from birth to adulthood.

Our objective must not be to stall or jam the process, because there is a need to reduce the number of centres. We must avoid the politician's tendency to say that of course we agree with the general principles of the review, except in the particular circumstances that apply to our own constituency. I hope I have not done that, but I do think that Southampton has a particularly strong case based on the excellence of its clinical record. I strongly support the drive for us not to be restricted only to the four options in the review, considering the additional evidence that has come to light during its course.

Mr Deputy Speaker (Mr Nigel Evans): To resume his seat at 3.32 pm, I call Mr Percy.

3.30 pm

Andrew Percy (Brigg and Goole) (Con): Outrageous, Mr Deputy Speaker! But obviously accepted.

I associate myself with many of the comments of my fellow Yorkshire and the Humber MPs, particularly my near neighbour the hon. Member for Scunthorpe (Nic Dakin). I want to mention a couple of issues raised by our local health trust, which is opposing anything other than option D very strongly. Indeed, North Lincolnshire council's scrutiny committee met to discuss the matter on Tuesday and similarly supports that option, which would help to maintain the Leeds unit. That is not simply because it is our local centre. My constituents have to travel a considerable distance to get to Leeds, as it is not exactly next door. It is okay for some of us, but it is quite some distance for my constituents over in Brigg, in particular.

My constituents accept the regionalisation of health services when it is of proven benefit. That is so in the case of adult cardiac services, which are currently provided in Hull, and the same applies to children's cardiac services. However, if we are to go down the route of regionalisation and big centres, it seems sensible to put services where the population is rather than try to move the population to where the clinicians are.

I wish to quote a couple of points that my local health trust has made. It has stated:

> "Leeds has the largest population centre and therefore it is most sensible to ask fewer patients to travel the least distance".

As I said earlier, the conclusion of the North Lincolnshire and Goole Hospitals NHS Foundation Trust was that it believed babies, children and families in North Lincolnshire would largely be disadvantaged in their access by the proposed changes.

I am aware of the very short time available, so I cannot say most of what I would have liked to say, but my final point is that under the proposals we could end up in the rather odd situation that some of my constituents could be served by one centre and others by another. Given that they are all in the same health trust area, that could mean different services being provided to different constituents.

Mr Deputy Speaker (Mr Nigel Evans): To speak for 10 minutes, I call the shadow Minister, Liz Kendall.

3.32 pm

Liz Kendall (Leicester West) (Lab): It is a real privilege to take part in today's debate, and to follow the thoughtful, moving and at times passionate speeches of Members of all parties. I thank the Backbench Business Committee, and I particularly thank the hon. Member for Pudsey (Stuart Andrew) for securing the debate.

Like the right hon. Member for Charnwood (Mr Dorrell), I wear two hats today. As the Member for Leicester West, home of Glenfield hospital's superb congenital heart centre, I know how important the review of children's heart surgery is for my constituents, as it is for those of each of the hon. Members who have spoken. As the Opposition spokesperson, however, I am also well aware of my national responsibility, and that of the House, to ensure that every child gets the very best quality of care.

I want to start by making the case for change, as did other Members including my hon. Friends the Members for Liverpool, West Derby (Stephen Twigg) and for North West Durham (Pat Glass), my right hon. Friend the Member for Newcastle upon Tyne East (Mr Brown) and my hon. Friend the Member for Newcastle upon Tyne North (Catherine McKinnell), who made brave and courageous speeches.

Following the devastating findings of the Bristol Royal infirmary inquiry almost 10 years ago, clinicians and professional bodies have been clear that children's heart services need to change to ensure that every child gets the best standard of care now, and crucially also in the future. They include the Royal College of Surgeons, the Royal College of Nursing, the Royal College of Paediatrics and Child Health, the Society for Cardiothoracic Surgery, the British Congenital Cardiac Association, the Paediatric Intensive Care Society and many others.

The reason why services need to change is that children's heart surgery is becoming ever more sophisticated. Technological advances mean that care is increasingly specialised and capable of saving more lives and improving outcomes for very sick children. However, services in England have grown up in an ad hoc manner. As my right hon. Friend the Member for Oxford East (Mr Smith) said, surgeons are too thinly spread. Care needs to be better planned to pool expertise in specialist centres so that all children get excellent quality care. I therefore welcome the Safe and Sustainable review, which was initiated by the previous Government. The challenge, as the House has rightly demonstrated today, is to ensure that the right aims, objectives and criteria drive the review, and, crucially, that they have the right weighting and that the right balance is struck.

Of course, improving the quality of care must be our primary concern. The review rightly calls for fewer, larger surgical centres to provide 24/7 consultant cover,

and seeks to ensure that surgeons treat a sufficient number of patients with a sufficient variety of problems to ensure that they have the best possible skills.

The review also recommends the development of congenital heart networks, so that care is better co-ordinated at all stages of a child's life, and that assessments and ongoing care can be provided closer to where patients live. However, as several hon. Members have said, the review cannot look at children's heart surgery services in isolation; it must also fully consider the knock-on effect on other specialties at the hospitals in question.

As my hon. Friend the Member for Leicester South (Jon Ashworth) and the hon. Member for Loughborough (Nicky Morgan) rightly said, the work of Glenfield children's heart surgery centre is closely linked with its extra corporeal membrane oxygenation service. ECMO helps patients with reduced heart or lung functions to have complex surgery that they might not otherwise survive. Glenfield is the country's leading specialist ECMO centre, and trains and supports other services nationally and internationally. There is real concern at the possibility that that service will be moved to another hospital, because of the time that it would take to build up expertise elsewhere. Not only does it take up to 18 months to train new specialist nurses, but it takes many years to develop equivalent experience.

Ensuring high quality care is not just about surgery standards or links with other specialisms. The wider help and support that families get from doctors and nurses are vital. I was genuinely moved when hon. Members spoke of their conversations with parents and staff in their centres. Time and again, parents emphasise the communication skills of staff, and their ability to explain diagnoses and procedures simply and clearly, at what is often a frightening and worrying time.

Parents at Glenfield tell me that staff are like members of their families—they can ring day or night if they have any concerns. Such familiarity and trust is crucial, and it links to the issue of providing ongoing help and support, which many hon. Members mentioned. When children who have had heart surgery grow up, they have to deal with difficult issues such as whether they can have children. Many families are understandably concerned about having to build new relationships with a different team of doctors and nurses if their local centre closes. It is vital that the review look closely at the links between child and adult congenital heart services, but it has probably paid insufficient attention to that so far. I hope and believe that that will change before the review concludes.

As well as stressing the importance of the quality of clinical care, many hon. Members stressed the importance of ensuring fair access to services. We heard passionate speeches about that from my hon. Friends the Members for Leeds East (Mr Mudie) and for Scunthorpe (Nic Dakin). Accessibility matters, because time is of the essence when seriously ill children need to get to heart surgery centres in life-or-death situations, as the hon. Members for Meon Valley (George Hollingbery) and for Isle of Wight (Mr Turner) rightly said.

However, travel times also matter to families who need ongoing care and support. My hon. Friend the Member for North West Durham rightly said that many parents would travel to the ends of the earth for their children, but as the hon. Members for Leeds North West (Greg Mulholland) and for Oxford West and Abingdon (Nicola Blackwood) said, making families travel further than they already travel would make such a difficult time even harder for them, especially if they must also hold down a job or care for other children.

The difficult balance between specialising services in some areas but ensuring fair access is the crucial issue for the review.

Mr Dorrell: The hon. Lady is making an important point about access being one of the quality characteristics that need to be taken into account in making these decisions. However, does she agree that the Safe and Sustainable work programme has taken that into account? It was one of the key factors it took into account in making its recommendations and drawing its conclusions on the relative merits of these units.

Liz Kendall: The right hon. Gentleman makes an important point, but hon. Members have said that they feel the issue was given insufficient weighting. At the Leicester consultation, one parent said to me, "If we'd known that all the services were safe", as the review has said, "we might have placed more importance on the issue."

The affordability issue has not been mentioned. Hon. Members will, I am sure, be as one in saying that the review must be driven by the need to improve the quality of care, not by reducing costs. However, it is important to recognise, particularly in these financially constrained times, that significant costs are associated with all the current, and likely future, options in the review. That needs to be taken into account.

In conclusion, changing how we provide any hospital service is difficult, but when changes are necessary to improve patient care, as I believe they are for children's congenital heart services, the House must have the courage to make them happen. Hon. Members have rightly raised a range of concerns on behalf of their constituents, but I am sure we would all agree that the final decision must be made by clinicians on the basis of evidence, not on political considerations. I hope that the joint committee will seriously consider the points raised in this debate and then make final recommendations in patients' best interests.

3.41 pm

Stuart Andrew: I thank everyone who has taken part in this debate, which I think all will agree has been very good and knowledgeable. Members have spoken passionately in favour of their units. The right hon. Member for Newcastle upon Tyne East (Mr Brown) and the hon. Members for North Durham (Mr Jones) and for North West Durham (Pat Glass) spoke passionately in favour of the Freeman hospital. The right hon. Member for Oxford East (Mr Smith), the hon. Member for Southampton, Test (Dr Whitehead) and my hon. Friends the Members for Isle of Wight (Mr Turner), for Poole (Mr Syms), for Meon Valley (George Hollingbery), for Winchester (Mr Brine), for Oxford West and Abingdon (Nicola Blackwood), for Salisbury (John Glen), for Romsey and Southampton North (Caroline Nokes) and for East Hampshire (Damian Hinds) spoke in favour of Southampton. My hon. Friend the Member for Chelsea and Fulham (Greg Hands) spoke for the Royal Brompton—I do not think I am going to get through all these.

[Stuart Andrew]

The fact is that this debate has got to the heart of the matter. We have discussed the issues that parents and patients have been talking about, but also the concerns that clinicians have been talking about. It is important that we hear those. We heard concerns that if this review does not happen, there could be another Bristol baby tragedy. However, it was reassuring to hear that the units we have are safe. We just need to make them sustainable.

In conclusion, this has been a most excellent debate. I am sure that the Safe and Sustainable team have been listening to Members on both sides of the House. Above all, what has been brilliant about the debate has been the reassurance from the Minister that the Safe and Sustainable review is now flexible over the options and should be flexible over the number of units. That will mean a lot to the people who have been campaigning so hard on this issue, and it shows that a Backbench Business debate can work and make a real difference.

Resolved,

That this House notes the review led by the Joint Committee of Primary Care Trusts into the reconfiguration of children's heart surgery; welcomes its aim of establishing a more sustainable provision of congenital cardiac services in England which has strong support from professional associations and patient groups; notes that concerns have been expressed during consultation on the proposals; calls on the review to take full account of accurate assessed travel and population projections, the views of ethnic minority communities affected, evidence supporting the co-location of children's services, and the need for patients and their families to access convenient services; and therefore calls on the Joint Committee not to restrict itself to the four options outlined in the review but instead to consider further options in making its final recommendations.

Wild Animals (Circuses)

Mr Deputy Speaker (Mr Nigel Evans): I have to announce that Mr Speaker has not selected the amendment.

3.44 pm

Mark Pritchard (The Wrekin) (Con): I beg to move,

That this House directs the Government to use its powers under section 12 of the Animal Welfare Act 2006 to introduce a regulation banning the use of all wild animals in circuses to take effect by 1 July 2012.

I would like to record my thanks to all the members of the Backbench Business Committee for the opportunity to raise this important issue. I would also like to thank the Clerks for all their helpful advice and assistance in preparation for today's debate.

It has been an interesting few days. It remains a mystery why the Government have mounted such a concerted operation to stop a vote on this motion, or indeed a vote on any amendment that would allow a ban on wild animals in circuses. I was flexible on amendments.

Mr Denis MacShane (Rotherham) (Lab): Will the hon. Gentleman give way on that point?

Mark Pritchard: I am going to take only two interventions, but all right.

Mr MacShane: I am grateful to the hon. Gentleman. Will he confirm that he and his Conservative colleagues who are in favour of helping the lions and the tigers have been put under pressure not just by the lance corporals of the Whips Office, but directly from No. 10, the heart of Government? What is it with our Prime Minister that he should have no affection for the lions and tigers waiting to be released from caged imprisonment?

Mark Pritchard: All I can say is that 64% of Members of this House support a ban on wild animals in circuses. I cannot speak for the Prime Minister; he can speak for himself.

It has been an interesting week. This is a Government who have said from the outset that they want to reassert the authority of Parliament. This is a Government who have said that they want to listen to people. Some 92% of the British public want a ban on wild animals in circuses. More than 200 Members of this House have signed an early-day motion supporting a ban, and in a YouGov poll for Dods, 64% of Members of this House said that they want a ban, so why are the Government not listening to the will of this House and, more importantly, the will of the people?

Mr Don Foster (Bath) (LD): On the hon. Gentleman's point about the Government wanting to reassert the importance of this House, will he explain why they still appear to be claiming that Europe could somehow intervene and prevent us from acting? Will he also confirm that the relevant commissioner said only a few days ago that responsibility for the welfare of circus animals remains in this country, with this House?

Mark Pritchard: My hon. Friend makes an accurate and pertinent point, which, if I may, I would like to address later.

I want to focus on the interesting past few days. On Monday, in return for amending my motion, dropping it or not calling a vote on it—and we are not talking about a major defence issue, an economic issue or public sector reform; we are talking about the ban on wild animals in circuses—I was offered a reward, an incentive. If I had amended my motion and not called for a ban, I would have been offered a job. [HON. MEMBERS: "Ooh!"] Not as a Minister, so those who are competing should not panic. It was a pretty trivial job, like most of the ones I have had—at least, probably, until 30 minutes from now. I was offered incentive and reward on Monday, and then it was ratcheted, until last night, when I was threatened. I had a call from the Prime Minister's office directly. I was told that the Prime Minister himself had said that unless I withdrew this motion, he would look upon it very dimly indeed.

Well, I have a message for the Whips and for the Prime Minister of our country—I did not pick a fight with the Prime Minister of our country, but I have a message. I might be just a little council house lad from a very poor background, but that background gives me a backbone, it gives me a thick skin, and I am not going to kowtow to the Whips or even the Prime Minister of my country on an issue that I feel passionately about and on which I have conviction. There might be some people with other backbones in this place, on our side and the other side, who will speak later, but we need a generation of politicians with a bit of spine, not jelly. I will not be bullied by any of the Whips. This is an issue on which I have campaigned for many years. In the previous Parliament I had an Adjournment debate and I spoke in the passage of the Animal Welfare Act 2006. I have consistently campaigned on this issue, and I will not kowtow to unnecessary, disproportionate pressure.

Tony Baldry (Banbury) (Con): Will my hon. Friend give way?

Mark Pritchard: I am sorry, but I am afraid that I cannot give way because I have very limited time, although I am sure that it would have been a wonderful intervention from my hon. Friend, as they usually are.

The fact is that we are now in a place that I hoped we could have avoided. I tried to co-operate. Even last night in the Lobby, I spoke to the Whips and said, "Perhaps we can amend the motion"—

Angie Bray (Ealing Central and Acton) (Con): On a point of order, Mr Deputy Speaker. Are we actually going to get on to the substance of the debate at any point, rather than discussing my hon. Friend's— *[Interruption.]*

Mr Deputy Speaker (Mr Nigel Evans): Order. I know that Mr Pritchard is now going to move on to the substance of the motion before the House.

Mr MacShane: Further to that point of order, Mr Deputy Speaker. Is there anything more important than a Member of this House being allowed to speak as he wishes and not being threatened and intimidated? This goes to the heart of what we should be debating.

Mr Deputy Speaker: We are here today to debate the motion before the House and that is exactly what we are now going to do.

Mark Pritchard: Thank you, Mr Deputy Speaker.

Today, this country has three travelling circuses with a total of 39 wild animals, including zebras, tigers, lions and camels. Until the recent exposure of the brutality with which Annie the elephant was treated, there were also elephants, but there are now no elephants in circuses in England. Let us remember that this measure applies to England only. I give credit to the Scottish National party for possibly moving towards a ban in Scotland.

The trouble with the Government's proposed licensing scheme is that it would create a new generation of animals that could be imported. It would give a green light to new imports. We might not have any elephants left in our circuses now, but we would certainly have some if the new licensing regime came into effect. My concern is shared by 92% of the public, and there are very few public policy areas that attract that support. I am concerned about the cruel and cramped conditions in the housing and transportation of these wild animals. Countries including Singapore, Bolivia, Israel and Hungary have banned the use of wild animals in circuses. Many of those circuses are commercially successful. I should also like to pay tribute to the media, especially *The Independent* and the *Sunday Express*, which have campaigned on the issue for many years.

I want to address the specifics of the Government's proposal for licensing. It is well intentioned, but it will not improve animal welfare. It would be difficult to monitor, implement and enforce. The licensing regime would also be very costly; it could cost taxpayers more than £1 million. An unintended consequence of the regime could be inadvertently to legitimise the import of new animals and continue the use and, I believe, exploitation of wild animals in circuses. Are colleagues really prepared to vote for that today?

Some of my colleagues have quite legitimately approached me to say, "I don't really believe in banning things." I take a similar approach, but I like to look at each case on its merits and take each issue case by case. If we followed the logic that we do not like to ban anything, the House would not have banned bear-baiting, badger-baiting or dog fighting. Perhaps we would also not have banned carrying knives in a public place, or even slavery.

Some myths have been put about prior to this debate. It has been said that passing this motion would result in the end of zoos. That is not right; the motion would not affect zoos. It has also been claimed that it would put an end to falconry, but that is not right either. It would not affect falconry. It relates only to wild animals, some of which I have listed. The definition of a wild animal is a species that does not originate in the British isles.

Concern has also been expressed in the Department for Culture, Media and Sport about the effect of the motion on the entertainment industry. I reassure the House that it would not have an impact on the film and television industries. Paragraphs 34 and 37 of the Department for Environment, Food and Rural Affairs' regulatory impact assessment state that travelling circus animals are entirely different from those kept in static locations by private keepers. I hope that with the advancement of digital technology, there will eventually be an end to the use of wild animals in films and on TV because when they are not being used many of these animals are warehoused like a carton of vegetables.

[Mark Pritchard]

I shall concentrate primarily on the legal issues. Notwithstanding the Government's written ministerial statement of 13 May and the subsequent revised Government response on 19 May to an urgent question, I hope that the Government will accept that there are no legitimate outstanding legal impediments to prevent a ban in England.

Angela Smith (Penistone and Stocksbridge) (Lab) *rose—*

Mark Pritchard: Forgive me, but I am not giving way. I know that the hon. Lady has a long track record on this issue, but I am pressed for time.

If Mr Speaker had selected the amendment this morning, which is relevant to this point, it would have kicked this motion into the long grass and there would have been no ban on the use of wild animals because we would have had to wait, as a country, for other legal cases to be dealt with in other parts of Europe. That, in itself, is a red herring.

In his statement to the House last month, the Minister told Parliament, at column 497, that a court case "against the Austrian Government" would "commence shortly", given that the Austrian Government wanted to introduce a ban. I understand that the papers have now finally been submitted to the court in Vienna, but there is no live case. Interestingly, despite outright bans in other EU countries—I have already listed some and I could add Greece and Luxembourg—a legal case has never been brought or won before. It is not uncommon to hear of Governments sheltering behind courts in Brussels or Strasbourg, but to hear Ministers in my own Front-Bench team say that this Government are now sheltering behind a domestic court in Vienna is a completely new innovation.

There are two further flaws in the Government's so-called legal defence. Are the Government of this country suggesting that the threat of legal action or the possible outcome of court cases is enough to paralyse Government decision making? Fear is not usually a prerequisite to success. What is more, the Government are seeking to put Vienna before the courts in London. If the Government waited for the court case in Vienna—the papers have been submitted, as I said—the case went through and the European Circus Association lost, there would be an automatic appeal to the European Court. That would add more delay and procrastination, further getting the Government off the hook when it comes to introducing a ban in this country. Even if that case were spent, there could be another European court considering another case in another European capital.

Notwithstanding my comments, the reality is that the Government's Austrian defence is a red herring, given that the European Commission has clearly stated that a ban is a matter for member states alone. It is an issue that English courts decide. Surely that is something to celebrate in this age of judicial creep from Europe, and also something to exercise and implement. A ban can be introduced in an English court— without waiting for other European capitals to decide and without interference from Europe, which makes a refreshing change.

The Government have invoked the Human Rights Act 1998—yes, that old chestnut. The sooner the Government scrap the Act and introduce a British Bill of Rights, the better for everyone. Let us test the Act in an English domestic court, where even Brussels wants such cases heard. Let the Government have the courage of their own convictions. Legal advice from the Department for Environment, Food and Rural Affairs itself suggests that a ban might breach circus owners' property rights under the Human Rights Act, so let us test it in the courts. Let us see what the courts have to say—the courts in London and England, not in Vienna, Brussels, Strasbourg, Copenhagen or some other European capital.

I pay tribute to the Minister of State, who has been put in a very difficult position. On 19 May, he courageously and bravely told this House that he personally would like to see a ban on the use of wild animals in circuses. We also know that officials at the Department for Environment, Food and Rural Affairs want a ban on the use of wild animals in circuses, and it is reported that the Secretary of State herself is minded to favour a ban, yet No. 10 has overruled: so much for devolving power and allowing Departments to get on with their own business, and so much for ending the control-freakery of No. 10; it appears that that tendency under the last Government is continuing under this one.

The Government have also invoked the European services directive, saying that a ban would breach it and would fail to meet the proportionality legal test. I can tell the House that that is not the case, and that the European Commission has denied that it is the case.

I appeal to the House to support my motion. Let us get Britain back to where it was in the last century—leading, rather than lagging behind, the world on animal welfare issues—and let us put an end to the use of wild animals in circuses.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Nigel Evans): Order. There is a six-minute limit on Back-Bench contributions. As is apparent from the number of Members rising to be called to speak, this is a very popular debate.

4.1 pm

Jim Fitzpatrick (Poplar and Limehouse) (Lab): I am very pleased to follow the hon. Member for The Wrekin (Mark Pritchard), and I congratulate him. I do not imagine that he is in the running for his Chief Whip's Back-Bencher of the month award, and he might have to wait a wee while before receiving further invitations to receptions at No. 10, but he is showing great tenacity and determination in keeping this issue alive in Parliament, and in bringing it to the attention of the House today, with the able assistance of the hon. Member for Colchester (Bob Russell). I also thank the Backbench Business Committee for granting time for this debate.

Some people may not consider this issue to be of major political consequence, but it means a great deal to a lot of people, as evidenced by the thousands of responses to last year's Department for Environment, Food and Rural Affairs consultation, by the number of people signing *The Independent* newspaper's petition, by the hundreds of MPs who have signed the relevant early-day motions, and by the e-mails and letters MPs have been receiving not just in the last few days, but over the past 14 months.

I should declare an interest: I was the Department for Environment, Food and Rural Affairs Minister who left this matter to the current Minister of State, the right hon. Member for South East Cambridgeshire (Mr Paice), to sort out, and I apologise to him for that. I am sure he would rather be concentrating on other matters, but he is a highly respected politician of integrity, and I know he will take note of today's debate and vote.

Tony Baldry: As the hon. Gentleman had ministerial responsibility for this issue under the last Government, may I ask him a question? In the last Parliament, we spent a lot of time debating the Bill that became the Animal Welfare Act 2006, and we were told that it was the most up-to-date legislation in the world. Therefore, if there is a concern about animal welfare, why is it not covered by the provisions of that Act?

Jim Fitzpatrick: That is a good question, and I will discuss the 2006 Act in due course. It is my understanding that that Act could be used as the enabling legislation to introduce a ban, and I hope that my later remarks on it will clarify the situation for the hon. Gentleman.

When I took over as Minister of State in 2009, the question of wild animals in circuses had been left over from the 2006 Act. That Act was much needed and warmly welcomed and took animal welfare to a much better place, but wild animals in circuses were not specifically covered. I was lobbied by the Born Free Foundation, as well as the Royal Society for the Prevention of Cruelty to Animals and Animal Defenders International, and also by many Members. DEFRA organised a consultation, and we all know the outcome: 94.5% of the 13,000 respondents said they wanted a ban. The then Secretary of State, my right hon. Friend the Member for Leeds Central (Hilary Benn), agreed that we should express our conclusions before last May's election and we said we were minded to introduce a ban.

Recently, there has been much comment about legal impediments. The European Circus Association challenged the Austrian ban at the European Commission in 2006, and it lost. It invoked the European ombudsman and it lost. The ombudsman asked the Commission to evaluate whether the Austrian ban on wild animals in circuses was proportionate. The Commission's final opinion of September 2009, as laid out in the documents available in the Library pack for today's debate, set out why it did not believe there were grounds for an accusation of maladministration and also set out its view on the proportionality of the Austrian ban. It ruled that this was a matter for member states to decide.

Much advice was offered to me when I was a Minister, but my recollection is that the legal questions were about whether a ban would require primary or secondary legislation. I do not remember there being a European dimension to the advice, but of course memory does play tricks on us.

Mr John Leech (Manchester, Withington) (LD): The hon. Gentleman was a good Minister, but does he regret that he did not introduce a ban in his time as a Minister?

Jim Fitzpatrick: I regret that we as a Labour Government did not introduce a ban, but the Animal Welfare Act was a major piece of legislation and we tried our best. Given the constraints and the time frame between when I was appointed Minister of State and the May 2010 election, there was not long enough to introduce that ban. However we gave a commitment to the animal welfare lobby, to parliamentary colleagues and to the public that we were minded to introduce a ban if we were re-elected, which sadly we were not. I am convinced that we would have gone ahead with that.

The biggest obstacle to progress that I can remember, as has been mentioned by the hon. Member for The Wrekin, was at the Department for Culture, Media and Sport, which contended that any such ban could harm our creative industries by outlawing the use of animals in film and TV productions at worst or by reducing the number of performing animals available at best. Either way, the contention was that the threat to film and TV production would move it abroad and cost us jobs and revenue. We had numerous discussions about this and we were eventually able to reassure DCMS that that would not be the case and that we could limit the ban to the use of wild animals in circuses, as the hon. Gentleman has outlined. DCMS dropped its objection and the Government had a united policy, which appeared in our manifesto in May last year.

All kinds of questions were raised about whether wild animals should perform at all and which should be allowed to. My main concern was and is about the conditions in which animals are kept in venues and on the road. We are mostly reassured that modern zoos create environments that try to reflect animals' origins, natural habitat and behaviour patterns, and we have to ask how that can be done in the back of a cage attached to a lorry driving along the motorways of Britain. Even this morning on BBC "Breakfast", the camera crew visiting a circus was not allowed to film the animals' living quarters. I think that that speaks volumes. Why the reluctance? I think we all know.

The Government say they want to introduce a licensing system rather than a ban. The system would mean that any circuses wishing to have wild animals such as tigers, lions and elephants performing in them would need to demonstrate that they met high animal welfare standards for each animal before they could be granted a licence to keep them. Areas being considered as part of the licensing conditions include the rules on transporting animals, the type of quarters they could be kept in, including winter quarters, and their treatment by trainers and keepers.

I know from my time at DEFRA that it wants to improve the welfare of animals across the piece and to improve the situation. It has even been suggested by some that the licensing regime could introduce a ban by the back door, but we do not want a ban by the back door—we want a ban through the front door. We want honesty and transparency in the laws and regulations we debate and introduce. We want clarity, not confusion. The public have used their voice to articulate that they want a ban and Members of every party have said that they want a ban. I hope and appeal to hon. Members in all parts of the House when it comes to the vote at 6 o'clock tonight to support the motion in the names of the hon. Members for The Wrekin, for Colchester and myself.

4.9 pm

Andrew Rosindell (Romford) (Con): Animal welfare matters to the British people, but we in the House have a duty and responsibility to make decisions on issues

[Andrew Rosindell]

relating to animal welfare based on facts, knowledge and science. If we make decisions based purely on opinion polls and emotions, we shall get ourselves into great difficulty. I heard nothing in the speech of the hon. Member for The Wrekin (Mark Pritchard) about the actual welfare of animals.

Mark Pritchard: Will the hon. Gentleman give way?

Caroline Lucas (Brighton, Pavilion) (Green): Will the hon. Gentleman give way?

Andrew Rosindell: I will give way in a moment.

We have to base our decisions on cool hard facts and knowledge of the situation. The speeches I have heard today do not show that; they have avoided the real animal welfare issues and are pandering to the emotions of animal rights activists who care more about their political agenda than about the real welfare of animals.

I condemn utterly and totally cruelty to animals of any kind. I was the shadow Minister for animal welfare for three years before the last election, and I had the same instincts as many people in the Chamber today and many of the people who respond to opinion polls, when they say, "Isn't it dreadful. It should be banned. How awful this is."

Caroline Lucas: Will the hon. Gentleman give way?

Andrew Rosindell: May I make some progress before I give way?

Instead of basing my views purely on what the newspapers or the opinion polls say, I looked into the matter. The truth is that in this country only a small number of animals are in circuses: 39 in total. They are not captured from the jungle and dragged to the circus; many have been born and bred in circuses for generations. *[Interruption.]* Their entire rhythm of life is based—

Mark Pritchard: Will the hon. Gentleman give way?

Andrew Rosindell: Not at the moment.

For those animals, their entire rhythm of life is based on what they have known since they were born. On the face of it—

Several hon. Members *rose—*

Andrew Rosindell: May I continue?

On the face of it, I agree that it looks to many people as though it is all very cruel, but in reality many of those animals have been so domesticated over so many years that to wrench them from the life they are used to would be crueller than allowing them to continue it. The Government have to implement welfare and we already have the Animal Welfare Act 2006. If there is real cruelty to animals, we can use existing legislation or, as the Government propose, licensing to deal with it. *[Interruption.]* It is amazing that we are focusing on an area where there is almost no cruelty—[Hon. Members: "There is."] There isn't. *[Interruption.]* No one wants to hear the facts—*[Interruption.]* They don't.

I am fed up with animals being used as a political football. If Members want to campaign for animal welfare, they should look at the facts, examine the reality and not use it to promote a political agenda. I am afraid to say that certain animal welfare organisations—*[Interruption.]*

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Nigel Evans): Order. Mr Rosindell is not giving way, so persistent requests are not helping the situation. I am sure he will let the House know when he is ready to take an intervention.

Andrew Rosindell: I should like to take interventions, Mr Deputy Speaker, but I am being shouted down, which is not very fair, especially from a Green MP—I should have thought that she would want to hear the other point of view.

I am a champion for animal welfare, but I shall not just follow the crowd. I shall look at the facts. What is being proposed is worse than those poor animals are used to; their entire life has been in the environment they were brought up in. Wrenching them away from the people who have looked after them, loved them and cared for them would obliterate their rhythm of life and would be crueller than allowing it to continue. I shall now give way.

Caroline Lucas: The hon. Gentleman says that he wants science. What about the science from the British Veterinary Association, which says:

"the welfare needs of non-domesticated, wild animals cannot be met within the environment of a travelling circus…A licensing scheme will not address these issues"?

The BVA is one of the most respected scientific organisations for animal welfare in this country. What does he say to that?

Andrew Rosindell: Non-domesticated—they are wild animals, but when lions and tigers are 10th generation born in that environment, we are no longer talking about a lion taken out of its natural environment and dragged into the circus. I am afraid to say that the issue is often used by organisations for fundraising. Charities and animal rights groups raise money, and the issue is raised to attract political support and donations, by whipping up emotions instead of treating the facts as they are.

Mark Pritchard: Will my hon. Friend give way?

Andrew Rosindell: No, I will not.

We have the Animal Welfare Act 2006—a brilliant piece of legislation from the last Government, which we supported—and it can be used when cruelty occurs, but I appeal to the House: do not go with the crowd, look at the facts, do not wrench those creatures away from the life that they are used to and have grown up in. If you do that, you will be more cruel than leaving them where they are, with the people and in the environment that they are used to.

Stephen Phillips (Sleaford and North Hykeham) (Con): Will my hon. Friend share with the House his views on whether third-generation slaves in the United States, born into slavery, were content with slavery, more so than those who were enslaved in the first place?

Andrew Rosindell: I am afraid to say that I am sorry that the debate is being dragged to such a level. Instead of dealing with the facts, you are ultimately saying that animals—

Mr Deputy Speaker (Mr Nigel Evans): Order. Once again, I can see that emotions are running high, but I remind the House that when you say, "you", you mean me.

Andrew Rosindell: I knew that my views would be unpopular, but I ask hon. Members perhaps to take something away from what I am saying, because I believe passionately in animal welfare. I looked at this for three years. I visited circuses. I spoke to people who deal with training the animals, and I know that they are loved and cared for. This is like a pack hunting a tiny bit of tradition that still exists in this country, where animal welfare standards are greatly considered and animals are loved and cared for. I am afraid to say that, if we rush to make a decision based on pure emotion and opinion polls, I really think that it will be an irresponsible decision. We should look at the facts. We should understand the long-term interests of animal welfare and use existing legislation to deal with this issue.

4.18 pm

Jim Dowd (Lewisham West and Penge) (Lab): That contribution can best be described idiosyncratic, or idiotic, depending on the point of view taken. To say that it is not about the welfare of animals is either a display of stupidity that is quite mind-numbing or a deliberate attempt not to face up to the heart of the issue. As the hon. Member for The Wrekin (Mark Pritchard) said in opening the debate, this is entirely about animal welfare. Only about 40 or so animals are involved—there are various numbers; perhaps it is 36 or 37—but the numbers do not matter. What matters is cruelty.

Mark Pritchard: I am grateful to the hon. Gentleman for giving way, in the absence my having been able to intervene on my hon. Friend the Member for Romford (Andrew Rosindell). The hon. Gentleman needs to be careful not to be too harsh on my hon. Friend, who wrote the foreword in 2009 for the Great British Circus and previous forewords as well. Perhaps that is why he would not allow me to intervene.

Jim Dowd: I am grateful to the hon. Gentleman for that intervention; I suspect that he might be on to something.

I am puzzled because this is a relatively minor issue: as I say, somewhere between 36 and 40 animals are involved. The hon. Member for Brighton, Pavilion (Caroline Lucas) quoted the British Veterinary Association. The hon. Member for Romford (Andrew Rosindell) did not grasp the difference between domesticated and captive animals. Captive animals may still be wild and nowhere near domesticated. Even until the nth generation, they remain wild and their instincts are those of wild creatures. The British Veterinary Association said that in captivity in circuses, there are no circumstances under which such animals can demonstrate their natural behaviour. That will remain the case, regardless of a regulatory scheme. The big disadvantage of a regulatory scheme is that it would be a more complicated way of dealing with the matter and it would be much more likely to increase, not reduce, the number of wild animals being used in circuses.

Mr Chuka Umunna (Streatham) (Lab): I have received a huge number of e-mails and correspondence from constituents about this matter. The hon. Member for The Wrekin (Mark Pritchard), whom I congratulate on having initiated the debate, mentioned how the conditions in which the animals are kept adversely affect them. The hon. Member for Romford (Andrew Rosindell) referred to facts. The usual life expectancy of animals kept in such conditions is much shorter than that of animals not kept in those conditions.

Jim Dowd: Indeed. The hon. Member for Romford was being most disingenuous or misinformed, depending on one's point of view, in saying that there was not a body of evidence based on animal welfare considerations that supports the ban. The argument in favour of a ban is entirely predicated on that. He may not have understood the evidence, but that does not mean it does not exist.

Dr Julian Huppert (Cambridge) (LD): As a scientist I am very interested in evidence. Could the hon. Gentleman spot what the facts were that we were being asked to listen to by the hon. Member for Romford (Andrew Rosindell)? I missed all those, whereas the hon. Member for Brighton, Pavilion (Caroline Lucas) seemed to cite facts that were much more interesting.

Jim Dowd: The hon. Gentleman has it exactly right. The speech of the hon. Member for Romford would bear rereading, as they say. Perhaps we can have a prize for anyone who can mine a single fact out of it—but please do not send that to me.

The hon. Member for The Wrekin, my hon. Friend the Member for Poplar and Limehouse (Jim Fitzpatrick), I and Brian Blessed, among others, were over at Downing street towards the end of March to hand in a letter calling for the ban to be introduced. I know that there are those on the Government Benches who are ideologically opposed to bans of any kind, which is a strange position, but it is understandable. Parliament and the whole body of law is about bans of one kind or another designed to change people's behaviour in different ways. A law says, "If you behave in a certain way, there will be certain consequences," but no law can ever make people better. What it can say is that there are patterns of behaviour and conduct which are acceptable and there are those which are not. Cruelty to animals is one of those considerations.

Mr Dave Watts (St Helens North) (Lab): Is it not a fact that zoos have spent a great deal of money doing the research to find out what sort of facilities should be made available for the sort of animals that we are discussing? Clearly, travelling circuses cannot provide such facilities.

Jim Dowd: I agree strongly with my hon. Friend. When we speak to those involved with zoos and aquariums, it is clear that they are looking carefully at the kind of animals that they will and will not exhibit. Large mammals and large carnivores are very much at the top of their considerations.

[Jim Dowd]

As just about every Member knows, animal welfare is one of the most persistent issues raised with us by our constituents over time. From the 19 years that I have been in the House, I have a database running into many thousands of people who have raised various issues with me. People feel very strongly about these issues, and rightly so. It is the hallmark of a civilised nation that it has the highest possible animal welfare standards, and I still believe this to be a civilised nation. There is a maxim that suggests that the hottest corner of hell is reserved for those who are cruel to children and animals, and in that regard, despite being a life-long atheist, I hope that there is a hell.

Constituents raise concerns with us because they care about them. For the hon. Member for Romford—I do not want to concentrate on his contribution, but it really was quite extraordinary—to describe the entire pantheon of animal welfare organisations, many of which have royal charters and have been around for decades, if not centuries, as part of some kind of trendy conspiracy invented simply to please *Guardian* readers is ludicrous.

I accept that the Minister is in a difficult situation, and he has made his personal opinion clear. What I cannot understand—the hon. Member for The Wrekin alluded to this—is why the Government have handled such a relatively straightforward issue in this fashion. The idea of No. 10 getting personally involved in such as issue shows a curious lack of proportion. It also appears curious when tested against the idea that the Government are now listening and that listening is a sign of strength.

Mark Pritchard: I am pleased to announce that the coalition Government, certainly on the Conservative side, have heard the voice of the British people, seen sense and will now allow a free vote on the matter.

Jim Dowd: Well, there are free votes and there are free votes. To paraphrase George Orwell, some of them are more free than others. There is a great deal more to be said on the matter, but unfortunately not by me. I urge Members to support the motion.

4.27 pm

Mr Matthew Offord (Hendon) (Con): I am pleased to be called to speak in the debate, but I find it rather sad that we are still talking about this issue after so much time. DEFRA officials said in 2009 that the ban could be introduced under the Animal Welfare Act 2006. We went wrong when the Minister of State commented recently that a total ban on wild animals in circuses might be seen as disproportionate under the EU services directive and under our own Human Rights Act 1998. I must say that, on that point, I agree with my hon. Friend the Member for The Wrekin (Mark Pritchard). Having had some contact with the Whips in the past week, I have become quite an expert on the Human Rights Act and particularly knowledgeable on article 8 of the convention.

With regard to the European Court's case law, it is difficult to envisage a cogent argument that could support the assertion that a ban would engage the other rights set out in the convention, such as the rights to life and to a fair trail. Therefore, I can only presume that the Minister made his comments while considering a ban under article 8.

Article 8(1) has been interpreted extremely broadly by the European Court, whereas exemptions or limitations to the right have been interpreted narrowly. The right has three potentially relevant elements: private life, family life and home. Private life has been held to include the right to develop one's own personality and relationships with others. The European Court considered that the notion of personal autonomy is an important principle underlying the interpretation of the right.

However, the right has been held not to apply to activities that relate to the private aspects of a person's life, such as those that take place in public and where there is no expectation of privacy. In the current situation, a ban relates not to the private aspects of the lives of those potentially affected, but to their employment, which essentially takes place in public and without the expectation of privacy. Equally, the ban would not affect the right to a family life, as it would not prevent or interfere with a person living in proximity to their family.

Finally, the concept of home under the convention is wide and would include travelling accommodation as well as permanent dwellings.

The Minister of State, Department for Environment, Food and Rural Affairs (Mr James Paice): I am sure that my hon. Friend is right about article 8 of the convention, but at no time have I referred to it. If he had read what I said, he would know that I referred to article 1.

Mr Offord: I am happy to stand corrected by the Minister. That allows me to move my argument on.

Another argument is that a ban on animals in circuses would interfere with a person's right to the peaceful enjoyment of their possessions because it would amount to a control on how those possessions may be used, but such an interference with that right would not violate the right if it were done in the public interest. I therefore urge the Minister to consider a ban in that public interest.

The European Courts have decided that, whether or not the control on possessions imposed by a ban is in the public interest, they will have regard to whether a ban represents a fair balance between the needs of the public interest and the rights of the individual. In other words, I tell the Minister that the European Courts will consider whether a total ban is a proportionate measure to achieve the public interest aim in question.

Accordingly, it is important to consider why exactly a ban is required in the public interest. If a total ban is proposed to ensure that animals are kept in appropriate conditions and cared for by appropriately qualified persons, there is an argument that, unlike the proposed licensing and inspection regime, a ban is not proportionate to the public interest aim being pursued. If a total ban is proposed because it is considered cruel or ethically wrong to make wild animals perform in circuses in the UK, however, a total ban is the only measure that will achieve that public aim.

Accordingly, if Parliament determines that wild animals performing in circuses is no longer acceptable to the public, it will therefore be in the public interest to have a

ban on the use of such animals. The European Courts would be very unlikely to question the judgment of this House as to what is in the public interest of the United Kingdom.

Tracey Crouch (Chatham and Aylesford) (Con): Is my hon. Friend aware that in the UK more than 200 local authorities have bans on animals in circuses, and that more than two thirds of those bans are on all performing animals, the remainder being on wild animals? Is he aware also of any ongoing court cases under human rights legislation?

Mr Offord: I am certainly not aware of any cases under human rights legislation, and the situation involves not just 200 local authorities, but countries and principalities in countries, including Austria, Croatia, the Czech Republic, Denmark, Estonia, Finland, Greece, Hungary, Ireland, Poland, Portugal, Spain and Sweden. All those countries have to decided to take that suggested approach, yet we are once again kowtowing to the European Courts.

Simon Hart (Carmarthen West and South Pembrokeshire) (Con): On human rights, does my hon. Friend accept that it takes only one person to challenge this decision in order to delay for a number of years the process that every Member seems to want, whereas sensible regulation would achieve the same aims over a much shorter time?

Mr Offord: I suggest, as others have already urged, that we take a lead on the matter. As I have said, I have had some experience with the Human Rights Act this week, but when people use it they find that many in officialdom bow down and decide that, suddenly, it is a very important issue and that those people will get away with what they are trying to achieve.

In summary, case law from the European Court of Human Rights indicates that a ban would be within the "margin of appreciation" afforded to the United Kingdom. If a ban is proposed because it is considered cruel or ethically wrong in itself to make wild animals perform in circuses in the United Kingdom, as opposed to a ban being proposed because welfare standards cannot be guaranteed, then a ban is the only measure that will achieve that public interest aim and is therefore automatically proportionate.

Accordingly, a ban will not breach the European convention on human rights, and as a ban is only a control on the use of wild animals in circuses and therefore does not deprive the owner of the animal itself or of their ability to use it for commercial purposes, there is a strong presumption against compensation being awarded to persons who suffer any loss as a result of the ban. If the Government decide to implement a ban, it will not be as revolutionary as we have heard, given the 200 local authorities and the other countries that have been mentioned.

I do not believe that animals should be subjected to the conditions of circus life. Regular transport, cramped and bare temporary housing, forced training and performance, loud noises and crowds of people are all typical and often unavoidable realities for such animals. Therefore, unless the Government give us a time frame for a ban on animals in circuses, I will vote for the motion.

4.33 pm

Nia Griffith (Llanelli) (Lab): We have already heard many comments from many colleagues, so I will not repeat what has been said. I rise in support of the motion, which

> "directs the Government to use its powers under section 12 of the Animal Welfare Act 2006 to introduce a regulation banning the use of all wild animals in circuses".

I had the privilege of serving on the Animal Welfare Bill Committee back in 2006. The Bill became an excellent Act with many good measures asking people to think carefully. It was good in terms of introducing codes and saying that animal welfare really matters. During that Committee's proceedings, however, I raised the issue of banning the use of wild animals in circuses, and I would have liked to have seen a much slicker process in the Bill to progress the matter at that time.

Matters have progressed, however. The consultation that the Labour Government instigated in 2009 showed that public opinion is even more clearly behind a ban on the use of wild animals in circuses than it was back in 2006, with 94.5% of people saying that they would support it. It is therefore a great shame that we did not have the time to introduce that ban before the election, after which the coalition Government chose to disregard public opinion by not proceeding with introducing it.

It is extraordinary that the smokescreen of the European Union has been put up as an excuse for not introducing the ban, because as was explained earlier, the Commissioner has clarified the position and there is absolutely no obstacle whatsoever in the way of our doing so. The European Union does not prevent us from doing this.

Andrew Gwynne (Denton and Reddish) (Lab): My hon. Friend is to be commended for the work that she has done on animal welfare in the last Parliament and in this one. Is it not the case that all that is required to bring in the ban is secondary legislation using the existing provisions in the 2006 Act—a very simple process?

Nia Griffith: Indeed; my hon. Friend has clarified the position. It is very straightforward. It can be achieved because of the groundwork that was done during the first stages of the Animal Welfare Bill.

Evidence from local councils over very many years shows that when given the opportunity many local councillors, rather than trying to ban the use of animals, have said that circuses are not allowed to come on to their land to perform because they want to make the point and respond to public opinion. We do not want a messy licensing situation whereby this, that and the other has to be done and the situation is unclear to everybody—we want a simple, straightforward ban.

Andrew George (St Ives) (LD): I am sure that there will be party political points to be scored throughout the debate; I congratulate those who have called it. Does the hon. Lady accept, however, that there is a gathering consensus, with the Government's body language since the announcement on 13 May indicating that there is a growing preference in Government for a ban?

Nia Griffith: We want a definitive decision to be taken today. We want that decision to go in favour of a ban, and we want that ban to be implemented without

[Nia Griffith]

any further delays of any sort whatsoever. The consultation clearly indicates where public opinion stands and the reasons why. I am not going to keep listing the terrible instances of cruelty that we have heard about. Even if there were no deliberate cruelty, it is clear to anybody that the lifestyle of always popping in and out of a cage and performing and travelling is not something that anybody could possibly understand as the way that a wild animal would be expected to behave.

On the business about 10 generations, even in the case of our own cats and dogs who may be 10 generations domesticated, we have cat flaps and take dogs for walks. We certainly do not expect them to live the life of popping in and out of a cage and being isolated from other members of their species and taken right of their environment. That is clearly incompatible with their natural way of life. There are many opportunities for young people to see how animals can live in the wild using hidden cameras. We have experts and naturalists who produce fabulous films. We can click on our computers and see it all. We can go to a safari park, without having to travel abroad, to see animals who can be kept in certain ways in this country.

Angela Smith: Have we not come to expect, as a society, that animals should live in their natural environment and should not have to exist for the benefit of human beings and their entertainment?

Nia Griffith: Absolutely. It is a purely selfish idea that anybody would want to see an animal perform in a circus. As my hon. Friend says, we have moved on from that. It is completely mediaeval to think of going back to the idea that an animal is to be taken round on a chain because nobody in the area or in the country has ever had a chance to see that type of animal. We do not want that any more.

There are many important lessons that we want to teach our young people. They will not learn the fundamental lesson about respect for animals and treating them properly and well if they are taken to a circus to see such antics. Young people have to understand that for them to see such things, animals have to travel and undergo very undesirable practices. Animal welfare is incompatible with the life of a travelling circus.

Bob Stewart (Beckenham) (Con): I have personal experience of a wild animal. I found a bear in a cage in no man's land. He had been left there for four weeks without water. He was entirely miserable and would not even be coaxed out of his cage by honey. We managed to ethnically cleanse that bear out of Bosnia and into Croatia. He is now a very happy bear who is full of life and living in Amsterdam zoo, which is great. I fully support the idea of banning animals in cages, because it would stop that sort of thing.

Nia Griffith: As I have said, society has moved on. We do not expect to see the cruelty of animals being kept in circuses in this day and age.

We want this ban to be sorted out in the most efficient way for the whole country, not in little bits and pieces or through half measures. We want a proper ban on the use of wild animals in circuses. As I have said, there are many other ways in which young people can be educated about animals. They do not need to see cruelty to animals in the circus. I fully support the motion. I congratulate the Members who called for this debate and thank the Backbench Business Committee for allowing it.

4.41 pm

Mr John Leech (Manchester, Withington) (LD): I am delighted to speak on this incredibly important motion, and I congratulate the hon. Member for The Wrekin (Mark Pritchard) on securing this debate. It is fair to say that I do not always agree with him, but I recognise his strong commitment to animal welfare, which I share.

Hon. Members had the opportunity to debate banning wild animals in circuses in a Westminster Hall debate secured by the hon. Member for Stoke-on-Trent South (Robert Flello) on 8 June. I am delighted that we now have the opportunity to debate it on the Floor of the House and to vote on it. I make it clear that I will be voting for the motion. There have been suggestions that Conservative Back Benchers are being or have been whipped to vote against the motion. I state categorically that I have not been whipped by any Liberal Democrat Member to vote either way. All I say to Conservative colleagues who may be thinking of voting against the motion is that they should bear in mind the level of public support throughout the country and, more specifically, in their constituencies for a total ban on the use of wild animals in circuses.

My concern is that the Government's proposal of introducing a licensing scheme may inadvertently legitimise the use of wild animals in circuses, resulting in an increase in their use and an increase in suffering.

Mr Nigel Dodds (Belfast North) (DUP): Another problem with licensing is that it does not deal with the issue of animal welfare, because the animals still travel and are still kept in unacceptable conditions.

Mr Leech: I thank the right hon. Gentleman; I was about to make that very point.

Over the past few years, there has been a dramatic reduction in the number of wild animals in circuses. There are now only about 38 or 39 animals being used in three circuses. That is a welcome decline and I hope that the trend continues as more and more people support a complete ban. Recent surveys have suggested that at least 70% of people support a complete ban, and more than 94% of people who responded to the consultation did so as well.

Unfortunately, I understand from the Captive Animals Protection Society that the day after the Westminster Hall debate Malcolm Clay, secretary of the Association of Circus Proprietors of Great Britain, said that far from a licensing scheme discouraging circuses from using wild animals—which the Minister suggested might be the case—

> "Once we have... regulation which reassures the public we may see some circuses return to using animals."

Surely that is not the Minister's intention.

There has been a public focus on the issue of wild animals in circuses in recent times, not least because of the spotlight on the poor treatment of Anne the elephant, but also owing to the number of people who have seen the film "Water for Elephants" in the cinema. I urge

Members who have not seen the film to go and see it. Unfortunately, however, the plight of Anne the elephant has muddied the waters to some extent. I do not think anyone would deny that no one with a brain would condone the mistreatment of animals, and I have no doubt that this was only one of a very small number of instances of animal cruelty in circuses. I am sure that the vast majority of wild animals in circuses are looked after as well as they possibly can be. What concerns me is that the nature of a circus, which involves moving from place to place in cramped conditions, makes it impossible to provide a suitable living environment for wild animals.

The nature of a circus also makes it impossible to provide an inspection system that could adequately check that regulations were being adhered to at every location unless that system is ridiculously expensive. Although the Minister has said that the cost will fall on the circuses, I suspect that the result will probably be an inadequate inspection system and an insufficient number of inspections. An inspection system will not work, and may result in more wild animals in circuses and more suffering. It will not address the fact that the constant movement of animals in cramped conditions is not good for the welfare of the animals. The only way to ensure an end to animal suffering in circuses is a complete ban, and I urge Members in all parts of the House to vote for that ban

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Nigel Evans): Order. So that more Back Benchers will have an opportunity to speak, I am reducing the time limit to five minutes.

4.47 pm

Caroline Lucas (Brighton, Pavilion) (Green): I pay tribute to the Members who tabled this important motion.

We need a ban on keeping wild animals in circuses because it is cruel, but we also need a ban because the welfare of those animals is emblematic of the way in which we treat all animals, and is symbolic of the kind of society in which we live. The Government are wrong to suggest that the European Union is somehow preventing us from dealing with the issue. In response to the insistence of Ministers during the last debate on this subject that a legal threat in Europe had been a major factor in the prevention of an outright ban, leading animal protection organisations called a meeting with the European Commission's Head of Representation, at which it was confirmed once again that the issue of wild animals in circuses was a matter best left to the judgment of member states.

When I was a Member of the European Parliament, we did a great deal of work trying to make progress with animal welfare issues in the Parliament. Often, the advice was to go back to member states in the first instance and to rouse them to act. I have therefore urged Ministers to consider, for example, the action that was taken first on dog and cat fur and then on seal fur. On both occasions, leadership by member states prompted the EU to ban imports of those types of fur. It is significant that the legal advice that was used in an attempt to stop those bans was that there were so-called "outstanding legal impediments". Exactly the same excuse is being used today. Governments were given the legal advice that it would be impossible to ban imports of cat and dog fur, and the same was said of seal fur, but when individual Governments challenged that dubious advice, they were able to make the bans happen.

It is when a number of forward-thinking member states call strongly for action on something that we see progress on the EU position. There are clear precedents, not least in animal welfare policy, in which action by individual states has been the means by which animal welfare protection has been secured across the EU.

In an attempt to find out whether the Government were genuinely looking for a legal way to make a ban on wild animals in circuses happen, I tabled a written question asking whether the Secretary of State had received any legal advice on

"instances where a single EU member state has taken unilateral action on animal welfare matters which has led subsequently to a change of EU policy in line with that action".—[*Official Report*, 9 June 2011; Vol. 529, c. 408W.]

The extraordinarily complacent response was that the Secretary of State had "no recollection" of any such advice. Why is she not going out and asking for that advice? Why is she not looking for the legal means to go ahead with a ban, in line with the wishes of the vast majority of people in this country? Instead, she and her Ministers have been looking for legal cases to cower behind as a cover for not acting.

It is worth reminding ourselves that it is not just because of public opinion that we need a ban, important though that is. Members have spoken about the importance of science, and I have cited the evidence of the British Veterinary Association, which has stated that

"the welfare needs of non-domesticated, wild animals cannot be met within the environment of a travelling circus; especially in terms of accommodation and the ability to express normal behaviour. A licensing scheme will not address these issues".

We are not criticising individual circus owners; we are saying that the very nature of being in a circus means that animals' welfare needs cannot be addressed.

At first, my feeling was that the Government's position was extraordinarily cowardly. As the debates continue, I am sadly coming to the conclusion that they do not want to act because they do not like to be seen to be banning things, and are therefore looking for excuses. It is interesting to reflect on the fact that successive UK Governments have been in breach of their obligations under the bathing water directive since 1975. Although it is nice to see DEFRA suddenly discovering the idea of complying in full with what it perceives to be its EU obligations, perhaps it is not too cynical to suggest on this occasion that they simply do not want to act.

If the Government wanted to stop this cruel practice, they would be acting. In their defence we would have another euro-sausage type story, with headlines about the UK having every right to act and comments like "How dare the EU interfere?", as we saw with the "Defend the British banger" story. Yet in this instance, the EU is not telling us what to do. Instead, we are inventing barriers where none exists.

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): The hon. Lady is making a marvellous speech. My understanding is that every legal case brought by European circus owners, like the one in Austria that has been mentioned, has been lost. There seems to be almost no real basis at all for the Government's claim.

Caroline Lucas: The hon. Gentleman's intervention is very helpful in pointing out that that argument is a smokescreen that the Government are hiding behind. Indeed, the Head of Representation of the European Commission here in London recently wrote a letter to the Captive Animals Protection Society stating plainly, yet again, that the EU considered that

"the welfare of animals...is a matter best left to the judgement of Member States".

It is not acceptable to have a policy which leaves us just hoping that regulations will have the same effect as a ban, particularly given that the secretary of the Association of Circus Proprietors of Great Britain stated on the day after our last debate that he did not believe the new costs of regulation would discourage circuses from having performing animals. Instead, he stated that

"once we have robust regulation which reassures the public we may see some circuses return to using animals".

How perverse would that be as an outcome of having licences?

Mr Foster: For the avoidance of doubt, will the hon. Lady confirm that the EU has not said just that these issues are best left to member states? The Commissioner has specifically said that they are the responsibility of member states. That is what gives us the legitimacy to have a ban, and to have it now.

Caroline Lucas: The right hon. Gentleman is absolutely right. It is the responsibility of member states to act, and it is within our remit and right for us to do so. That is what the EU is saying, so it is incredibly perverse to try to do otherwise.

In conclusion, the Government's judgment on this matter is woefully lacking. They have got it wrong on this one.

Angela Smith: I am sorry to intervene on the hon. Lady towards the end of her speech, and I thank her for allowing me to do so. If the vote tonight is in favour of a ban, does she, like me, expect the Government to act on that and bring in a ban as quickly as possible?

Caroline Lucas: I think that were the Government not to act in that way, the Great British public would be shocked and any sense of democratic accountability would be undermined. I agree completely with the hon. Lady that they should respect the wishes of the vast majority of people in this country and immediately ban the cruel practice of keeping wild animals in circuses. Personally, I would go further and ban all animals in circuses, not just wild animals. I refer hon. Members to Cirque du Soleil, one of the most famous and successful circuses in all of Europe, which uses no animals at all.

The outcome that the Government imply they want is for there to be no wild animals in circuses. If that is the case, I call on them to show some real leadership and effect a ban now.

4.54 pm

Zac Goldsmith (Richmond Park) (Con): I pay my respects to my hon. Friend the Member for The Wrekin (Mark Pritchard), whom I cannot see in the Chamber, and congratulate him on securing this important debate.

I should like to put it on the record that I am grateful that we will now have a free vote. Applying a three-line Whip to an issue such as this would have made a mockery of the relationship between Parliament and the Government. That is a welcome move in the past couple of hours.

I shall not pretend that this is the biggest animal welfare issue, because it clearly is not. There are 30 or 40 wild animals in circuses in this country. That does not compare with the millions of animals that have to experience daily the brutality and horrors of factory farming. This is none the less an important issue. There is no justifiable reason for keeping animals such as elephants, tigers, lions and so on in small, travelling cages, away from any semblance of what for them would be a normal life. That is just not civilised.

My understanding is that until recently the Government took the same view, but that that changed somewhere along the line. It is hard for me—and, I believe, many others—to understand why that happened. For one thing, the vast majority of people support a ban. All the polls suggest that. The public appetite for such entertainment is, at best, fading. It is certainly not a growth sector.

Justin Tomlinson (North Swindon) (Con): With overwhelming public opinion against the use of animals, might such a ban help circuses, because it could attract customers who, like me, are appalled by the use of wild animals, back to them?

Zac Goldsmith: That is an extremely valuable point. I have been to circuses in this country, but I have made a point of choosing to go only to those that I know use no wild animals. It would be nice not to have to do that research. I am sure that many people are repelled for that reason.

Mr Watts: The general public, MPs and even Ministers are opposed to live animals in circuses. Is it not clear that the only person blocking a ban is the Prime Minister?

Zac Goldsmith: I have no idea. I do not know the politics and I do not know the Prime Minister's position. I accept that the vast majority of the public are opposed to the use of wild animals in circuses, as—I believe—are the vast majority of Members of the House.

It is particular confusing that whereas the Government have a stated ambition over the course of this Parliament to reduce red tape and bureaucracy, their alternative to a straightforward ban affecting 30 or perhaps 40 animals is to construct a new regulatory regime, with licensing and inspections and the various associated costs. That goes against the Government's general thrust and direction—and all for 30 or 40 animals. That makes no sense at all.

Mr Kevan Jones (North Durham) (Lab): I agree with the hon. Gentleman about the strength of public opinion. Why were his Government and his Prime Minister prepared to have a three-line Whip for Conservatives until the hon. Member for The Wrekin (Mark Pritchard) stood up?

Zac Goldsmith: I began my speech by welcoming the change of heart over the past couple of hours. I have not been part of that process, so I cannot answer the hon. Gentleman's question, but I am very pleased that

we will have a free vote—it is the kind of issue that should have a free vote. I am very much on the record before the debate as saying that I would have defied a three-line Whip and voted for the motion, as a very large number of Government Members would have done. That is perhaps one of the reasons why we will now have a free vote.

The most disturbing aspect of the Government's change of position is that it is not based on a change of heart. As a number of hon. Members have pointed out, the only reason we have been given is that the Government fear a possible EU legal challenge some time in future. The Minister was quoted in *The Independent* today, I believe, as saying that

"a total ban on wild animals in circuses might well be seen as disproportionate action under the European Union services directive and under our own Human Rights Act".

If that is true, it is hard to imagine anything more embarrassing for the House. The Government are effectively saying that even though they want to do this minor thing, and even though the public would support such a move, they cannot do it because they no longer have the authority. What does that say about Parliament, democracy or this country?

Let me put it another way. What is the point of making promises up and down the country in the run-up to an election on the campaign trail if we no longer have the authority to fulfil even the most basic promise? That makes a mockery of parliamentary democracy in this country.

Mr Offord: I am sure my hon. Friend will recall the issue of prisoners' voting rights, when the European Union and the European Court of Human Rights told us we were not allowed to deny them those rights. I was pleased that hon. Members, particularly Government Members, had the opportunity to show the will of Parliament. This is an opportunity for us to show our will again.

Zac Goldsmith: I absolutely accept that point, and there are other examples too. We had a debate a month ago on fish discards, and the House unanimously agreed a resolution requiring that the Government veto any reforms to the common fisheries policy unless they included our reasserting control over the 12 miles around our coast. It remains to be seen whether we have the strength to show our will again, although I very much hope that we do, just as we did over prisoner votes. In this case, the legal advice is, at best, ambiguous, and I am convinced by the arguments used by a number of speakers that there is, in fact, no genuine threat at all, and that this is something that the Government should and must do. I am going to back the motion, and I hope that colleagues will do the same, if not for the wild animals themselves then simply to send a message to the public that Parliament exists, and exists for a purpose.

5 pm

Cathy Jamieson (Kilmarnock and Loudoun) (Lab/Co-op): For once—perhaps the only time—it is a pleasure to follow the hon. Member for Richmond Park (Zac Goldsmith). I suspect that there might be many occasions on which we do not agree, but on this one we certainly do.

I want to make a short contribution because it is important that the House is seen to reflect public opinion and the views of our constituents. Like other hon. Members, I have many constituents who care passionately about animal welfare. They do not see it as part of a political agenda that they are working to for their own sake or to gain a position; they believe genuinely in what they argue. I pay particular tribute to one of my constituents, Maureen Rankin from Kilmarnock, who over the years has done a huge amount of work on the issue of wild animals in circuses. I am glad that the tone of debate has moved on from what was a fairly sparky beginning to starting to find consensus across the House and political parties. That is what the public are looking for on an issue such as this. There will be times when we disagree, and there will be nuances and differences.

Nia Griffith: My hon. Friend will be well aware that the Labour Government allowed a free vote on tail docking. Does she agree that her constituents would expect there to be an automatic free vote on an issue of this importance, which is cross-party rather than party political?

Cathy Jamieson: My hon. Friend makes a very good point. I certainly was glad to hear, during the debate, that the Government have decided to offer a free vote, because it gives Members the opportunity genuinely to reflect the views of their constituents.

The arguments for the ban have been well rehearsed during the debate, so I do not want to go over them all again. It is important to recognise that the arguments being made by organisations such as OneKind, Animal Defenders International and the Born Free Foundation arise out of the view that has grown up over the years that it is no longer acceptable for animals to be used for entertainment in circuses. After many years in politics, albeit in another Parliament, I am glad to be with 95% of the public rather than trying to change opinion and argue my case, which was the position I was in when I first entered politics. It has been mentioned that several local authorities, including in Scotland, have already decided not to allow circuses with wild animals.

Sheila Gilmore (Edinburgh East) (Lab): Does my hon. Friend agree that despite some of the doom and gloom, including in my city, when local authorities took that step about 20 years ago—people said, "Well, that will be the end of circuses in the city"—we have seen some superb circuses every year since?

Cathy Jamieson: My hon. Friend makes a powerful point. In Edinburgh, Fife and my local authority area in Ayrshire, there was cross-party support for not allowing circuses with wild animals on to council land, but the local authorities I know of, particularly in Scotland, want to take further measures to ensure not only that such circuses are not allowed on their land but that they cannot enter other locations in the council area.

Mention was also made in the opening speech of the Scottish Government's position. My understanding is that the new Scottish Government are sympathetic to a ban. However, when I questioned the previous Scottish Government last year on their position, they said that they were awaiting the results of the DEFRA consultation.

[Cathy Jamieson]

Securing a vote today and, for once, taking the lead on this issue would not just send a powerful message to England and Wales, but would be helpful to colleagues in the Scottish Parliament who want a ban enacted there.

Naomi Long (Belfast East) (Alliance): The hon. Lady may also be aware that colleagues have tabled a motion in the Northern Ireland Assembly on banning wild animals in circuses, but when I corresponded with the Minister of Agriculture and Rural Development I was told that the Department was looking to DEFRA to take a lead and establish the principle.

Cathy Jamieson: The hon. Lady makes a valid point. The devolved Administrations have powers that they can use, but on issues such as this, which are important across the UK, it is important that DEFRA Ministers show leadership.

I understand that the Minister may be in a difficult position. It is always difficult if a Minister has strongly held personal views but the advice that they receive—legal advice, or advice from others in the Department or civil servants, or even from higher up their political party—does not correspond with those views. I hope that the strength of feeling shown across the House today will give the Minister the opportunity to give us hope that the Government might be able to move if this vote is passed. That is certainly what my constituents who have been writing to me all week expect. We have a consensus building in the public's mind. It is time to show a consensual approach and, come voting time, to ensure that this afternoon's vote is registered in support of public opinion, the organisations that have campaigned over many years and, most of all, the animals who would otherwise continue to be at risk.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Nigel Evans): Order. As the House can see, several Members are still trying to speak. The wind-ups will start at half-past 5, so if Members can show restraint and reduce their five minutes themselves—perhaps to three and a half minutes—everybody might get in.

5.7 pm

Sheryll Murray (South East Cornwall) (Con): I will try to be brief. I congratulate my hon. Friend the Member for The Wrekin (Mark Pritchard) on calling this debate, which gives me the opportunity to introduce the House to Donkey, who is a Barbary macaque who now lives in my constituency—if Members want to see what he looks like, I would be happy to show them afterwards.

Donkey's story is not a happy one. Caught as a youngster and smuggled into Europe from Morocco, probably via Spain, Donkey wound up as a circus performer. Donkey suffered years of abuse in the circus, where he was beaten and forced to perform in front of large crowds. He was castrated, to avoid him becoming aggressive towards his captors, and denied the company of others of his kind, which causes immense mental and emotional suffering in all primates. All primates are highly social animals. Maternal deprivation is known not only to hinder psychological development, but to have physiological consequences, such as abnormal brain development. Donkey displays all those damaging signs: he has very poor social skills and is underdeveloped for a monkey of his age.

Donkey will never be able to return to the wild, owing to the damage he has sustained, but he now lives with friends of his own species. I hope that in time Donkey will be able to live a fairly fulfilled life in my constituency, at the Wild Futures monkey sanctuary near Looe. I would like to give a quick plug to the monkey sanctuary, which does fantastic work. If hon. Members are down our way during the recess, they should pop in and see the sanctuary, because Donkey and all his friends would love to see them. More importantly, the entrance fee and donations will feed him and other rescued primates at the centre.

Please remember Donkey, and the message that he cannot bring to the debate himself. It is time to ban wild animals in all circuses, so that the terrible life that Donkey has suffered need not be repeated. This is why I will support the motion.

5.10 pm

Nic Dakin (Scunthorpe) (Lab): It is a pleasure to follow the hon. Member for South East Cornwall (Sheryll Murray), who has spoken up for animals such as Donkey that cannot speak up for themselves. It is also a pleasure to speak in this important debate, and I congratulate the hon. Members for The Wrekin (Mark Pritchard) and for Colchester (Bob Russell) and my hon. Friend the Member for Poplar and Limehouse (Jim Fitzpatrick) on bringing it before the House. There is overwhelming public support for the introduction of a ban on the use of wild animals in circuses, and it is crucial that we have a vote on this motion today. I am pleased to hear from the hon. Member for The Wrekin that there is to be a free vote across the whole House. That is what the country is asking for on this issue, and it is what the country should have.

There are only three circuses left in the UK that use wild animals in performances. It has been recognised that to use them for human entertainment is unethical and unjustifiable, and that it should therefore be opposed. The previous Government consulted the country on a ban on the use of wild animals in circuses in 2009, and the consultation closed in March 2010. It received more than 10,000 responses, 94.5% of which supported a ban. That illustrates the extent of public opinion, which has been reflected in our postbags over the past couple of weeks.

Ian Mearns (Gateshead) (Lab): I have received just one item of correspondence from someone who is against a ban—he is not a constituent of mine; he was writing from an address in Dorset—but I have had hundreds of e-mails and letters from my constituents calling for a ban.

Nic Dakin: I have received no correspondence opposing a ban. Indeed, we have heard from only one Member this afternoon adopting a different point of view. It is good that that point of view has been aired, because it is important in democratic debates that all points of view are heard.

I am particularly pleased to see a good turnout of Lib Dems for this debate. I suspect that they feel a certain empathy with circus animals, as an endangered

species being kept against their will for the entertainment of others. *[Laughter.]* But this is a serious issue, and if the motion is carried today, the Government should listen to hon. Members on both sides of the House and to members of the public. They should listen to what the British people are saying, and they should stop clowning about and introduce a ban on wild animals in circuses.

5.13 pm

Angie Bray (Ealing Central and Acton) (Con): As a child, I used to get rather excited by the prospect of a visit to the circus; one reason was that I wanted to see all the exotic animals that I could not normally get close to, apart from those that I saw in zoos, which in those days were rather caged affairs. Obviously, however, things have changed. We are all now entertained by brilliant films on TV and in cinemas that contain amazing footage of wild animals in their natural habitat. Most zoos are made to look rather boring in comparison with what David Attenborough shows us. Thanks to many animal welfare associations, we are also much better educated about world wildlife and how it should be treated. For those who really want to see wildlife close up, let us not forget the modern tourist industry. People can save up their pennies and take themselves off on a safari or a trip to the rainforest. These are the ways in which we can see wild animals at their best, and there really is no excuse or need for wild animals in circuses.

The more we know and understand these magnificent animals, the more we recognise that a circus tent is no place for them. Some of them might have been whipped, goaded or herded into their rather pathetic performances. I can still remember from my visits to the circus that when the lions and other big animals came in, extra security was immediately put on and a man with a whip, if not a chair, would appear. That tells us everything that we need to know. Of course these animals are not safe in the circus environment; they have to be controlled. Of course they cannot be relied on to relax and enjoy themselves; they are in an unnatural environment, surrounded on all sides by human beings, of whom they are instinctively frightened. Frankly, these animals' continued presence in the circus ring, even if there are only about 39 of them, diminishes us all.

I know that some will argue that some animals are not, in fact, wild because they were born in captivity. We heard that this afternoon, but I do not see what difference that makes. A lion or an elephant still has natural instincts; it still needs proper space to move around in, and being driven around the country for much of the year in the back of a van is no place for these animals.

Bob Blackman (Harrow East) (Con): Does my hon. Friend agree that introducing a firm ban with a firm date means that no new animals will be brought into circuses and that the circus owners will be put on notice that those currently operating in circuses will need to be retired to appropriate circumstances that suit their needs?

Angie Bray: I certainly agree that we need a ban, although I am just a little worried about whether the time frame is practical; I will come back to that issue later, if I may.

I want to put it on record that I am not in favour of banning all animals from circuses. I think that some of the more domesticated animals—dogs and ponies spring to mind—thoroughly enjoy themselves. I recall going to a charming little circus in France where a farmer, his wife, their two children, a goat and a dog held us all spellbound for about an hour. I can say that that dog and goat had a good time, getting a treat every time they did something brilliant. We know that there is room for some animals; it is the big wild animals that are the problem.

In conclusion, I want a ban on wild animals in circuses. I recognise, however, that there might be certain legal obstacles to getting that straight away. A time frame of one year is perhaps a little impractical. I am not an expert on EU law, but I know that before a ban of this sort could be introduced, there would have to be consultation and a way would have to found to re-home these 39 animals. That is why I intend to abstain this evening. However, I also put the Government on notice that I want to see a ban and want them to do whatever they must to introduce a ban as practicably as they can.

5.17 pm

Bob Russell (Colchester) (LD): As the third signatory to this motion, I would like to congratulate my colleagues, the hon. Members for The Wrekin (Mark Pritchard) and for Poplar and Limehouse (Jim Fitzpatrick) on their positive speeches. I also pay tribute to the hon. Member for Romford (Andrew Rosindell) for his bravery in the lion's den, as the only Member thus far to speak against the motion. That takes courage, and I congratulate him on that.

I detect the fingerprints of No. 10 Downing street on this. I have tabled a parliamentary question and I await the written answer with great interest. Opposing live animal acts in circuses is something that I first got involved with on 15 May 1971, when, as a borough councillor of 48 hours, I was contacted by Mr Murphy of Barrack street who urged me to get circuses banned from Colchester. I put that to the council, but I was a lone voice and nothing happened. A few years later, however, Colchester became one of the first local authorities in the country to ban circuses from its land and buildings. Unfortunately, we need a nationwide Government ban, because we still have a landowner in the town who I regret to say allows his land to be used for circuses. Circuses are barbaric; they have no place in a civilised society of the 21st century.

Annette Brooke (Mid Dorset and North Poole) (LD): I thank my hon. Friend for giving way and briefly congratulate him on his long-standing work on this and other animal protection issues. I would also like to say that many of our councils led the way, but do not have quite enough power, as my hon. Friend said. I think we should therefore move on this issue as soon as possible.

Bob Russell: I am grateful for those comments.

To follow up the issue of what happens to the remaining 39 circus animals, I am pretty confident that this country's zoos will be ready and available to accommodate them. Colchester zoo took in three elephants from a circus, and Rolf Harris was there to open the spirit of Africa enclosure . The bull elephant was particularly pleased because he was then put with four cows, which he had to look after. He was very happy.

[Bob Russell]

There are circuses that we can support, however, such as the Chinese and Moscow state circuses, as well as small local circuses involving just a few people. The Netherlands national circus is currently performing in Ipswich, then next week in Lowestoft and the week after that in Colchester, and I intend to be there, subject to confirmation that it is, indeed, animal free as I am advised.

5.20 pm

Neil Parish (Tiverton and Honiton) (Con): I support the motion as it is high time we banned animals in circuses. I have been worried about the stance that has been taken and I am glad the Government Whips have now given us a free vote on this, because animal welfare is a moral issue and Members on both sides of the House want a ban on wild animals in circuses.

The plank of the Government's argument relating to Austria is fragile, and I fear that it might be sawn off at some stage. I would prefer us to take a much firmer stance by going for a ban and letting somebody challenge it if they want to, because I do not think that anybody will do so.

Mark Reckless (Rochester and Strood) (Con): Given the position my hon. Friend has set out, why has he decided to be the lead signatory to the amendment to the motion? If my understanding is correct, the amendment would have prevented any ban from being introduced until some supposed EU legal issue was resolved.

Neil Parish: I will deal with that later, but I have previously stated that we should challenge the court ruling in the Austria case.

There has been too much talk today about the process of government and who is to blame and who is not to blame, instead of getting to grips with the welfare issues of animals in circuses. If we do have to take note of the case in Austria—

Andrew Bingham (High Peak) (Con): My hon. Friend talks about process, but does he not agree that the best thing to do is vote in favour of the motion and get the ban put in place, job done?

Neil Parish: Yes, but putting the ban in place will take a little while, so meanwhile we should consider certain animal welfare issues. The conditions endured by circus animals when being transported are totally wrong. The conditions need to be greatly improved. There must be much more comprehensive inspection of that, which would lead to much greater costs on such circuses. Therefore, a great deal of pressure can be applied in the meantime, before we introduce a ban.

I may disagree with the points made by my hon. Friend the Member for Romford (Andrew Rosindell), but in a democracy he has the right to raise them. He talked about the fact that many of these animals have performed for many years. They will need to be rehabilitated and found homes, so let us use the time available to good effect in that regard.

We want the Government to listen to the arguments on a total ban. I do not know what the Minister is going to say, but I would like him to say that the Government have thought again and that they are minded to introduce a ban in the future. That is what we want. In this day and age, we cannot have wild animals in circuses. Many of us also know about the pain that can be caused by the amount of training those animals are put through and the way in which they are trained to perform in unnatural ways.

Mr Dodds: The hon. Gentleman has not yet answered the question put to him by the hon. Member for Rochester and Strood (Mark Reckless) about how he reconciles his current stated position with his position as the leading signatory to the amendment.

Neil Parish: Perhaps I am being criticised for taking a pragmatic view on this. I want a ban and the only reason for the amendment was that the requirement in the motion that a ban would have to be in place in 12 months might not have settled the legal situation. We do not want to give the Government an excuse not to move towards a ban.

Mark Pritchard: To which legal cases is my hon. Friend referring? There are currently none in England, the United Kingdom or in European law. There is only one possible case in Austria. Is he, as a former Member of the European Parliament and allegedly a Eurosceptic, suggesting that we should wait for the decisions of domestic courts in other capitals, let alone in European courts, before making our own decisions in this country?

Neil Parish: I covered that point at the beginning of my speech when I said that the case in Austria is not a good one on which to put the whole plank of the Government's reasons for why we cannot ban the use of wild animals in circuses. As far as I am concerned, the only reason for the amendment was to give the Government time to come forward with a ban. Clearly, there is a move from all parts of the House to ban the use of wild animals in circuses. Now we want to hear from the Minister very clearly what the timetable for that will be, how we are going to deal with the court case and how we will move to a ban as quickly as possible.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. There are four minutes and three speakers left—we must finish by 5.30 pm.

5.26 pm

Simon Hart (Carmarthen West and South Pembrokeshire) (Con): I am not a fan of wild animals in circuses, I would not take my children to see them or go myself and I think that the quicker we can move to a situation in which they do not exist the better. I do not even like dancing dogs on Britain's Got Talent very much—I think it is demeaning for the owner and the dog—so I strongly sympathise with many of the arguments that have been put forward this afternoon. However, what I like even less is taking a populist route because it seems to be the easy one against, sometimes, principle and evidence. We are charged, whether we like it or not, with taking a responsible approach to these things, which is sometimes difficult in the face of overwhelming and well-targeted pressure on us as MPs. It seems to me that we are making this more difficult for ourselves by confusing an argument about ethics and morality with

one about legal enforceability. This has been complicated by the haunting image of possible challenges in the European Court.

However, let me curtail my contribution. Regulation can work. I simply do not buy the argument that it would somehow open up a Pandora's box. If we are sensible about regulation, not only can we improve animal welfare standards and move to a situation in which animals in circuses are a thing of the past, but we can do it without putting the taxpayer at risk of having to fork out for a lengthy, time-consuming and very expensive EU challenge. We can do it in reasonably quick time and without the need for primary legislation. The Government were right about this 10 days ago when the Minister spoke in Westminster Hall and nothing has changed in the intervening 10 days. It seems to me that if he is genuine to his word, as I am sure he is, we can achieve everything that everybody in the House wants without all the nonsense, cost and threat to the taxpayer that we have been talking about. I shall be voting against the motion tonight and commending the Government's approach.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. There are two minutes left. I call Tessa Munt.

5.28 pm

Tessa Munt (Wells) (LD): Nothing short of a ban seems to be the answer to making this absolutely clear. The views of many organisations have been represented in the debate this afternoon, but I would like to pay particular tribute to Virginia McKenna and the Born Free Foundation, who are observing the debate from the Gallery this afternoon.

I want to make two quick points. First, the Government's proposals for licensing and regulation are still going to be subject to a legal challenge and I do not see how that would be any different. I refer the Minister to an answer to a parliamentary question in the European Parliament that was answered by Commissioner Potocnik. The question was:

"What is the Commission doing to enforce animal welfare standards in European zoos and circuses?"

In his answer, Commissioner Potocnik dealt with the question of zoos and then said quite clearly:

"Circuses are specifically excluded from the scope of the Zoos Directive, and are not covered by any other EU legislation. Therefore, the welfare of circus animals remains the responsibility of the Member States."

That was at the end of May.

My constituent, Gerry Cottle, ran away at the age of 15 to join the circus, and very successful he has been. I spoke to him yesterday. He said that the circus has moved on and times have changed, and that public opinion was against "the dinosaurs" who use wild animals in circuses. We do not need them. He runs a successful circus without animals, creating good old-fashioned theatre and entertainment.

There is no way that any circus owner could say that banning animals from circuses was a human rights issue because it caused loss of livelihood. Many circuses operate without animals, which is a testament to progress. I support the motion and I trust that the Minister will hear the clamour for a ban both in this place and outside.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. I call Mr Gavin Shuker for the Opposition. He has 10 minutes.

5.30 pm

Gavin Shuker (Luton South) (Lab/Co-op): I congratulate the hon. Members for The Wrekin (Mark Pritchard) and for Colchester (Bob Russell) and my hon. Friend the Member for Poplar and Limehouse (Jim Fitzpatrick) on their work in securing the debate. It is right that it was secured by the Backbench Business Committee, given the depth of feeling on both sides of the House.

It is appropriate to mention some of the Members on the Government Benches who made brave speeches, specifically the hon. Members for Hendon (Mr Offord), for Manchester, Withington (Mr Leech), for Richmond Park (Zac Goldsmith), for South East Cornwall (Sheryll Murray), for Ealing Central and Acton (Angie Bray), for Colchester and for Tiverton and Honiton (Neil Parish). In many ways, they are lions led by donkeys. I am pleased that we as a party and as an Opposition stand firmly behind them. Indeed, almost every speaker supported a ban, with the exception of the hon. Member for Romford (Andrew Rosindell) who looks like the man who bet everything on red but it came up black.

Today, the Minister has the opportunity to offer some kind of leadership. Unfortunately for him, however, it seems that the position has changed since he took his seat in the Chamber today. That is a shame, because we want to hear a justification for his current position.

Let me be clear: there is a majority in the House in favour of a ban. The public consultation launched by Labour found massive support for a ban. I have no desire to overturn the cross-party consensus on the issue, but it raises serious questions about DEFRA's decision making. A new Government come in, and what do we see? Yet more dither and delay, instead of a clear, consistent position from them. I direct Members to the Minister's answer on 19 May, when, outrageously, he said:

"If people are really so opposed to the use of wild animals in circuses, I suggest that they do not go to the circus."—[*Official Report*, 19 May 2011; Vol. 528, c. 499.]

What a pathetic response.

Indeed, the Department's entire response has not been great—to say the least. First, there was a year of delay in which we saw shocking images of Anne the elephant being beaten. Who knows what else has gone unseen? Secondly, we saw DEFRA dithering from the top, because in April, the ban was on. The Secretary of State had made her decision, and she briefed the *Sunday Express* that a ban would be introduced, but within a few weeks, she had made her first U-turn. The Secretary of State's favourite interviewer without coffee—the Prime Minister—had intervened in DEFRA affairs once again and now the ban was off.

Thirdly, we saw the incompetence of a Department that many have described as in special measures. New decision made, along came the policy-based evidence-making process. The Secretary of State provided a written ministerial statement outlining her reasoning. In it, she cited an Austrian court case that did not yet exist. A second statement tried to fix that. She owned up: the Government only thought the case was on after reading a press release. Dragged to the House for an

[Gavin Shuker]

urgent question, there was no apology for misleading Members, just the tired excuses we have come to expect—this time, amazingly, about the Human Rights Act. Talk about digging a hole.

The Government refuse to publish their legal advice, although, of course, they remain happy to hide behind it. The Government-backed amendment to the motion, quite rightly not selected, calls for a ban to be introduced as soon as legal impediments are resolved. That gives rise to some confusion. First, the Government say that there are no legal impediments, then that there are overwhelming legal impediments, and now that there are resolvable legal impediments. That is less a U-turn and more a giant arc, gobbling up and spitting out unprepared Ministers in its path. Now there is to be a free vote: U-turn complete.

Most depressing of all, the Government were right the first time; there is nothing wrong with banning the use of wild animals in circuses and that ban should be introduced right now. The Government argue that a ban may contravene the European services directive, but that is incorrect. Last month, the EU Commissioner for the Environment reiterated that the EU's position had not changed, saying that

"the welfare of circus animals remains the responsibility of the Member States."

The Government state that there is a lack of scientific evidence in support of a ban. Again, that is not correct. A global research study supported by the Royal Society for the Prevention of Cruelty to Animals concludes that

"species of non-domesticated animals commonly kept in circuses appear the least suited to a circus life".

The Government argue that a ban requires primary legislation. Again, that is incorrect. DEFRA's impact assessment makes it clear that powers under section 12 of the Animal Welfare Act 2006 are sufficient to introduce a ban.

Paul Uppal (Wolverhampton South West) (Con): Those are fine words, but will the hon. Gentleman explain to the House why the Labour party did not do something about the issue when it was in power?

Gavin Shuker: I appreciate the opportunity to say what we did when in government. We banned animal testing for cosmetics. We banned the process of battery farm eggs. We created new powers to stop animal cruelty. We banned tail docking. We stopped the trade in seals. We ended fur farming, and we passed the hunt ban. I am proud to stand on that record as a Labour Member of Parliament. We introduced the 2006 Act that allows the Minister to ban the practice of wild animals performing in circuses, and that is exactly what we are calling for today.

Mr Leech: The previous Government had a reasonable record on animal welfare, but they had four years from the 2006 Act until they lost the general election. Why was the ban not introduced in those four years?

Gavin Shuker: I am delighted to say that we had a clear commitment to do that in this Parliament. As a Member of Parliament, I share the desire, expressed across the House, to implement the ban. We must be clear that the barrier to implementation is the Tory-led Government, who found the roadblocks in the first place. I hope that we will hear much more about that.

Mark Pritchard: Has not the strength of the debate been the cross-party consensus? Notwithstanding the right of any Member to make points about this Government or previous Governments, that strength has been shown in all Members working together, reflecting the will of Parliament and the British people.

Gavin Shuker: I am glad to associate myself with those sentiments. There are serious questions to be asked about the process—we will certainly ask them at a later date—but the most important thing about tonight's vote is that we follow the Members who raised the issue in the first place through the Division Lobby and ensure that a ban is enacted.

One of my major concerns if we do not pass the motion is that circuses are saying that the Government's licensing scheme could produce an increase in the number of performing animals in British circuses. Surely, that alone must give us pause for thought. The issue is straightforward, and the solution is pretty clear. The Government should introduce a ban under the previous Government's Animal Welfare Act 2006.

Events have moved on in the House since we started the debate. It now seems clear that there will be a free vote. I am glad to hear that because I believe that, on such issues of conscience, we are strongest as a House when we stand together against practices that have no place in a modern society. Perhaps more importantly, I believe that the DEFRA ministerial team had the right position in the first place. They instinctively felt that a ban was the right way go on the issue. For that reason, I should like to encourage them to go through the Lobby with us tonight to make a clear and definite case about the kind of society that we seek to create, and in doing so, we will be much stronger as a House together.

Mr Deputy Speaker (Mr Lindsay Hoyle): Before I call the Minister, may I suggest that we have until five to 6 before I call the hon. Member for The Wrekin (Mark Pritchard)?

5.38 pm

The Minister of State, Department for Environment, Food and Rural Affairs (Mr James Paice): I will forgo the obvious opportunity to use many of the numerous witticisms that I have heard during the past 48 hours about my appearance here, but I will start by simply trying to say that I will walk the tightrope over the next 10 or 15 minutes.

As several hon. Members have shown, this debate has demonstrated that, with one or two exceptions, there is passionate agreement across the Floor of the House that we should see an end to the use of wild animals in circuses. I assure the House that nothing divides us on that front. When we came to office a year ago, we had the advantage of receiving the results of the consultation to which the hon. Member for Poplar and Limehouse (Jim Fitzpatrick) referred, and we had to examine all the options. A ban was one of those. We did not have the advantage of the advice that he received because that was confidential to the previous Government.

We had a new set of advice from our lawyers and we had to use that in coming to our view. It clearly indicated that there were serious risks of a legal challenge should we opt for an outright ban, despite our being minded to do so. I will return to the detail of those legalities because that has occupied much of the afternoon's debate, but it is for that reason and in the interest of avoiding a long judicial process that we concluded that the quickest way to reduce and, we hoped, eliminate cruelty to wild animals in our circuses would be a robust licensing system, which might well result in circuses deciding to stop keeping such animals.

My hon. Friend the Member for The Wrekin (Mark Pritchard), who moved the motion, has shown diligence in pursuit of his cause. However, I am afraid his dedication has allowed him to misrepresent a number of issues, and some of that has been repeated by other hon. Members. The first is the Commission's view about whether this is entirely a matter for member states. I remind the House that the view of a Commissioner is simply that. I have seen the letter sent by the Commission to the Captive Animals Protection Society, and I understand that that is the view of the Commission, but as I said in the House last time we debated the subject, it is ultimately the courts that interpret legislation, and our lawyers have to advise us not about what the Commission's view is, but how they believe a court might interpret the legislation.

Martin Horwood (Cheltenham) (LD): Had there been time for me to be called, I would have made the point that cruelty, in the sense of physical cruelty to animals, is not the only issue. People's experience of wild animals is much richer through the internet, television and, indeed, the Cheltenham science festival, making it unnecessary for animals to be kept in captivity. There is increasing scientific evidence that there are complex emotions and intelligence in animals, especially intelligent animals such as elephants, which make any kind of systematic confinement inherently cruel, even if physical cruelty is not present.

Mr Paice: I fully understand my hon. Friend's comments and I shall pick up one or two of them in a moment.

Angela Smith *rose—*

Mr Watts *rose—*

Mr Paice: I shall make a few more points before I give way. My hon. Friend the Member for The Wrekin listed, as did other hon. Members, a range of other countries that have allegedly banned the use of wild animals in circuses. Many of those references were incorrect. A number of countries have selectively banned certain species. A number have rightly banned wild caught wild animals, which is a different issue. My hon. Friend and others speculated that licensing might mean more animals in circuses. I find that difficult to believe. I note the comments from the circuses that were mentioned, but we are not talking just about issuing a licence. We are talking about very tough licensing conditions for keeping such animals.

Gavin Shuker: I am sure the whole House would like to hear what those tough licensing conditions would be. If they incorporate travelling for weeks on end up and down motorways chained in a cage and going from place to place, many people would conclude that they are not worth the paper they are written on.

Mr Paice: That may well be the judgment that the hon. Gentleman and many others—and probably even I—would come to, but as we have clearly stated, we would go out to consultation in order to form a view of what those standards should be.

Let me conclude my comments on the introductory speech of my hon. Friend the Member for The Wrekin. He never made any attempt to justify using section 12 of the Animal Welfare Act 2006. I shall refer to that in a little more detail. The hon. Member for Poplar and Limehouse also referred to that. I respect him immensely. We shared a mutual respect when I shadowed him, and I think that remains the case, but I must correct his memory on the previous European case, without going through all the detail. He remarked earlier that the circus lost against the ombudsman, but that is not the case; the ombudsman made a damning criticism of maladministration against the Commission, based on the view that it had abdicated its responsibility to maintain the treaties by not interfering in the rights of member states, so there is a distinction.

The hon. Gentleman reminded us of the 2006 Act. I served on the Bill Committee, as did the hon. Member for Llanelli (Nia Griffith)—I remember her efforts at that time to introduce a ban, which she described today. It was resisted by the Minister at the time, the right hon. Member for Exeter (Mr Bradshaw), and by Lord Rooker in the other place. While the Bill was on Report on 8 March 2006, the right hon. Member for Exeter stated:

> "I intend to use a regulation under clause 10 of the Animal Welfare Bill to ban the use in travelling circuses of certain non-domesticated species".—[*Official Report*, 8 March 2006; Vol. 443, c. 61WS.]

That was in March 2006, over four years before the general election. Whatever the good intent of the hon. Member for Poplar and Limehouse, the fact is that his Government did nothing, despite that declared intent.

Mr Watts: Let us go to the root cause of the problem between the Minister and everyone else. He seems to be pinning his case on the idea that someone might take legal action and might win a court case. On that basis, the House could not pass any legislation.

Mr Paice: I am coming to that exact point.

If the House were to approve the motion, the Government would have to respect that, but as a Minister I am duty bound to lay before it the possible consequences—I stress the word "possible"—of that decision not only for the Government, but for the House, taxpayers and possibly the animals that we are concerned about.

Stephen Pound (Ealing North) (Lab): Will the Minister give way?

Mr Paice: No I will not; the hon. Gentleman was not here for much of the debate.

The legal advice we have received on section 12 of the 2006 Act is that although it could be used as the basis for a total ban, it is highly likely that we would be challenged on the basis that an outright ban was a

[Mr Paice]

disproportionate measure for improving welfare in circuses. That is exactly the same advice as the previous Government received in the Radford report, which they commissioned after the discussions in 2006. The report makes it absolutely clear that there was insufficient evidence to ensure that the animals' welfare could be improved only by a ban and not by other means. That was the Radford report's advice, and it remains the legal advice.

Caroline Lucas: Will the Minister give way?

Mr Paice: No. I will finish with the legal matters before giving way again.

Obviously I cannot tell the House that there would be a challenge, or what the result would be, but we do have to note the advice. The Radford review concluded in 2007 that no scientific evidence existed to show that circuses by their nature compromised the welfare of wild animals. It was on that basis that it concluded that a ban on the grounds of welfare would be disproportionate in the absence of evidence that welfare was compromised.

There are two further risks from that action: the cost to the taxpayer and the risk that a court might agree to suspend the ban until legal proceedings had concluded. In other words, although the law itself might have been passed, nothing would have changed for the animals themselves.

Stephen Phillips: On that point, will the Minister give way?

Mr Paice: This is in comparison with a licensing system that would be in place by the end of the year.

Sadiq Khan (Tooting) (Lab): He is a lawyer.

Mr Paice: I am well aware of who wishes to intervene.

I turn now to the European aspects of the legislation. The European legislation would apply whether we use primary or secondary legislation to implement a ban. My right hon. Friend the Secretary of State, in her statement on 19 May, informed the House of the error in referring to an action currently before the Courts in the European Union, and I repeat our regret over that error. Nevertheless, I can inform the House, as has already been stated, that as I predicted on the same day, a case has been laid by Circus Krone against the Austrian Government in the Austrian constitutional court. We know not the outcome, but the fact that that case has been laid supports the legal advice that we have previously reported to the House, namely that a wholesale ban may well be counter to section 16 of the EU services directive, and that any subsequent legal challenge would have the same consequences that I have described.

Stephen Phillips: I am extremely grateful to the Minister for giving way, and it is well known in the House that I do not often give free legal advice. He refers to the advice that he has received, and I have no doubt that that is the advice he has received, but I have to tell him that in my opinion that advice is wrong, and that, having seen the quality of some of the advice that the Government receive from the European Scrutiny Committee, it is about time that outside legal advice was taken.

Mr Paice: No doubt we could lay every lawyer in the House end to end and not reach a definite conclusion. I note my hon. and learned Friend's comments, and obviously I respect them.

May I turn to the nub of the issue? When hon. Members decide in a few minutes' time how to react to the motion before us, I hope that they will pay heed to what I have said about the risks attached to it. It is of course a matter for the House to decide, but I hope that hon. Members will not focus on whether we ban or, indeed, wish to end cruelty, because I hope that there is no doubt about our desire on the latter point, but focus on how we go about achieving the end to cruelty in circuses, on which we are I believe united.

Although a complete ban, as advocated in the motion, might well achieve that end in time, there are, as I have tried to describe, significant risks in taking it forward with the deadline and using the legal mechanism to which my hon. Friend the Member for The Wrekin has referred. That is why the Government have come forward with a proposal that might achieve the same end with more certainty. Nevertheless, as I say, the House has a right to decide otherwise.

I understand and fully respect the very high emotions involved, including on the issue of the ethics of animals performing for human entertainment.

Tessa Munt: Will my right hon. Friend give way?

Mr Paice: I am sorry, but I am rapidly coming to the end of my time.

I share the views of hon. Members who are concerned about the use of performing animals, but I also have to react to and respect the legislation that we have enacted in this House in the past, and the reality is that section 12 of the Animal Welfare Act 2006 does not allow ethical considerations to justify a ban, so I hope that in considering how to vote hon. Members will consider those points.

The Government are determined to stamp out cruelty to and the bad welfare of animals in circuses. We have put forward our proposals, and it is of course for the House to decide that we should perhaps reconsider them, but I ask the House to consider the legislative background against which it might ask us to do so.

5.53 pm

Mark Pritchard: I pay tribute to and thank the Minister, who has been very brave and courageous today and deserves a parliamentary medal for a valiant attempt to defend the indefensible, given his personal position, which he stated clearly on the Floor of the House on 19 May. I thank also all Members from all parts of the House for a very vibrant debate that has informed the House on a range of issues relating to what I and, more importantly, 92% of the public believe is an important issue.

This nation once led the world in animal welfare. There is no reason we cannot drag ourselves into the 21st century and regain and reclaim those global animal welfare credentials. That is why I hope that Members will support my motion.

Question put and agreed to.

Resolved,

That this House directs the Government to use its powers under section 12 of the Animal Welfare Act 2006 to introduce a regulation banning the use of all wild animals in circuses to take effect by 1 July 2012.

Business without Debate

BUSINESS OF THE HOUSE (FINANCE (NO. 3) BILL)

Ordered,

That, notwithstanding the practice of the House as to the intervals between stages of Bills brought in upon Ways and Means Resolutions, more than one stage of the Finance (No. 3) Bill may be taken at any sitting of the House.—*(Bill Wiggin.)*

Mr Deputy Speaker (Mr Lindsay Hoyle): We now come to motion 3, which can be debated until 6 pm.

Mr Nigel Dodds (Belfast North) (DUP): On a point of order, Mr Deputy Speaker. On the Order Paper it says that there will be no debate before 6 pm on the motion on the draft House of Lords Reform Bill. Can you guide us on the correct procedure in terms of whether this motion can go ahead now or whether it will be taken after 6 o'clock?

Mr Deputy Speaker: It can be debated or the Question can be put.

DRAFT HOUSE OF LORDS REFORM BILL (JOINT COMMITTEE)

Motion made, and Question put,

That this House concurs with the Lords Message of 7 June, that it is expedient that a Joint Committee of Lords and Commons be appointed to consider the draft House of Lords Reform Bill presented to both Houses on 17 May (Cm 8077).

That a Select Committee of thirteen Members be appointed to join with the Committee appointed by the Lords to consider the draft House of Lords Reform Bill (Cm 8077).

That the Committee should report on the draft Bill by 29 February 2012.

That the Committee shall have power—

(i) to send for persons, papers and records;

(ii) to sit notwithstanding any adjournment of the House;

(iii) to report from time to time;

(iv) to appoint specialist advisers;

(v) to adjourn from place to place within the United Kingdom.

That Gavin Barwell, Mr Tom Clarke, Ann Coffey, Bill Esterson, Oliver Heald, Tristram Hunt, Mrs Eleanor Laing, Dr William McCrea, Dr Daniel Poulter, Laura Sandys, John Stevenson, John Thurso and Malcolm Wicks be members of the Committee.—*(Bill Wiggin.)*

The House divided: Ayes 140, Noes 7.

Division No. 306] **[5.57 pm**

AYES

Aldous, Peter
Allen, Mr Graham
Amess, Mr David
Andrew, Stuart
Bacon, Mr Richard
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Benn, rh Hilary
Beresford, Sir Paul
Bingham, Andrew
Blackman, Bob
Bottomley, Sir Peter
Bradley, Karen
Brake, Tom
Bray, Angie
Brokenshire, James
Brooke, Annette
Bryant, Chris
Burley, Mr Aidan
Burns, rh Mr Simon
Burt, Lorely
Cable, rh Vince
Carmichael, Neil
Carswell, Mr Douglas
Clark, rh Greg
Clifton-Brown, Geoffrey
Crabb, Stephen
Crouch, Tracey
Davey, Mr Edward
Davies, Philip
Davis, rh Mr David
Dodds, rh Mr Nigel
Duddridge, James
Dunne, Mr Philip
Ellison, Jane
Eustice, George
Evans, Jonathan
Fabricant, Michael
Fallon, Michael
Featherstone, Lynne
Foster, rh Mr Don
Francois, rh Mr Mark
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mr Edward
Garnier, Mark
Goldsmith, Zac
Griffiths, Andrew
Hancock, Matthew
Hands, Greg
Harper, Mr Mark
Hart, Simon
Heaton-Harris, Chris
Hemming, John
Herbert, rh Nick
Hinds, Damian
Horwood, Martin
Howell, John
Huppert, Dr Julian
James, Margot
Johnson, Joseph
Jones, Andrew
Jones, Mr Marcus
Kelly, Chris
Kirby, Simon
Knight, rh Mr Greg
Laing, Mrs Eleanor
Lamb, Norman
Laws, rh Mr David
Lee, Dr Phillip
Leech, Mr John
Leslie, Charlotte
Loughton, Tim
Macleod, Mary
Main, Mrs Anne
May, rh Mrs Theresa
Maynard, Paul
McLoughlin, rh Mr Patrick
Menzies, Mark
Metcalfe, Stephen
Michael, rh Alun
Mills, Nigel
Mosley, Stephen
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Nokes, Caroline
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Paice, rh Mr James
Parish, Neil
Patel, Priti
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pincher, Christopher
Pritchard, Mark
Pugh, John
Randall, rh Mr John
Reckless, Mark
Reevell, Simon
Reid, Mr Alan
Rosindell, Andrew
Ruffley, Mr David
Russell, Bob
Rutley, David
Sharma, Alok
Skidmore, Chris
Smith, rh Mr Andrew
Smith, Henry
Spencer, Mr Mark
Stephenson, Andrew
Stewart, Bob
Stewart, Iain
Sturdy, Julian
Syms, Mr Robert
Thurso, John
Tomlinson, Justin
Uppal, Paul
Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Watkinson, Angela
Weatherley, Mike
Wheeler, Heather
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Williams, Mr Mark
Williams, Roger
Williams, Stephen
Williamson, Gavin
Willott, Jenny
Wollaston, Dr Sarah
Wright, Jeremy
Young, rh Sir George

Tellers for the Ayes:
Miss Chloe Smith and Mr Robert Goodwill

NOES

Durkan, Mark
Edwards, Jonathan
Kaufman, rh Sir Gerald
Lucas, Caroline
Nuttall, Mr David
Skinner, Mr Dennis
Wishart, Pete

Tellers for the Noes:
Mr Peter Bone and Mr Philip Hollobone

Question accordingly agreed to.

Dental Bleaching

Motion made, and Question proposed, That this House do now adjourn.—*(Stephen Crabb.)*

6.7 pm

Sir Paul Beresford (Mole Valley) (Con): I thank the Minister for being present to respond to the debate. I understand that he is in some matrimonial difficulty because I have delayed him here this evening and it is his wife's birthday. If it is any compensation, I am sure that I can arrange for his wife to be given a free bleaching treatment quite soon—on the understanding that he explains to her that it is free, so that he does not get away with allowing her to think that she has been presented with an expensive gift.

Let me first declare a simple interest and then add to it, because of the specifics of the debate. I am a qualified and practising—although admittedly very part-time—dentist. I am also a member of the British Dental Association, the British Academy of Cosmetic Dentistry, the British Endodontic Society, and the British Dental Bleaching Society. That explains why I am a target for some 36,000 dental practices which are leaning on this issue. I hope that the Minister will bear with me.

The Minister will be aware that tooth bleaching by dentists has been around for a long time. I first used it about 30 years ago. My tutor was my now retired dental partner, who qualified during the second world war, and his tutor was his father, who qualified shortly after the first world war. Dental bleaching has therefore been used for more than 100 years. In the early days we used a 30% solution of hydrogen peroxide, known in those days as Superoxol. It was extremely destructive of soft tissues, which needed to be protected. In those days we used something called a rubber dam, which was a small sheet of latex rubber with holes placed in it so that the teeth could poke through. The teeth could then be bleached, and the soft tissues were looked after.

The aim of bleaching is to remove discolourations from the teeth without harming the teeth themselves. The discolourations can come from a number of sources, including tobacco, hard water, tea, coffee and, according to the actresses, red wine. Teeth may also be iatrogenically discoloured, the most famous example being tetracycline discolouration. In the early days of antibiotics, children were given an antibiotic called tetracycline, which was one of the early broad-spectrum bacteriostatic antibiotics and was widely used. Although it generally dealt with the targeted infection, if taken by children it discoloured the developing teeth, sometimes to a grotesque degree.

Second or adult teeth that have received a blow can often darken quite quickly, particularly if the individual is young. The teeth most frequently hurt in that way are the upper incisors, particularly the upper central incisors. Endodontically treated teeth often darken, particularly if the operator has been unable to remove, or has not removed, all the pulpal tissue from the internal dentine.

Nowadays, dental restorations are generally of a more cosmetically acceptable material. If someone is to have a filling, it is good for it to be done in a cosmetically acceptable way. It is becoming increasingly accepted as standard practice that when composites, porcelain crowns, porcelain veneers and porcelain inlays are used for restorations, it is sensible to bleach the teeth first. That achieves a benchmark colour to which the new restoration is then colour-matched. As the patient's teeth become discoloured over subsequent years from all the hazards, including red wine, it is possible to use that same process to bring the teeth back to that original benchmark level.

Dental bleaching is not available on the national heath, but I believe that in some cases it should be, because it is less destructive than other options. To provide a simple example, if an NHS patient has badly tetracycline-stained teeth, the only option on the NHS to restore normal appearance is extensive crowns or veneers. They are destructive to the teeth and much more costly, and in time they will need regular replacement. The better approach is dental bleaching, which leaves the teeth intact and can produce an acceptable colour.

Techniques of dental bleaching have improved. First, the dentist has to check that the patient's teeth are in good order; then there are essentially two different bleaching techniques available. The first is the so-called home technique, whereby after inspecting the patient, the dentist constructs close-fitting trays that the patient wears for a period of time at home. The bleach trays are designed to hold the gel against the teeth but away from the soft tissues.

The second method is so-called power bleaching, which is done in the surgery and generally uses much stronger hydrogen peroxide concentrations. The soft tissues are protected by either the aforementioned rubber dam or, more generally nowadays, by a foam that is set by an ultraviolet light. Some techniques use a light or heat source, although I personally believe that that is more for the image of the procedure as the patient sees it than to benefit the process.

Nowadays, hydrogen peroxide is generally delivered in varying strengths of carbamide peroxide. Those strengths vary from 10% to 38% when used in the surgery. The actual hydrogen peroxide concentration delivered is lower. For example, 10% carbamide peroxide delivers approximately a 6% concentration of hydrogen peroxide. As logic will tell the Minister, the higher the concentration, the faster the bleaching, but the more likely it is to produce sensitive teeth.

I hope that the Minister understands from what I have said that the procedure should be in the hands of a trained dental professional, as misuse can cause harm, sometimes extensive harm. Even bleaching at home must be under the direction of a dental care professional. Recent decisions of the General Dental Council have stated that dental bleaching by trained dental professionals is a part of professional dental treatment. That has been endorsed by the Secretary of State for Health and the Health Ministers of Scotland, Wales and Northern Ireland.

The reason for this preamble is to explain to the Minister that the dangers of the material involved when it is misused must be understood and taken into consideration. Organisations such as the British Dental Bleaching Society run certification training courses to ensure that the dental professional teams undertaking the treatment are properly trained. Unfortunately, a number of non-dental professionals, particularly in beauty salons, are illegally bleaching teeth. Sadly, some of those individuals are using a material called chlorine dioxide, which, although it produces an initial appearance of whitening teeth, actually badly damages them.

As the Minister will be aware, the fly in the ointment is the European cosmetics directive, which restricts the sale of tooth-bleaching materials containing more than 0.1% hydrogen peroxide. Clearly that makes eminent sense when applied to over-the-counter medicines, but from a dental treatment point of view 0.1% hydrogen peroxide is absolutely useless.

The enforcement of the cosmetics directive is in the hands of local government trading standards officers on behalf of the Department for Business, Innovation and Skills. Most trading standards officers recognise that higher concentrations of hydrogen peroxide delivered as part of dental treatment by dental professions are completely different from over-the-counter sales or the actions of non-dental professionals. The directive is inappropriate, because tooth bleaching is accepted as part of dentistry.

In 2005, the European Commission scientific committee on consumer products recommended that tooth-whitening products containing 0.1% to 6% hydrogen peroxide are not safe to be sold over the counter. The recommendation was that they should not be used freely, but that they are safe to be used after the approval, and under the supervision, of a dentist. Since then, the UK Government, along with most EU members, have been trying to change the directive in the light of the recommendation. However, because two or three EU members of the committee keep baulking, there has been no change, despite seven years of pressure. I understand that the Minister could reassure me tonight that the issue is to be taken above the committee, where it is expected to be passed—at last—by a majority vote.

However, the situation has come to a head locally, as the Minister is aware. A patient of a Hull dentist complained to Hull trading standards. Hull trading standards took samples from the dentist and asked Essex county council trading standards to investigate a firm called Dental Directory, which is a major supplier to dentists and the supplier to the Hull dentist in question. I believe that Essex trading standards officers have taken the names of other suppliers and suggested to respective trading standards organisations that they should investigate. Some did so, but others thought it through and decided that that was inappropriate.

After full consideration, Essex trading standards sent an e-mail to Dental Directory, which states:

> "This Service has no issue with peroxide-based whiteners over 0.1% supplied to GDC registered dentists for use in the course of a professional whitening service conducted by a registrant. It is the view of this Service that such treatments would be regulated by the GDC."

That is a brilliantly sensible response.

However, another big firm of suppliers, Henry Schein, has a number of different depots in different areas, which are covered by different trading standards. It has received differing instructions. Kent trading standards echoed Essex's eminently sensible position, but Medway trading standards informed Henry Schein that it is not allowed to supply dental bleach with over 0.1% hydrogen peroxide. Needless to say, enormous pressure was applied. I suspect to the Minister's relief, Medway has reverted to the sensible Essex county council position.

That leaves me with two simple requests for action to sort out this particular nonsense. First, I urge the Minister, if at all possible, to obtain a change in the directive, and secondly, to inform all UK trading standards that the approach taken by Essex and Kent trading standards should be the norm.

As the Minister may recall, a few moments ago I mentioned beauticians and non-registrants illegally bleaching teeth. Many of those people are dangerous. For example, a plasterer from Kent plasters walls during the day, and bleaches teeth in people's homes in the evening, using 38% hydrogen peroxide, with no guards or safety measures. To put it bluntly, he probably burns the gum off the bone and the teeth. He is dangerous.

Others use chlorine dioxide. As the Minister's school chemistry will tell him, when chlorine dioxide hits water, as in saliva, it turns to hydrochloric acid, and eats the enamel surface off the teeth. The initial slight whitening appearance turns, on further applications, yellow and then brown, as the dentine shows through because the enamel disappears. To put it bluntly, that simply wrecks teeth.

To add to those problems, a number of highly acidic tooth-whitening products are available over the counter for personal, home bleaching. Many are highly acidic. All the highly acidic ones are highly damaging. To my amazement, even two reputable UK pharmacies—I am not naming them for the moment—are selling such products over the counter. I am therefore also asking the Minister to assist, through trading standards, in stopping beauticians and other non-dental registrants bleaching teeth. The General Dental Council is taking action, but it does not have the strength and spread of trading standards.

In addition, will the Minister seek a ban on the use of chlorine dioxide for teeth bleaching, including on the supply of acidic, over-the-counter home bleaching materials? An awful lot of smiles on the faces of some very pretty young ladies are being wrecked in the United Kingdom.

6.19 pm

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Mr Edward Davey): I congratulate my hon. Friend the Member for Mole Valley (Sir Paul Beresford) on securing this important debate. It is not the first time he has come to the House to campaign on this issue—he deserves a lot of credit for his persistence and determination. This is a serious issue for those adversely affected by people using certain materials they should not be using, as he explained. I also thank him for the offer to my wife—I will convey it to her later this evening.

This is a complex matter involving overlapping issues, which my hon. Friend highlighted. Particular factors to consider are: first, that the current European-derived law clearly restricts the level of hydrogen peroxide to a level at which it cannot bleach teeth. Secondly, prevailing scientific opinion on the safety of hydrogen peroxide in teeth-whitening products is out of step with current maximum limits. Thirdly, how do we most appropriately enforce the law? Fourthly, who should be undertaking teeth whitening? Should the role be reserved to dentists or should it be available from other suppliers and even for home use? Finally, there is the issue about the safe use of other substances used as an alternative to hydrogen peroxide.

Although I recognise how deeply frustrating this matter is for all involved, I will try to address these points and highlight a possible resolution of the issue.

[Mr Edward Davey]

I hope that I can give my hon. Friend some satisfaction tonight, but if there are other points he wishes to make that he feels have not been covered, I will be happy to correspond with him, and if necessary meet him. There is no doubt that teeth-whitening products are cosmetic products within the meaning of the cosmetic products directive. Hon. Members will know that the UK has been pressing for a number of years on the cosmetics regulatory committee for the maximum limit for hydrogen peroxide to be increased in line with the opinion of the scientific committee on consumer products in 2005, to which my hon. Friend referred.

The scientific committee's view was that allowing a greater percentage of hydrogen peroxide in teeth-whitening products would not be detrimental to the health of consumers. Since then, however, there have been protracted discussions in Brussels on matters of detail. We are now in the position where the European Commission has proposed a number of directives to amend the cosmetic products directive, each of which has failed. The latest was submitted to the standing committee on cosmetic products for vote by written procedure in May last year, at which time five member states voted against the proposal.

The Commission was therefore required to reconsider its proposal, and has since amended the directive. Instead of putting it back through the regulatory standing committee, the Commission intends to submit it to the Council for a council directive. Let me explain the detail of this new development. The Commission believes that use of teeth-whitening products containing more than 0.1% and up to 6% hydrogen peroxide can be considered safe if the following conditions are satisfied: first, if an appropriate clinical examination takes place to ensure the absence of risk factors; and, secondly, if exposure to the products is controlled to ensure that they are used as intended. Teeth-whitening products should therefore not be directly available to the consumer. For each cycle of use, the first use should be limited to dental practitioners or under their direct supervision. This will be communicated to the Council before the summer break, and we will support it.

I note that the General Dental Council considers tooth whitening the practice of dentistry, which is limited to GDC registrants, and this ties in with the new proposal for a directive. Indeed, earlier this year the GDC successfully prosecuted a non-registrant under the Dentists Act 1984. I would urge members of the public who have received a treatment about which they have concerns to raise it with the GDC. This also applies where alternative teeth-whitening treatments, such as chlorine dioxide, are used with unsatisfactory or damaging results. My officials will contact the Commission about the concerns of the British Dental Association over the use of chlorine dioxide in teeth-whitening products.

On the question of enforcement, I understand that there have been concerns about investigations carried out by trading standards services into the supply of teeth-whitening products, some of which contained significant levels of hydrogen peroxide—more than the newly proposed amendment would permit. Trading standards services have a duty to enforce the Cosmetic Products (Safety) Regulations 2008, but they take a risk-based approach to enforcement. To our knowledge, they have never actively targeted dentists, but where suppliers are marketing home-use kits, they have a responsibility to investigate where such products could reasonably present a risk to the consumer.

My Department neither controls nor directs trading standards services in their enforcement activities. However, officials will be making them aware of the latest developments in Brussels on the issue, so that they can understand the direction in which the law is likely to develop. Officials have also been in contact with many of the trading standards departments looking into the matter to ensure that a consistent approach will be taken. Decisions on whether to progress investigations into suppliers of home-use kits will remain decisions for local authorities. It is unfortunately true, however, that many suppliers of teeth-whitening products have already anticipated a change in the law, which has made the task of trading standards officers extremely difficult over the past few years. On a separate but closely related note, I am pleased to say that a new and specific element on enforcement will shortly be added to the red tape challenge. We would encourage businesses to go on the red tape challenge website and tell us about the problems they are having with the implementation of regulations.

In conclusion, I hope that I have been able to shed light on the latest developments, which could offer a way forward on this protracted issue. Subject to agreement in Brussels, the new directive will clarify the law. I also believe that the decision of the General Dental Council will help to clarify the position on the provision of teeth-whitening services. I am grateful to my hon. Friend for enabling me to put that on the record, and I hope that he and the dentists on whose behalf he has so persistently advocated will be pleased with it.

Question put and agreed to.

6.26 pm

House adjourned.

House of Commons

Monday 27 June 2011

The House met at half-past Two o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

HOME DEPARTMENT

The Secretary of State was asked—

Mr Speaker: I call Mr Thomas Docherty to ask the first question. He is not here.

CCTV Cameras

2. **John Woodcock** (Barrow and Furness) (Lab/Co-op): What her policy is on the use of CCTV cameras. [61828]

21. **Mr Wayne David** (Caerphilly) (Lab): What her policy is on the use of CCTV cameras. [61849]

The Parliamentary Under-Secretary of State for the Home Department (James Brokenshire): With permission, Mr Speaker, I should also like to answer questions 8, 13 and 21.

Mr Speaker: Order. The Minister is not to know this, but I should point out that question 13 has been withdrawn.

James Brokenshire: Thank you for that clarification, Mr Speaker.

The Government recognise the importance of CCTV in preventing and detecting crime, and support its use by communities. The Government also acknowledge that continued use of CCTV requires the support of the public and public confidence that systems are being used appropriately. Accordingly, we intend to introduce a code of practice for surveillance cameras and appoint a surveillance camera commissioner.

John Woodcock: May I respectfully suggest that the Minister should visit the Furness area, so that he can see for himself the impact such cameras make in reducing crime, and then inform the House why 11 pieces of red tape have to be gone through before anyone can even consider installing fresh ones?

James Brokenshire: As I have said, I welcome the use of CCTV. It can be important in preventing and detecting crime, and I am certainly willing to discuss the issue further outside the Chamber and to talk about the impact CCTV is clearly making in the hon. Gentleman's constituency. I would also say to him, however, that when his party was in government it published a CCTV strategy that included 44 separate recommendations—including that a body with responsibility for the governance of the use of CCTV in this country should be established—so quite a lot of regulation was put in place by his own Government.

Mr David: I hear what the Minister says about CCTV, but why does he not put his rhetoric into practice by making it simpler for communities and councils to have CCTV?

James Brokenshire: It is important that we do not lose confidence in CCTV as a beneficial influence, and thereby lose that valuable tool in the battle against crime and disorder. We must not undermine the real benefits of CCTV. That is why we want to have a measured and proportionate scheme to regulate CCTV better and ensure that appropriate standards are put in place, so that that confidence is maintained.

Philip Davies (Shipley) (Con): Does the Minister accept that CCTV evidence was crucial in eventually bringing Levi Bellfield to justice for the murder of Milly Dowler, and is that not a timely reminder that we should be making it easier, not harder, for the police to use CCTV, and that we need more CCTV, not less?

James Brokenshire: I certainly recognise the value of CCTV, but we must be careful to ensure that there is no loss of trust and confidence in its use among communities throughout the country. We have learned what can happen in such circumstances from the experience in Birmingham, and in light of that, Sara Thornton, chief constable of Thames Valley Police, produced a report that underlined that accountability, consultation and transparency must be core considerations. That is precisely what we are reflecting in our approach.

Mr Peter Bone (Wellingborough) (Con): I thought it was a core principle of this Government that we were going to do away with unnecessary red tape, but it appears that we are creating more. What regulations are we doing away with in bringing this one in?

James Brokenshire: Our approach is focused on the points I have identified: ensuring trust, confidence and genuine belief in the use of CCTV moving forward. That is at the core of our proposals, because if that is eroded, it will undermine the very use of this powerful, important tool in protecting our communities from crime.

Police Numbers

3. **Gavin Shuker** (Luton South) (Lab/Co-op): What recent assessment her Department has made of the relationship between numbers of police officers and levels of crime. [61829]

The Secretary of State for the Home Department (Mrs Theresa May): The Select Committee on Home Affairs said in February:

"We accept that there is no simple relationship between numbers of police officers and levels of crime."

The Government agree.

Gavin Shuker: A 43% reduction in crime was achieved under the last Government, in part, and not least, because of the 17,000 new police officers that were brought in during that period. Why would the Home Secretary put that at risk by cutting 12,000?

Mrs May: I have answered the point about the relationship between police numbers and levels of crime and we have been absolutely clear that it is not simple. Our view is backed up by the Home Affairs Committee and by the right hon. Member for Exeter (Mr Bradshaw), who said last September:

"I don't think it's possible to make a direct correlation between police numbers and crime reduction".

Once again, the Government agree.

Robert Halfon (Harlow) (Con): According to Her Majesty's inspectorate of constabulary, even when we had a record number of police officers, only 11% were visible and available to the public at any one time. Does that not show that it must be possible, even if the number of officers falls, to protect and perhaps improve the visibility of police on our streets?

Mrs May: My hon. Friend makes a very important point and that HMIC report's importance lay in the fact that it pointed out the issues about the visibility and availability of police officers as well as that more police officers were visible and available on a Monday morning than on a Friday night. That came as news to many people living in town centres, where there are considerable problems on Friday nights. We must ensure that police officers are deployed in the most effective way so that they can fight crime.

Keith Vaz (Leicester East) (Lab): In 15 days' time, 2,000 police officers will gather in Central hall to voice their opposition to the Government's plans on their pay and conditions and the reduction in numbers. The Home Secretary is right to quote the Select Committee's conclusions, but only two weeks ago the Police Federation told us that morale in the police service was at its lowest in a generation. What steps will she take to ensure that the police understand that what she is doing to reshape the landscape of policing, which is her right, is for the benefit of the public and of the police?

Mrs May: We are doing what we are doing with the distinct intention of ensuring that we have a police force that can move forward in the 21st century and provide the policing that is necessary and that people want. That means considering pay, terms and conditions and the flexibility of the work force as well as the bureaucracy that has tied too many of our police officers to their desks and to form filling rather than allowing them to be out on the streets fighting crime. This Government are making a distinct difference to that bureaucracy by slashing it, so that the police can do what people want them to out on the streets.

Mel Stride (Central Devon) (Con): As my right hon. Friend knows, the Opposition consistently refer to 20% cuts in police budgets. Will she confirm that as there will be no cut in the precept funding and as public sector pay is expected to be frozen, the cut in money received by the police will be in the order of 6%, not 20%?

Mrs May: My hon. Friend is absolutely right. The Opposition talk about Government funding, but every police force in this country has funding available from the precept. At the end of the four-year period of the comprehensive spending review, police will have 6% less funding. That is the figure that people should concentrate on, rather than what the Opposition say.

Sergei Magnitsky

4. **Chris Bryant** (Rhondda) (Lab): If she will assess the merits of excluding from entry to the UK those people who were involved in the death of Sergei Magnitsky. [61830]

The Minister for Immigration (Damian Green): As the Prime Minister has made clear, the Government remain very concerned by Mr Magnitsky's death and are disappointed that the official investigation into the case announced by President Medvedev in November 2009 has still not been completed. I am due to meet the hon. Gentleman shortly to discuss this important issue, but the duty of confidentiality means that the Government are unable to discuss the details of individual immigration cases.

Chris Bryant: I am going to try to talk about individual cases anyway, I am afraid. There is no point in merely being disappointed. Sergei Magnitsky was working for a British organisation in Russia when he discovered a vast network of corruption. He was illegally arrested and murdered while in police custody. Many other countries are considering a ban: the United States of America, Poland, Canada, Holland, Germany, Estonia and the Czech Republic. Why cannot we ensure that those corrupt murderers do not come into this country?

Damian Green: The Government continue to raise our concerns and the hon. Gentleman is right to be concerned about the case. The Prime Minister and the Foreign Secretary both discussed the case with Russian Foreign Minister Lavrov when he last visited the UK in February 2011. I understand that the official Russian investigation is due to report in August. As I have said, we are disappointed that it has taken so long but no doubt the hon. Gentleman and I can discuss more of the details when we have our meeting in a few days' time.

Dr Julian Lewis (New Forest East) (Con): Does not the Minister understand that this man, who was a lawyer, was killed in jail by the Russian authorities? The case is similar to that of someone who was poisoned in this country, we believe, by someone who was subsequently elected as a Member of the Russian Parliament. Russia must understand that if it wants to be accepted as a modern state in the 21st century, this sort of gangsterism and state-murder will not be tolerated.

Damian Green: My hon. Friend expresses himself with great power and passion. It is important that all states around the world observe proper and civilised standards of behaviour and the British Government will certainly continue to impress that on Governments all around the world.

Police (Administrative Duties)

5. **Anne Marie Morris** (Newton Abbot) (Con): What estimate she has made of the potential additional time available for police officers arising from planned reductions in administrative burdens. [61831]

7. **Andrew Jones** (Harrogate and Knaresborough) (Con): What estimate she has made of the potential additional time available for police officers arising from planned reductions in administrative burdens. [61834]

11. **Nadhim Zahawi** (Stratford-on-Avon) (Con): What estimate she has made of the potential additional time available for police officers arising from planned reductions in administrative burdens. [61838]

19. **Alec Shelbrooke** (Elmet and Rothwell) (Con): What estimate she has made of the potential additional time available for police officers arising from planned reductions in administrative burdens. [61846]

The Minister for Policing and Criminal Justice (Nick Herbert): The police should be focusing on police work, not paperwork. That is why, last month, the Government announced a package of new measures to cut red tape, saving up to 2.5 million police hours a year.

Anne Marie Morris: I thank the Minister for that response and I am sure that my constituents will welcome measures that will cut the time that our police officers have to spend on paperwork and administration. I wonder whether the Minister would kindly update the House on what steps are being taken to improve the accountability of the police.

Nick Herbert: We want to improve the accountability of the police and the whole criminal justice system to the public and we are proceeding with our plan to introduce directly elected police and crime commissioners to do that—those measures are currently under discussion in the Lords—and measures such as the introduction of street level crime mapping. The police.uk website has received more than 420 million hits since its launch.

Andrew Jones: How will the introduction of police and crime commissioners help further to reduce the admin burden?

Nick Herbert: I believe that elected police and crime commissioners will have a very strong focus on reducing the burden of bureaucracy and administration in their forces precisely because they will feel pressure from their electorate to ensure that resources are directed to the front line. We are also placing police and crime commissioners under a duty to collaborate and I am sure that they will work together to drive out unnecessary costs from their forces.

Nadhim Zahawi: Warwickshire police in my constituency are pushing forward with innovative changes to its policing model to allow more police to be out on the streets doing what they are supposed to be doing. It is also implementing new technology to allow officers to file paperwork without having to return to their desks. Could the Home Secretary or the Minister tell us what progress has been made in implementing similar changes in other—

Mr Speaker: Order. We are grateful. We have got it.

Nick Herbert: I welcome the steps being taken by Warwickshire police in this area and I would happily visit the force to look at what it is doing. We want to make sure that new technology is used in that way by police forces. We have inherited the problem that there is still multiple keying of data into different systems by police officers, as I heard this morning for myself, which is wasting their time. We still have 2,000 different IT systems across the 43 forces, which we have to converge and we have a programme to achieve that.

Alec Shelbrooke: What action has my right hon. Friend taken to reduce the bureaucracy that has historically inhibited the neighbourhood policing team in my constituency town of Garforth from moving on illegal Traveller encampments?

Nick Herbert: I would like to have a further discussion with my hon. Friend about what obstacles there are to that. We certainly want to ensure that the police are able to exercise their existing powers to move on Travellers who are in illegal occupation of sites, which is totally unacceptable and antisocial. We believe that the powers are there; if there are impediments or if the force is encountering some difficulty, I would welcome a conversation with my hon. Friend about that.

Chris Leslie (Nottingham East) (Lab/Co-op): Why are the Government increasing the administrative burden on the police by making them apply to a magistrates court to retain the DNA of those suspected of serious criminal offences? Surely, the retention of that DNA should be automatic. Is the Minister going to rethink this in time for the Bill's Report stage?

Nick Herbert: We have to strike the right balance between civil liberties and the effectiveness of these crime-fighting tools, but it would simply be wrong to characterise the Government's approach as increasing the burden on police. We are returning charging decisions to the police and our aim is that 70% of all decisions will now be made by police without having to go to the Crown Prosecution Service, so we are giving more discretion and control to the police and we are reducing bureaucracy.

Alun Michael (Cardiff South and Penarth) (Lab/Co-op): Will the Minister accept that some of the reporting requirements placed on police are about accounting for the very serious powers that we give them to act on our behalf? In the past, a lack of such requirements led to deaths in custody, stop-and-search practices and other things that brought the police into disrepute. How is the Minister going to make sure that he achieves the balance of not throwing the baby out with the bathwater and not allowing the police to go back to old ways?

Nick Herbert: I accept the force of what the right hon. Gentleman says. It is important that we have proper processes and accountability, but we must trust officers as trained professionals to exercise their discretion

and we need a proportionate approach to risk-taking. The stop-and-search form is a good example, because we have reduced the amount of data required, not scrapped it entirely. That will save hundreds of thousands of hours of officer time, but it will still keep in place important safeguards to ensure community confidence in policing.

Barbara Keeley (Worsley and Eccles South) (Lab): On the question of that balance, I understand that Greater Manchester police are talking of removing face-to-face access for the public at police stations. On top of the 620 support posts that have had to be removed, does the Minister not see that the 20% cuts are now leading to a degradation in service that will cause a loss of confidence in the police?

Nick Herbert: I do not accept that there will be degradation of service in Greater Manchester, and I do not believe that the chief constable would either. He has talked about the fact that the headquarters' staff in his force got too big and about the savings that can be achieved. As we have said, there are many innovative ways for the police to make contact with their communities that do not necessarily involve an attachment to old buildings. Forces around the country are sharing community centres and shop premises, increasing the contact time that they have with the public as a result. The number of visits to police stations can be very low.

Diana Johnson (Kingston upon Hull North) (Lab): The Home Secretary says that she is saving 1,200 police officer posts by cutting red tape, but we know that 12,000 police officers are being axed across the country. Of the six measures to cut bureaucracy, one has not been taken up by the national statistician and four are pilots. Is not the real truth that the scale and pace of the cuts is slashing front-line policing, not red tape, as we know in Warwickshire? What will be the administrative saving in this financial year as we see the deepest front-loaded front-line cuts?

Nick Herbert: I have said that the package of measures that we announced recently would save another 2.5 million hours of officer time, equivalent to 1,200 police officer posts, and we will go further with, for instance, more efficiencies in the criminal justice system. We will take no lectures from the Opposition about bureaucracy. It was they who tied up the police in this red tape with their targets, directions, policing pledge and constant interference, and it has fallen on this Government to reduce that bureaucracy and ensure that police officers can be crime fighters, not form writers.

Police Numbers

6. **Jack Dromey** (Birmingham, Erdington) (Lab): What estimate she has made of the likely number of police officers in 2012. [61833]

The Minister for Policing and Criminal Justice (Nick Herbert): It is for the chief constable and the police authority in each force to determine the number of police officers who are deployed within the available resource.

Jack Dromey: Crime is once again rising in the west midlands as police numbers fall, with hundreds of Birmingham's and Britain's best police officers being forced to retire under regulation A19, some as young as 48 years of age. Does the Home Secretary accept any responsibility, including for the latest casualty of Government cuts, the head of the west midlands counter-terrorism unit?

Nick Herbert: The detective chief superintendent to whom the hon. Gentleman referred has said:

"I have always fully appreciated the reasons why West Midlands Police is implementing A19".

That was a procedure that the last Labour Government chose to retain. Police officers are not being made redundant under this procedure, they are retiring with a full pension having completed 30 years of service. It is for chief constables to take the decisions about how best to deploy their resources, and unlike the hon. Gentleman I will not second-guess the chief constable on that.

Stephen Hammond (Wimbledon) (Con): Does the Minister of State agree that I am lucky to represent a London constituency where we can see the reality of Conservativism in power? In 2012, after four years of Mayor Johnson, there will be more police officers in London than there were after eight years of Mayor Livingstone.

Nick Herbert: My hon. Friend makes a good point, on which the Opposition should perhaps reflect. A directly elected individual who has responsibility for policing is working hard to ensure that resources get to the front line. He has sought to maintain police numbers, and is protecting neighbourhood policing for the benefit of Londoners. It is a very good example of direct democracy in action.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): Does the Minister agree that the police are only as effective as the teams that support them? If he has been in the intelligence room of a police station, as I have in the Huddersfield station, he will know that it is not a back-office function that can be wiped away. Those intelligence teams are under threat, and the police cannot work without them.

Nick Herbert: I agree with the hon. Gentleman to the extent that the idea of one police force, which Tom Winsor, who is leading the independent review of police pay and conditions, has talked about, is a good one. Police staff play an important role in modern police forces, which we should understand. Nevertheless, there has been a very big growth in the number of police staff in recent years, which has proved unsustainable. Around 25,000 police officers are working not on the front line, but in back and middle offices. That is something to which chief constables need to pay attention.

Mr Rob Wilson (Reading East) (Con): My right hon. Friend will be aware that, despite a challenging settlement this year, Thames Valley police are not cutting the number of front-line police officers, despite misleading information being put out locally by the Labour party after it was briefed to the contrary by the chief constable. Does he agree that it is possible to cut back-office functions, rather than front-line policing?

Nick Herbert: I strongly agree. Thames Valley police are taking decisions about how to make savings and work more efficiently in many areas so that they can protect the front line, and that is what forces up and down the country are doing. A good example is the collaboration between Thames Valley police and Hampshire police on a range of functions. That is the sort of thing we want to see extended across the country.

Clive Efford (Eltham) (Lab): Notwithstanding the Minister's answer to his hon. Friend the Member for Wimbledon (Stephen Hammond) on police cuts in London, can he explain why the Mayor, Boris Johnson, is cutting 1,800 officers in the next two years from London's police force, including 300 sergeants, which will result in cuts to local safer neighbourhood teams? The Mayor is also proposing to reduce the minimum number of officers in each safer neighbourhood team from the current level of six, and I have seen a letter from one commander stating that police community support officers will not be replaced as they become fully-fledged police officers. Does the Minister accept that safer neighbourhood teams in London face being cut by stealth? Should he not get to the Dispatch Box and apologise to the people of London, on behalf of the Government and the Mayor, for cutting the number of front-line police officers?

Nick Herbert: The Labour party simply cannot stand the fact that the Mayor of London has said that he will enter the next mayoral election with more police officers than he inherited. He has made that pledge and is protecting safer neighbourhood teams. Of course there are sensible arrangements whereby some sergeants are being shared, but the number of officers in safer neighbourhood teams is being protected. It is possible, as the Mayor has shown, alongside the leadership of the Met, to protect front-line policing while having to deliver significant savings. The hon. Gentleman—

Mr Speaker: Order. I think we have got the general gist.

Drug Addiction

9. **John Mann** (Bassetlaw) (Lab): What recent estimate she has made of the number of people who are addicted to a class A drug. [61836]

The Secretary of State for the Home Department (Mrs Theresa May): The chaotic lives of drug addicts make it difficult for the Government to make an official estimate of the total number of people addicted to Class A drugs. However, for two drugs in this category—opiates and crack cocaine—the Government estimated in 2008-09 that there were more than 320,000 users in England. Figures for 2009-10 will be available later this year.

John Mann: We know that it is difficult for the coalition partners to agree on drugs, but surely that is no excuse for their total inaction and silence on drugs policy and on tackling drugs since coming into power. When will we see some action on drugs and some drugs policy emerge from this Government?

Mrs May: I have to say to the hon. Gentleman that he could not be more wrong in his assessment of what the coalition Government have being doing. A few months ago we published a new drugs strategy, which is looking not only at the action being taken by the police and the Serious Organised Crime Agency to apprehend those dealing drugs and importing them into the UK, but at responsibility for rehabilitation. We have a clear message that we can use payment by results, working with organisations in the private sector and in the voluntary and charitable sector, to ensure that we do not just churn drug addicts through courses that take them off drugs and then return them to the same environment where they are pressured back on to drugs, but instead that we give them a longer-lasting solution that helps them get off drugs forever.

Duncan Hames (Chippenham) (LD): Last week the Justice Secretary told the House that almost one tenth of people who have used heroin first did so while in prison. What actions have the Home Department's national crime agencies taken to catch and seek to prosecute people who illegally take class A drugs into our prisons?

Mrs May: My hon. Friend raises a very important issue, and action is taken in two ways. The Ministry of Justice is now looking at drug-free wings in prisons, so work is being done on that, but in the Home Office we continue, through not just regional police forces but the Serious Organised Crime Agency, to fight the fight against drug dealers and those who import drugs to this country, and that fight continues.

National DNA Database

12. **Steve McCabe** (Birmingham, Selly Oak) (Lab): What assessment she has made of the potential effects of her plans for the national DNA database on the number of DNA matches. [61839]

The Parliamentary Under-Secretary of State for the Home Department (James Brokenshire): The Government's approach is based on putting on the national DNA database more people who are guilty of crimes, rather than those who are innocent. Simply increasing the size of the DNA database does not necessarily result in more detections. We have been informed in the consideration of our plans by past statistics highlighting falls in DNA detections despite the huge increase in the number of profiles retained.

Steve McCabe: That is interesting. What is the Minister's response to the Association of Chief Police Officers' lead on those matters, Chief Constable Sims, who says that there will be 1,000 fewer cases solved because of the decisions that the Minister is going to take?

James Brokenshire: The hon. Gentleman may also know that Chief Constable Sims acknowledged that such estimates were

"notoriously difficult to put figures on".—[*Official Report, Protection of Freedoms Public Bill Committee*, 22 March 2011; c. 8, Q1.]

The Protection of Freedoms Bill Committee also heard evidence from GeneWatch which pointed in a very different direction. I again point the hon. Gentleman to

past circumstances and to statistics highlighting that, despite the huge increase in the number of people that his—the previous—Government put on the DNA database, DNA detections have fallen.

Mr David Hanson (Delyn) (Lab): Last Friday a man with no previous convictions, Mr Ronald Toms, was sentenced to 15 years in prison for the attempted rape of an 84-year-old woman. He was caught because he had been previously arrested but not charged with an offence, and his DNA had been taken. Will the Minister confirm that under his proposals Mr Toms would be free to rape again?

James Brokenshire: I say to the right hon. Gentleman, with all respect, that he will well know that the use of individual cases cannot be undertaken lightly, given that they rely on all sorts of other issues such as consent and on other identification evidence. We have taken a very measured approach by making sure that those who are guilty are retained on the DNA database, and that there are matches to ensure that the cold-case database is used effectively. That way more crimes are detected.

Yvette Cooper (Normanton, Pontefract and Castleford) (Lab): For the second time in five days, the Home Secretary has declined to answer questions on DNA, even though she knows that it is a growing concern, and that I and the Leader of the Opposition raised it last week. There are about 5,000 rape cases each year where the police think that they have enough information to pass a case on to the Crown Prosecution Service but the CPS decides that it cannot charge. In those cases, the Government's plans mean that DNA will not be held even though rape has a notoriously low charge rate and we know that some people go on to offend again.

On Thursday the Minister with responsibility for women, the Minister for Equalities, the hon. Member for Hornsey and Wood Green (Lynne Featherstone), suggested that the police would be able to apply to retain DNA in cases where they thought that the public were at risk. That is very different from what the Home Secretary told me on Second Reading of the Protection of Freedoms Bill, when she did not include cases where the public were thought to be at risk.

So, will the Under-Secretary of State for the Home Department, the hon. Member for Old Bexley and Sidcup (James Brokenshire) now explain how the police and the DNA commissioner are supposed to assess who poses a risk; and in how many of those 5,000 cases does the hon. Gentleman expect the police to apply and for DNA to be held?

James Brokenshire: The right hon. Lady is wrong on a number of counts, because the Home Secretary was absolutely clear on Second Reading about the approach that would be taken. The Government have said that, when an individual is arrested for a sexual offence such as rape but not subsequently charged, the police will be able to apply to the new biometrics commissioner for the DNA profile's retention. If the commissioner agrees, the profile will be retained for three years. The right hon. Lady seems to ignore the facts and the way in which the issue has been presented, but there is the clarity on what is to happen.

Yvette Cooper: The Minister has not answered the question. He may want to look back at the words that the Home Secretary used on Second Reading, which were rather different. Does he really think it is practical for the police separately to assess, fill in forms and apply to hold DNA on 5,000 new rape cases each year, as well as countless other serious crimes? Ministers have just spent 20 minutes telling the House that they want to cut police bureaucracy; now they are increasing it. The West Midlands police chief said to the Bill Committee:

"We have always argued that it is impossible to create a regime of individual intervention for a database of 6 million. We have to make decisions based on automation."—[*Official Report, Protection of Freedoms Public Bill Committee*, 22 March 2011; c. 9, Q4.]

The Home Secretary is making it impossible for the police—

Mr Speaker: Order. That is the last sentence.

James Brokenshire: The right hon. Lady needs to look at the statistics, as I have already highlighted. If she looks at the data from 2001-02, when there were 39,000 detections against a database of fewer than 1.4 million, all from convicted people, and compares that with the data from the last year, when over 5 million individuals, including hundreds of thousands of innocent people, were on the database, she will see that the number of detections had fallen to 32,500. Labour Members appear to be very casual with people's liberties, although they claim they are not. They seem to assume that simply because someone is arrested for a crime, they are guilty. We take a different view. Labour Members are not prepared to look at the facts and the evidence.

Tier 4 Visa Requirements

14. **Dr Julian Huppert** (Cambridge) (LD): What estimate she has made of the potential cost to the economy of her planned changes to tier 4 visa requirements. [61841]

The Minister for Immigration (Damian Green): The impact assessment estimated the net cost to the economy of the student and post-study work proposals to be £2.4 billion. There will be additional compensating benefits from reducing abuse, ensuring cohesion, and increasing public confidence in the immigration system, but it is not possible to quantify the impact of these changes.

Dr Huppert: I thank the Minister for his clear response. He refers to a cost of £2.4 billion. The best case scenario is a cost of £1 billion, and the worst case £3.5 billion, for a problem that the Home Affairs Committee struggled to find anybody, other than the Minister, to say was a really serious problem; even Migrationwatch UK was not that bothered. Given that we do not want to lose £2.5 billion from the economy, will he rethink these proposals?

Damian Green: It would be absurd to say that there are no problems with the student visa system. It represents two thirds of the amount of immigration into the system, and it has become the biggest single loophole in our immigration system. On the slightly arcane theology of impact assessments, my hon. Friend will know that some strange assumptions have to be made by Government economists. For instance, this has to be costed on the

assumption that if migrant students are no longer able to work here as before, not a single one of the jobs that they vacate will be taken up by a UK citizen, particularly one who may be currently unemployed. If there is replacement, which is intuitively very obvious, then the cost to the economy will be significantly lower. That is why we have asked the Migration Advisory Committee to investigate this assumption, and we expect it to report in November.

Shabana Mahmood (Birmingham, Ladywood) (Lab): Despite what the Minister has said about impact assessments, it is surprising and deeply worrying that the Government are pursuing a policy which, on their own view, will cost the country £2.4 billion and which, on their own view, will have only half the impact on net migration that they originally said. This policy was part of a package of changes that the Government said would reduce net migration to the tens of thousands by 2015. In support of the policy, the Prime Minister said in April to Tory party members:

"No ifs. No buts. That's a promise we made to the British people. And it is a promise we are keeping."

Well, not according to his Government's own impact assessment, and not according to the Migration Observatory—

Mr Speaker: Order. The hon. Lady must now bring herself to a one-sentence question. That is the end of it.

Shabana Mahmood: Thank you, Mr Speaker; I was just about to. Will the Minister be upfront and admit today that this is a promise that he and the Prime Minister will not be keeping?

Damian Green: No.

Domestic and Sexual Violence

15. **Richard Graham** (Gloucester) (Con): What steps her Department is taking to protect women from domestic and sexual violence. [61842]

17. **Alun Cairns** (Vale of Glamorgan) (Con): What steps her Department is taking to protect women from domestic and sexual violence. [61844]

The Parliamentary Under-Secretary of State for the Home Department (Lynne Featherstone): In March this year we published a detailed action plan on tackling violence against women and girls. We have already delivered in several areas, including a commitment to provide more than £28 million of Home Office funding over four years for local specialist services to support victims of domestic and sexual violence.

Richard Graham: Recent incidents of rape and sexual assault in my constituency have been linked to Gloucester's nightlife. Although Gloucestershire constabulary, which incidentally is increasing the number of front-line officers in our city, is doing a great job to protect my constituents on the streets, many parents would like awareness to be raised among youngsters about the risk of sexual assault. Are there things that the Home Office could do, perhaps together with the Department for Education, to help in that?

Lynne Featherstone: Preventing sexual and domestic violence from happening in the first place is a key priority of our action plan to end violence against women and girls. We are committed to developing education and awareness-raising campaigns on rape and sexual assault. As my hon. Friend said, we work with the Department for Education to encourage teaching about sexual consent in schools.

Alun Cairns: What discussions has the Minister had with the Department of Justice about victims of domestic violence who do not report offences to the police, particularly in the light of potential legal aid changes?

Lynne Featherstone: There have been no specific discussions with the Secretary of State for Justice on this issue. However, the Ministry of Justice is a member of the inter-ministerial group on violence against women and girls, which is chaired by the Home Secretary. Discussions on the support provided for all victims of violence against women and girls is discussed at its meetings.

Gloria De Piero (Ashfield) (Lab): Two wards in my constituency have seen increases in domestic abuse of 38% and 44%, which is way out of sync with the national or local trend. Will Ministers consider targeting work in areas where the figures are so far above trend?

Lynne Featherstone: The hon. Lady raises an important issue. I will look at the areas that have higher rates of domestic violence, with an eye to seeing what has happened in those areas.

Kerry McCarthy (Bristol East) (Lab): What discussions has the Minister had with the Minister for Housing and Local Government about the need to rehouse victims of domestic and sexual violence in safe homes? There are a number of cases in my constituency where I do not feel that the council is stepping up to the mark in providing a safe haven for these women.

Lynne Featherstone: It is clearly very important that when women need a place of safety and refuge, they have such a place. Obviously women's refuges and shelters are available, but there is always a blocking issue with housing. We keep a constant eye on that. Councils should hear the message loud and clear that they need to provide for women who need shelter from domestic violence.

Amber Rudd (Hastings and Rye) (Con): I congratulate my hon. Friend on securing the much-needed funding for rape crisis centres. What does she expect the timing will be, because those centres are so greatly needed by this country?

Lynne Featherstone: The funding has been agreed and is on its way. Not only have the bids been accepted for the existing rape crisis centres; there is money coming through this year for four new centres in Hereford, Dorset, Trafford and Devon, which will fill the gaps left by the previous Government.

Kevin Brennan (Cardiff West) (Lab): How will destroying the DNA of people who have been arrested for rape, had their files sent to the Director of Public Prosecutions, but with a charge not being able to be brought, help to reduce sexual violence against women?

Lynne Featherstone: As I said last Thursday, we do not believe in keeping 1 million innocent people on the database. If someone is arrested for rape and not charged, but the local police believe that they are a danger to public safety, the police may apply to the commissioner to retain their DNA for three years, as the right hon. Member for Normanton, Pontefract and Castleford (Yvette Cooper) said.

Protection of Freedoms Bill

18. **Bridget Phillipson** (Houghton and Sunderland South) (Lab): What representations she has received from children's charities on the provisions of the Protection of Freedoms Bill. [61845]

The Parliamentary Under-Secretary of State for the Home Department (Lynne Featherstone): Children's charities have warmly welcomed the provisions of the Protection of Freedoms Bill. A number of such charities have made representations on specific aspects of the Bill, which we continue to discuss with them.

Bridget Phillipson: I do not think that "warmly welcomed" describes many of the representations that I have received from children's charities. Will the Minister explain why a school will not be told whether a prospective volunteer has been barred from working with children, and why her Government are creating a loophole that the NSPCC says will put children at risk?

Lynne Featherstone: There are no loopholes in the Bill. The barring scheme will continue to cover all those in day-to-day, unsupervised contact with children, and those working in supervised positions will still be eligible for Criminal Records Bureau checks.

Topical Questions

T1. [61852] **Alun Cairns** (Vale of Glamorgan) (Con): If she will make a statement on her departmental responsibilities.

The Secretary of State for the Home Department (Mrs Theresa May): The Home Office is committed to protecting the public, controlling immigration, securing our borders and helping the police to combat and prevent crime and terrorism. I recently announced to the House the outcomes of our review of the Prevent strategy to counter radicalisation and our plans for a new national crime agency, which will be a powerful body of operational crime fighters who will secure our borders, tackle organised crime, fight economic crime and protect vulnerable children and young people.

Alun Cairns: The Prime Minister had significant success in Brussels last week in maintaining strong rules on the deportation of illegal immigrants. What role will the border police command play in allowing that to be delivered?

Mrs May: The new border police command within the national crime agency will play a very important role in ensuring that we can protect our borders. What is crucial about its role within the agency is that we will be able to bring together a number of bodies that deal with crimes and activity across our borders. That will enable us to get much greater effectiveness in dealing with such problems.

Yvette Cooper (Normanton, Pontefract and Castleford) (Lab): In January the Government let lapse provision for pre-charge detention for 28 days. The Home Secretary said that she needed a fast way to restore it if needed, but her counter-terror review stated that the current order-making power was too slow. We warned her then that her new proposal for emergency primary legislation was not workable, and the senior Joint Committee has now concluded that it is "totally unsatisfactory and ineffective". It is now six months since she changed the limit, and there is still no satisfactory emergency back-up plan in place. When will she get this sorted out?

Mrs May: We remain of the view that it is important to have that legislation available for Parliament to enact, and that in the vast majority of circumstances it is appropriate that that is done after Parliament has had the opportunity to consider the matter. There is a question about what happens when Parliament is dissolved. We have considered that and will bring forward proposals for an order-making power to cover the dissolution of Parliament.

T2. [61854] **Sarah Newton** (Truro and Falmouth) (Con): I very much welcome the steps that the Government are taking to protect women and children from domestic and sexual violence. Will the Minister agree to meet me and my constituents from Esteem, based in Truro, who run the only service in England for men who suffer from those dreadful and often hidden crimes?

The Parliamentary Under-Secretary of State for the Home Department (Lynne Featherstone): My hon. Friend raises the important issue of male domestic violence victims. The Government take the issue extremely seriously, and we are committed to ensuring that every victim of domestic or sexual violence has access to appropriate support, including specialist support. In addition to the funding that we are providing for independent sexual and domestic violence advisers, we are funding the men's advice line for all men who experience violence from a current or ex-partner. I am very happy to meet my hon. Friend and her constituents. I have heard of Esteem and its work, and I would be very interested to meet its representatives.

T7. [61859] **Ann Coffey** (Stockport) (Lab): The national missing persons database is an important resource in understanding the scale of the problem, safeguarding vulnerable people and locating those who are missing. What more can the Minister do to ensure that all the police forces in the United Kingdom provide to the database full, accurate and up-to-date information on missing persons in their area, including children?

The Parliamentary Under-Secretary of State for the Home Department (James Brokenshire): First, I thank the hon. Lady not just for her question but for the work in which she is engaged with the all-party group on runaway and missing children and adults. I very much look forward to the report that I know she is working on with other members of that group on this important issue.

The police code of practice on the collection and sharing of missing persons data requires police forces to submit information on missing persons to the missing persons bureau. We want to examine the application of that code more generally, to ensure that standards are raised and that it is applied more broadly. I am keen that whatever steps can be taken to improve matters are taken and, in that regard, I look forward to the publication of the report on how we can ensure that that takes place.

T3. [61855] **Mr Ben Wallace** (Wyre and Preston North) (Con): At the beginning of this year, Lancashire constabulary spent £200,000 refurbishing Fulwood police station in my constituency, only to earmark it for closure the following month. Does not that waste of money show that with good leadership and good management, it is possible to save money without affecting front-line services?

The Minister for Policing and Criminal Justice (Nick Herbert): I agree with my hon. Friend about protecting front-line services and I note that the chief constable of Lancashire constabulary said in March that

"the public can be reassured that we are leaving no stone unturned in our non-frontline services to take money out where we can."

That is the right approach. It is possible, by making those savings in the back and middle offices, to protect the quality of front-line services for the public.

T8. [61860] **Jim Fitzpatrick** (Poplar and Limehouse) (Lab): Last week, members of the associate parliamentary group for animal welfare had a meeting with the Association of Chief Police Officers to discuss dangerous dogs. Has the Minister for Policing and Criminal Justice had a chance to listen to the briefing from lead police officers on that continuing problem? Will he be so kind as to meet me and members of the associate parliamentary group to discuss the matter in due course?

Nick Herbert: No, I have not had the briefing, but I would be happy to meet the hon. Gentleman to discuss the issue. It is a very serious matter, which can result in harm to people. The police have to deal with it and, of course, we will ensure that they have the right powers to do that.

T4. [61856] **Harriett Baldwin** (West Worcestershire) (Con): The Minister with responsibility for security will know that West Worcestershire contains companies such as QinetiQ, Deep-Secure and Edge Seven, which do important work in cyber-threat resilience. Can he find time in his busy diary to visit that important cyber-hub?

The Parliamentary Under-Secretary of State for the Home Department (James Brokenshire): The Government recognise the importance of delivering cyber-security and protecting the country from online threats. We have therefore announced a £650 million transformative programme. As part of that, I pay tribute to the work of many companies. Private industry has a vital role to play and I shall certainly look at the details of my hon. Friend's companies and their work, and, as appropriate, arrange a visit.

Angela Smith (Penistone and Stocksbridge) (Lab): The chief constable of South Yorkshire, Meredydd Hughes, has said that reductions in back-office support will put an increased operational burden on officers, which will detract from their front-line duties. Does not that show that the Home Secretary's reductions in red tape are just a sham?

Mrs May: No. I am very pleased to say that the chief constable of South Yorkshire has also made the clear point that despite challenging times he is,

"confident that the men and women of South Yorkshire Police will continue to effectively serve their communities"

and that they are determined to uphold the standards that they have been able to maintain in recent years.

Throughout the country, chief constables are rising to the challenge and ensuring that they protect services to the public while making necessary budget cuts.

T5. [61857] **Anna Soubry** (Broxtowe) (Con): What steps is the Home Secretary taking in these difficult times to support the work of women's refuges, such as the one in my constituency, in their important work?

Mrs May: I am very happy to tell my hon. Friend that the Home Office has, of course, protected £28 million over the next four years for specialist support services in relation to domestic violence and violence against women. At a meeting on 14 June, the Secretary of State for Communities and Local Government and I heard from stakeholders, including the providers of women's refuges, about the funding issues that they face. We have discussed with local authorities, mainly through the Department for Communities and Local Government, how local authorities should continue to support women's refuges in their important work.

Bill Esterson (Sefton Central) (Lab): Each year, 5,000 people are arrested but not charged with rape. Will one of the Ministers, hopefully the Home Secretary, tell me for how many of those 5,000 it is appropriate for the police to apply to hold their DNA on record?

Mrs May: The whole point of the arrangement under the Protection of Freedoms Bill is that it will be for the police to make a decision about those individuals for whom they think it appropriate to apply to retain that DNA. However, I repeat a point that fellow Ministers made earlier: we are taking a different overall approach from the previous Labour Government because we believe that we cannot assume that everyone who is arrested is automatically guilty. The Labour Government made that assumption. We are putting safeguards in place to ensure that the police can make a judgment and apply for the retention of DNA for those arrested and not charged in circumstances that the police believe to be operationally important.

T6. [61858] **Graham Evans** (Weaver Vale) (Con): Cheshire police have successfully made £13 million of efficiency savings while maintaining front-line services and dramatically cutting crime. Does the Home Secretary agree that that superb achievement highlights a fundamental difference between this Government and the last? While Labour judges things by how much is spent, we focus on the services delivered.

Nick Herbert: I strongly agree with my hon. Friend. I visited Cheshire police a few weeks ago and was impressed by what they are doing to drive savings and, in particular, by a pilot scheme that they are running in Runcorn, which returns discretion to police officers and improves the service to the public. In the pilot, when police officers are dealing with an offence, they are asked to look at the causes of that offence—

Mr Speaker: Order. I am extremely grateful to the Minister. I think we will take that as a yes and perhaps make some progress.

Heidi Alexander (Lewisham East) (Lab): This Friday, the Metropolitan Police Authority will consider a report that, if agreed, would halve the number of safer neighbourhood team sergeants in my constituency. If the Minister is so adamant that police numbers in London will not be reduced, what will he do stop the planned reductions in Lewisham?

Nick Herbert: I repeat the point that the Mayor has said that he wishes to get to the next election with more police officers than he inherited in London—he has clearly stated that ambition. How those officers are deployed is an operational matter for the Metropolitan Police Commissioner and his team, but he is protecting the number of police constables in the safer neighbourhood teams. It is quite right that he should seek to drive savings and efficiencies. I am sorry that Opposition Members simply do not understand the importance of that.

Bob Russell (Colchester) (LD): In the spirit of joined-up government, will the Home Secretary discuss with the Defence Secretary the future of the Ministry of Defence police? The previous Labour Government cut the number of MOD police officers in Colchester garrison from 30 to 3, and I regret that our Government now talk of cutting the number of MOD police by 1,000.

Mrs May: I note that my hon. Friend was quite careful in the phrasing of his question, because of course, this is an MOD responsibility. My right hon. Friend the Secretary of State for Defence and I have regular discussions on matters that affect both our Departments, and I am sure that we can put that on to the agenda.

Tony Lloyd (Manchester Central) (Lab): The Greater Manchester police announced this day, I believe, that more than 200 serving police officers and 600 back-room staff will be shed. Will any Home Office Minister come to the Dispatch Box and promise my constituents that, if the great gains in crime detection and prevention are not continued, they will reverse the cuts and allow numbers to go back to where they were?

Nick Herbert *rose—*

Mrs May: My right hon. Friend and I are both eager to answer the hon. Gentleman's question.

We know full well why it is necessary for police forces to make budget cuts—we need to make cuts overall because of the situation with the public sector finances. The chief constable of Greater Manchester police has been absolutely clear on a number of things. For example, he has been absolutely clear that this is a time for transforming how policing is undertaken, and that the changes he is making are focused on delivering the same good quality of service to the residents of the Greater Manchester police area. I would also point out that in evidence to a Select Committee of this House, he pointed out in terms that in the past, numbers were put up almost artificially, because police officers were put in back offices.

Jack Lopresti (Filton and Bradley Stoke) (Con): What tools will the Home Department make available to local police and local agencies to tackle ingrained and site-specific antisocial behaviour?

James Brokenshire: As my hon. Friend will be aware, the Government have consulted on a new range of measures to ensure that police and other agencies at the local level are better able to tackle ingrained antisocial behaviour. One problem in the past was that the things available to them worked too slowly and were ineffective. That is what we intend to remedy.

Mrs Jenny Chapman (Darlington) (Lab): The Lucy Faithfull Foundation and Surrey police have successfully trialled software that monitors internet use by registered sex offenders, and the Home Secretary has indicated that she wants to take steps to close the loopholes in the monitoring of registered sex offenders. Therefore, why was there not one single word about the internet in her consultation on the monitoring of sex offenders when it was launched two weeks ago?

Mrs May: We retain an interest in the whole question of the internet. The consultation that we launched was about a number of proposals that we will put in place in reaction to the Supreme Court judgment on the interpretation of the Human Rights Act 1998, and to the fact that sex offenders should now have the right of appeal as to whether they stay on the register. Alongside putting in the process for dealing with those appeals or a situation in which offenders ask for a review of their reference on the register, we will tighten the loophole by requiring them, for example, to notify the authorities when they are travelling abroad for more than 24 hours, and not the several days—

Mr Speaker: Order. With a degree of self-restraint, we can get through a couple more questions.

Mr David Burrowes (Enfield, Southgate) (Con): Given that the Home Secretary is reviewing extradition law, does she welcome last week's report from the Joint Committee on Human Rights highlighting again the case of my constituent, Gary McKinnon, who has fewer rights than foreign criminals facing deportation? When can we have British justice for British citizens such as my constituent, Gary McKinnon?

Mrs May: As my hon. Friend will expect, I do not intend at this stage to comment on that case in the House. A review of extradition law is being conducted by three eminent lawyers who hope to report later this year. The review will include the extradition treaty with the United States, European arrest warrants and other extradition matters.

Andrew Gwynne (Denton and Reddish) (Lab): May I return to the Policing Minister's response to my hon. Friend the Member for Worsley and Eccles South (Barbara Keeley), which was just not good enough? Many of my constituents consider a public front-desk facility at a police station or police post as part of the front line, so what can the Minister do to reassure the people of Greater Manchester that they will have face-to-face contact with their police service when they need it?

Nick Herbert: We are strongly in favour of police forces providing face-to-face contact in all sorts of innovative ways. However, the hon. Gentleman and his hon. Friends simply will not accept responsibility for bequeathing to the country the deficit that we now have to deal with, and which means that we have to make savings—police forces have to make those savings, too, and protect the front line at the same time.

Mr Speaker: Last but not least, I call Mr Mike Freer.

Mike Freer (Finchley and Golders Green) (Con): The Home Secretary will be aware that Mr Raed Salah has been invited to speak in the palace precincts. Given this man's history of virulent anti-Semitism, will the Home Secretary ban him from entering the UK?

Mrs May: The Home Office does not routinely comment on individual cases. I will seek to exclude an individual if I consider that his or her presence in the UK is not conducive to the public good, and the Government make no apologies for refusing people access to the UK if we believe that they might seek to undermine our society. Coming here is a privilege that we refuse to extend to those who seek to subvert our shared values.

European Council

3.32 pm

The Prime Minister (Mr David Cameron): With permission, Mr Speaker, I would like to make a statement on last week's European Council.

The main focus of the Council was, quite rightly, Europe's economy. In advancing Britain's national interest, I had two objectives: first to ensure that Britain did not have to contribute to any new Greek bail-out through the European financial stability mechanism; and, secondly to support efforts to bring stability to the eurozone and growth to Europe as a whole, while fully protecting Britain's position. Let me take each in turn.

I turn first to the situation in Greece. As I have always said, Britain is not in the euro—and while I am Prime Minister it never will be—so we should not be involved in the euro area's internal arrangements. Only eurozone countries were involved, alongside the IMF, in the first Greek bail-out, and only eurozone countries have been involved in discussions about potential further bail-outs. It is absolutely right therefore not to use the EU-wide EFSM for future support to Greece—that is what I asked for an assurance about at the Council, and that is what I got.

That was not a simple matter because, as the House knows, article 122 of the European treaty is being used to provide aid to eurozone countries that have mismanaged their economies. That was not our choice; it was agreed before the Government took office. We have dealt with it for the future, however, because when the new permanent arrangements replacing the EFSM come in—from 2013—we will not be part of them, and article 122 will no longer be used for eurozone bail-outs. That was the deal that I secured last December. However, we still had to deal with the prospect of a bail-out under the existing arrangements. Under qualified majority voting, that required real negotiating effort, but the Government have consistently stood up for the interests of British taxpayers, and as a result the British taxpayer will avoid a potential liability of billions of pounds.

My second objective was to support efforts to bring stability to the eurozone and to promote growth across Europe. Although we are not in the eurozone, we would be badly affected by a disorderly outcome to this crisis. Why? First, banks across the world, including in the UK, hold Government debt of all eurozone countries, including Greece; and, secondly, the effect on other countries far more exposed to these debts would have a knock-on effect on us. As Sir Mervyn King made clear when unveiling last week's financial stability report, the present difficulties in the eurozone are:

"The most serious and immediate risk to the UK financial system".

It has always been a long-standing principle that the British Government do not comment publicly on market-sensitive issues, and I am not going to depart from that very wise approach. What is important is that a solution be found quickly that is credible in the markets and that will address over time Greece's fundamental problems and contribute to providing stability in global markets and the world economy.

One element of that solution must, in my view, be using the time that we now have to ensure that banks and banks' balance sheets are strong enough to withstand any problems and difficulties, and that there is full transparency across the financial system. In the UK, we are stepping up efforts to ensure that our banking system is resilient to risks originating from the eurozone. That needs to be done right across Europe, it needs to be done now, and it needs to be done properly. I argued for that very strongly at the Council, and it is reflected in the language in the communiqué. As a first step, that means that the current stress tests being conducted in the banking sector must be conducted properly and transparently, unlike last time, and that Europe must implement in full—rather than water down, as some have suggested—the new detailed Basel capital and liquidity standards.

A key way in which we can help all economies in Europe, including the eurozone, is to promote sustainable economic growth. The best stimulus available for European economies is to ensure that we are promoting competition, deregulation, supply-side reform, the single market, innovation and structural changes, and also using the EU to advance the cause of free trade, both via Doha and, where appropriate, through bilateral deals. Following the proposals that Britain set out at the last Council, which many member states now support, I pressed in particular for concrete steps to reduce the burdens on small businesses and micro-enterprises, which are vital to promoting innovation, jobs and growth. The Council agreed that

"the regulatory burden on SMEs needs to be further reduced,"

and that the European Commission would now assess the impact of new regulations on micro-enterprises and identify existing regulations from which micro-enterprises should be excluded altogether. That mirrors what we are doing in Britain, and it is the right thing to do. For too long, European Council conclusions have focused only on what member states should do, rather than on what the European Commission needs to do; and when we think of the quantity of regulation that comes from Brussels, we realise that that must be the right approach.

Let me briefly turn to other issues raised at the Council, of which there were three of significance: migration, the Arab spring and the accession of Croatia. First, on migration, Britain does not participate in the Schengen border area, and we are not going to weaken our border controls. As an island, Britain has an important geographical advantage in preventing uncontrolled immigration. At the same time, practical measures to strengthen our external borders in Europe are in Britain's interests too. However, there was a proposal ahead of the Council to suspend the measures in the Dublin regulation that allow us to return asylum seekers to the first safe country that they arrive in. Together with Chancellor Merkel, I ensured that those proposals were rejected, and they are not referred to in any way in the Council conclusions. We will not have our border controls compromised in that way.

Next, the Arab spring. On Libya, the Council agreed a declaration confirming its full support for UN Security Council resolutions 1970 and 1973, and the efforts that our brave servicemen and women are undertaking to implement them. There is now, I believe, real unity of purpose and political will across the European Union on this issue. The wider world is turning against Gaddafi too, recognising that the transitional national council is the only credible diplomatic body that can represent the people of Libya right now. The Russians and the Chinese

have accepted the importance of the transitional national council, and Premier Wen made this point to me in our meeting this morning. Gaddafi is increasingly isolated; indeed, today the International Criminal Court has issued a warrant for his arrest. Gaddafi is now a fugitive from international justice. The pressure and the time are telling on Gaddafi, and we will not let up until the job is done.

On Syria, the Council condemned in the strongest possible terms the ongoing repression, and the unacceptable and shocking violence of the Syrian regime against its own people. At my instigation, we expressed particularly grave concern about what Syrian troops are doing close to the Turkish border. On the middle east more generally, the Council called on all parties to engage urgently in negotiations, and, on the fifth anniversary of his capture, demanded the immediate release of Gilad Shalit.

Finally, on Croatia, earlier this month I met Prime Minister Kosor and welcomed her country's progress towards completing European membership negotiations. At the European Council we agreed that the negotiations would be concluded at the end of this month. Croatia's success points the way for the rest of the countries of the western Balkans, whose aspirations to join the European Union we have always strongly supported.

At this Council, Britain has achieved some important objectives: we have protected the interests of the British taxpayer; we have secured agreements to promote and safeguard economic growth; and we have protected Britain's borders from uncontrolled migration. I commend this statement to the House.

Edward Miliband (Doncaster North) (Lab): I start by expressing sympathy with the Prime Minister for the sense of shock and loss he must feel over the death of Christopher Shale. From whatever side we come from, we all know that it is unsung heroes such as him who are the backbone of our constituency associations. I am sure the whole House will join me in sending condolences to all of Mr Shale's family and friends.

I thank the Prime Minister for his statement on the European Council. On immigration, we support the position he set out, including on the continuance of the Dublin regulation negotiated by the previous Government. We also support the Government's position on Croatian accession to the European Union. Let me ask the Prime Minister questions about Libya, Syria, the eurozone and the wider economic situation in Europe.

On Libya, the Prime Minister will know that Opposition Members welcome the Council's continuing commitment to implement UN Security Council resolutions 1970 and 1973. We are clear that we must keep up the pressure on Colonel Gaddafi and the Libyan regime. Those who are expressing doubts over the mission should remember that if we had not taken action this European Council would have been discussing not the conduct of our campaign, but, in all likelihood, our failure to prevent a slaughter in Benghazi. But beyond immediate military and diplomatic developments, experience of conflicts demonstrates that post-conflict planning is crucial to a successful long-term outcome. Will the Prime Minister take the opportunity to say something about this, and will he explain why it appears to be Britain and not the United Nations that is fulfilling this role? Will he update us on what progress is being made?

In the context of the Arab spring, will the Prime Minister take the opportunity to publish the review of the strategic defence and security review, which he told us at Prime Minister's questions last week had been conducted? We are all interested in the outcome and look forward to seeing it.

Let me ask the Prime Minister about the situation in Syria, as he mentioned it in his statement. Will he tell us how we can continue to step up the pressure on Syria, including at the United Nations?

We have also consistently said—on both sides of the House, I believe—that Britain, as a supporter of Turkish membership of the EU should say to the Turks that the potential refugee crisis on their borders will only grow unless they help to put more pressure on the Syrian Government. Will the Prime Minister update us on conversations between this Government and the Turkish Government on that issue?

Turning to Greece, let me first say that we agree that the primary responsibility for addressing the situation lies with eurozone countries. As the Prime Minister will know, the UK made no direct contribution to the last Greek bail-out agreed on 2 May 2010 under the previous Government. I should like to congratulate the Prime Minister on sticking to our approach to these issues. Indeed, on the question of article 122, which the right hon. Gentleman raised, he did not mention the famous 15 July 2010 Greening memorandum on the European bail-out mechanism, which is of much interest to the Conservative Benches. That, of course, said that article 122 had been agreed "by cross-party consensus". Every time the Prime Minister comes before the House and says that this is not something we supported, he needs to know that is not what the memorandum of his own Economic Secretary said in a submission to this House.

The truth is that we have an interest in the Greek situation that goes beyond the level of our direct contribution—because of the potential exposure of our banks; because we contribute indirectly through the International Monetary Fund; and because of our wider interest in growth and jobs in Europe. I understand issues of market sensitivity, but will the Prime Minister confirm that a full analysis is being done of the impact of any restructuring of Greek debt on UK taxpayer-owned banks?

Britain also clearly has an interest in the durability of the bail-out. The Governor of the Bank of England has said:

> "Providing liquidity can only... buy time"

and

> "will never be an answer to a problem".

Will the Prime Minister tell us whether he has confidence that the right balance is being struck in demanding a further round of austerity against the need for growth in Greece?

After this European Council and after the Prime Minister's statement, it remains unclear what the Council and the Prime Minister regard as a long-term and sustainable solution to the Greek crisis. Instead of boasting about being on the sidelines, should not the Prime Minister engage more with his colleagues to secure a solution to the crisis that will last, and will be in the interests of the eurozone and the United Kingdom?

The Prime Minister: Let me first thank the right hon. Gentleman for what he said about my constituency chairman, Christopher Shale. Some people say that in politics there are no real friendships, but I think that that is completely untrue. Many of us in the House become extremely close to people who work very hard in our constituencies to help us. Christopher was one of those people, and he will be missed by my family and me and by many, many people in west Oxfordshire. As the right hon. Gentleman said, this might be a moment for us to reflect on the fact that, while we all consider what we are doing in this place to be public service, the work done by people who toil very hard in political parties up and down the country is also a form of public service, which I think should be recognised and praised as well.

I thank the right hon. Gentleman for his support in regard to Libya. He asked about post-conflict planning. We are doing a huge amount of work there, not least by the stabilisation team that we sent to Benghazi. The right hon. Gentleman asked how we would be working with the United Nations. We are working closely with the UN, but I believe that when our constituents think about post-conflict stabilisation, as well as the longer-term stabilisation work that they expect the UN to be doing, they also want to know what will happen the day after: what will happen immediately after the departure of Gaddafi. We need to work very hard on that as well. There are clearly timing issues when the UN becomes involved, if I can put it that way.

As for the strategic defence and security review, I tried to explain that the National Security Council regularly reviews the implementation of the SDSR, and asks profound questions about it. If the right hon. Gentleman has complaints to make, he should be a bit more specific. I have found, looking at the SDSR—[HON. MEMBERS: "More detail?"] Yes, the right hon. Gentleman should be a bit more specific. What we are seeing in Libya is that we need to move faster to an area where we have the flexibility, the ISTAR—intelligence, surveillance, target acquisition and reconnaissance—and the new assets that the SDSR is all about.

I entirely share the right hon. Gentleman's frustration over Syria. Britain and France are leading the way at the UN, wanting a strong resolution, but we are meeting objections from many. We should push ahead as far as we can, because what is happening in Syria is completely unacceptable. I think that the UN has done well in establishing asset freezes, travel bans and the like, but we need to go further.

The right hon. Gentleman asked about working with the Turks. We were side by side with them on this issue, and my right hon. Friend the Foreign Secretary is in permanent contact with their Foreign Minister, Mr Davutoglu.

When it came to Greece, I thought that the right hon. Gentleman gave brass neck a whole new definition. If he wants a brief description of the history of article 122, he should remember that it was subject to unanimity until the Nice treaty. It was in this House that my former right hon. and learned Friend Michael Howard objected to article 122 going to qualified majority voting, and warned of the dangers of bail-outs. He was told at the time, "Don't worry, it will all be fine." This is a hopeless line of argument for Labour Members, given that it was their party that got us into this mechanism, and this party and this Prime Minister who got us out of it.

The right hon. Gentleman asked for a full analysis of the Council. Of course the Bank of England and our banks are working hard to calculate our potential liabilities. I thought that the dog that did not bark in the right hon. Gentleman's response was his failure to mention his proposed £51 billion cut in VAT. That, of course, is what the Labour party suggests that everyone should be doing in Europe. As one of those who sat around a table in the European Council representing countries with budget deficits—including our own at 8%—I think that in suggesting that VAT cut the right hon. Gentleman has achieved what I thought was impossible, and ensured that he will be taken even less seriously in Europe than he is in Britain.

Several hon. Members *rose—*

Mr Speaker: Order. There is extensive interest in this statement, but there is another statement to follow, and a heavily subscribed debate thereafter. What is required, I say hopefully, is brevity.

Mr William Cash (Stone) (Con): Will the Prime Minister be good enough to put on record his appreciation of the support and encouragement of the British people and Members of Parliament in securing the terms from the negotiations on the Greek bail-out, and will he now take that further and do whatever is necessary to take the lead in both the United Kingdom and Europe to get us out of the mess the existing treaties got us into?

The Prime Minister: I am grateful for my hon. Friend's support, and for his question. I have got us out of the mechanism from 2013, because Britain is excluded from the treaty change that is going through putting in place the new permanent bail-out mechanism. It took negotiation to get that deal, because we were in a mess beforehand.

David Miliband (South Shields) (Lab): I have two brief questions. The Prime Minister mentioned Sir Mervyn King's remarks of last week. Does the Prime Minister agree with Sir Mervyn that the combination of austerity plus bail-out will never bring Greece to solvency? Secondly, the Prime Minister mentioned the stability of the banking system in advance of what I believe is an inevitable Greek default. In that context, is it not the case that future European Councils will be discussing whether to use the European financial stability facility or the European stability mechanism to shore up and recapitalise the banking system, rather than throwing good bail-out money after bad?

The Prime Minister: Of course the Greeks have a debt and solvency problem as well as a liquidity problem, but they have decided that they want to use liquidity to give themselves some time to deal with their debt problem. That is the choice they have made—and that is the choice the eurozone members are supporting—and I can quite see why they want to do it in that way. Let me also just make the following point, as I think a number of colleagues will ask similar questions: we must be very careful not to speculate about the financial situation faced by a fellow member state of the European Union.

Mr Peter Lilley (Hitchin and Harpenden) (Con): Does my right hon. Friend agree that the worst outcome for the British economy from the Greek crisis would be a disorderly and chaotic default by Greece and subsequent departure from the euro? What discussions did he therefore have with colleagues about preparing for that default, which is inevitable, and that departure, which is desirable, and in particular with President Václav Klaus, who has said that neither departure from the euro nor the dissolution of a monetary union need be disorderly? He dissolved the monetary union of the Czechs and Slovaks over a weekend without too much disruption.

The Prime Minister: As on many previous occasions, I had a very interesting meeting with President Klaus in Prague, at which he made that interesting point. However, dissolving a monetary union between the Czech Republic and Slovakia is very different from changing arrangements within Europe, where there are some very serious issues of equilibrium. The other point I would make is about those of us who do not want to join the euro, would never join the euro, and think that countries should maintain their own flexibilities. I have always held that view, but those of us who do hold that view should not misunderstand the fact that there would clearly be very big consequences for Britain were there to be a disorderly situation in Europe. To put it another way, it is much easier to stay out of the euro than to leave it.

Chris Bryant (Rhondda) (Lab): Many of us worry about not only the direct consequences for Britain, but the possible indirect consequences, such as for the people of Cyprus, with which many British people have a direct connection. What analysis have the Government done of what the effects for the people of Cyprus would be, and is there any opportunity of reinvigorating the peace process so that there might no longer be a divided capital city of Nicosia?

The Prime Minister: The hon. Gentleman makes the good point that disorder in the eurozone will have knock-on consequences for other countries—he mentioned Cyprus—as well as for the country that is directly affected. Obviously, we are looking at all potential eventualities and all possible problems, and doing contingency planning for them. That is what we would expect the Treasury to do, and that is exactly what the Treasury—and the Bank of England and others—are doing. On getting the Cyprus peace process started, Alexander Downer, the special representative, worked extremely hard, but we have a lot more hard work to do to convince both sides that there needs to be a deal, and a deal soon.

Mr Douglas Carswell (Clacton) (Con): I am delighted that the Government seem to be listening to this House and seeking to minimise eurozone debt liabilities. It is very encouraging that Ministers are no longer in thrall to the Europhile Whitehall mandarins who negotiated us into this mess. Will the Prime Minister assure us that he will not use the European financial stabilisation mechanism for any further eurozone bail-outs—and not just those for Greece—between now and 2013?

The Prime Minister: The first part of my hon. Friend's question was a slight dig at the mandarins, but it is important to blame Ministers rather than officials for decisions that one does not like. I would place the blame squarely on those who sit on the Opposition Front Bench rather than on officials. I cannot really give him satisfaction on the second part of his question, because the EFSM is in place, it is subject to qualified majority voting and it will not go until 2013. Although I cannot give him that satisfaction, we have done the best we can by getting us out of that situation from 2013, when the treaty changes. In the meantime, we have kept ourselves out of the Greek situation.

Mr David Winnick (Walsall North) (Lab): Are not Italy and the Arab League now putting far more emphasis on trying to bring about a genuine ceasefire in Libya and would it not be better to do that instead of going for regime change? On the question of the nature of the Gaddafi regime, is it not a fact that we were selling arms to Gaddafi right up until the uprising?

The Prime Minister: On the hon. Gentleman's final point, our approach to Gaddafi and Libya is clear. The Government have been utterly consistent and I do not agree with those who believe there should be a ceasefire now. There could be a ceasefire if Gaddafi agrees to do what he has to, which is to withdraw his troops from the towns and cities he occupied and to stop butchering his own people. For us unilaterally to declare a ceasefire, which was what the hon. Gentleman hinted at, would be a mistake. We have turned up the pressure on Gaddafi and we should keep it up, because it is beginning to tell.

Simon Hughes (Bermondsey and Old Southwark) (LD): May I join the expressions of condolence to the Prime Minister and the family and friends of Mr Shale?

Is it not right that although it is not the UK's duty to intervene to bail out the Greeks, it is absolutely in the United Kingdom's interest that the European Union and the wider community took decisions to support the economies of Ireland, Portugal and Greece this year to prevent them from collapse? Is not the lesson from the history of those countries over the past year that they should follow the example of this country and take tough measures early to deal with the economic legacy? We should support the three new Governments in those countries as they deal with the failures of the past five years, just as this Government have sought to do.

The Prime Minister: First, I thank the right hon. Gentleman for what he said about my constituency chairman, Christopher Shale.

The right hon. Gentleman is right that if one is in a debt situation, one has to deal with one's deficit and debts and show a path back to solvency. That is what the Government have done. We have had to take some tough measures to show how we will pay down our deficit and debt and that is what other countries must do, too. The right hon. Gentleman is right that it is in Britain's interest that we should do that and it is also in Britain's interest that there should not be a disorderly outcome to what we are seeing in Europe.

Keith Vaz (Leicester East) (Lab): May I suggest that the next EU summit takes place on Filakio on the Greek-Turkish border, where members of the Select Committee on Home Affairs were told that 100,000 people crossed the border between Greece and Turkey last

[Keith Vaz]

year? Their destination is not Athens but London, Paris or Stockholm. What further steps can we take to encourage our EU colleagues to help countries such as Greece, rather than letting Greece export its problem, and to get Frontex to do the job it is supposed to do?

The Prime Minister: The right hon. Gentleman is entirely right that we should support Frontex in its work and that we should support the action that Schengen members are taking to secure Europe's external borders. That is vital because, as he says, many of those people do not stay in Greece but come to Paris or London. I do not think it is any contradiction to say that we should support that action while at the same time maintaining our own border controls and arrangements, particularly with the French, that have done us proud in recent years.

Conor Burns (Bournemouth West) (Con): The Prime Minister will have spoken for the overwhelming majority in this country when he expressed his anger at the proposed £280 million new European headquarters. Was any progress made at this Council meeting in implementing the coalition agreement's aspiration to end the obscenity of the European Parliament moving between Brussels and Strasbourg, wasting a huge amount of money? Does he agree that anybody who does not agree with those points is, to use a phrase coined at that Dispatch Box, living in cloud-cuckoo land?

The Prime Minister: I am afraid that I cannot give my hon. Friend much satisfaction because the fact that the European Parliament moves between those two cities was not discussed at the European Council. Indeed, the problem that I have referred to in relation to the new building rather shows that there are too many people in Brussels who do not understand the need to cut their cloth according to what is available—by passing around a very expensive brochure to a very expensive new building.

Mr Ben Bradshaw (Exeter) (Lab): What are the dramatic consequences, as the Prime Minister just called them, on Britain and the rest of Europe of a Greek default and the break-up of the euro?

The Prime Minister: As I described in my statement, the consequences would be twofold. First, British banks, like banks around the world, hold a debt of other eurozone countries, including Greek debt. Clearly, there would be a consequence either if there were a default or if Greece were to leave the eurozone. That is self-evident.

Secondly, there is the knock-on effect from the countries that are more exposed than we are to Greek debt. As I have said, those of us who do not want Britain to join the euro should not use that as an excuse to say that this does not affect us—it does and that is why it is important that we help to encourage eurozone countries to take the right steps to sort out their issues. That is the very constructive approach that the Government have taken. I see no contradiction between that—making sure that we do not stand in the way of the eurozone's sorting out its issues and helping with that—and at the same time keeping Britain out of the euro.

Tony Baldry (Banbury) (Con): Further to the question of the Chairman of the Select Committee on Home Affairs, the right hon. Member for Leicester East (Keith Vaz), will my right hon. Friend confirm that it is important that we retain the Dublin regulation so that we do not simply have asylum shopping all over the European Union?

The Prime Minister: I think that my hon. Friend is entirely right. The Dublin regulation has been effective at allowing us to return people who seek asylum in this country but who have come from another European country. One of the reasons it was suggested that the Dublin regulation had to change was because of repeated court cases against the Greeks regarding their asylum policy. It seems to me that the answer is for the Greeks to sort out their asylum arrangements rather than for the rest of Europe to have to give up the Dublin regulation.

Mr Denis MacShane (Rotherham) (Lab): Did the Prime Minister have a chance, in the many bilateral conversations he will have had at the European Council, to discuss the Chinese Premier Wen Jiabao's visit to Europe at the moment—currently in London? Why will not the Prime Minister mention the name of Liu Xiaobo, the Nobel peace laureate who is in the Chinese gulag? Mrs Thatcher also raised the position of Sakharov in public and said, "Get him out of the gulag." Will the Prime Minister take the opportunity now to say, "Liu Xiaobo should be out, not in prison"?

The Prime Minister: That is absolutely the Government's view. I had very good meetings with Premier Wen this morning and a lunch with him and there has never been anything in the Britain-China dialogue that is off limits, including individual cases. Nothing is off limits, but it is right to have the dialogue at both the leader-to-leader level and the human rights level. As I said, nothing is off limits and we have a very frank relationship.

Oliver Heald (North East Hertfordshire) (Con): May I thank the Prime Minister for standing up for the important principle concerning the Dublin process? Does he share my concern about the people traffickers who are stuffing unseaworthy boats full of people and casting them adrift in the Mediterranean? Does he agree that more needs to be done to patrol that area? Were there any discussions about positive moves to attack that problem?

The Prime Minister: There were long discussions about this issue because the Mediterranean countries in particular feel extremely strongly that we have got to do more to strengthen borders and Frontex, which can help to secure Britain's perimeter. Britain is fully supportive of that, and we are not in the Schengen area, which means that we are protected from some of the problems that Schengen countries are suffering from. I think we have the best of both worlds—backing the action taken at Europe's perimeter while at the same time being able to maintain tough and strict border controls for our own country.

Mark Durkan (Foyle) (SDLP): In the midst of all the other pressing issues on which the Prime Minister has reported from the European Council, was there any

acknowledgement of the gathering ravages of conflict in parts of Sudan, the humanitarian crisis facing people there yet again and the plight of aid workers and journalists from Europe in that situation? Does the duty to protect extend to them?

The Prime Minister: The issues of Sudan were not discussed at the European Council itself, but they will be discussed at the Foreign Affairs Council that is coming up soon. I raised the issue of Sudan with Premier Wen today, because of the close relationship between China and northern Sudan. It is important that the terms of the comprehensive peace agreement are properly stuck to and that we deliver that and the two-state solution that is being put in place, in which Britain has played a constructive part.

Julian Smith (Skipton and Ripon) (Con): May I welcome the commitment to exclude micro-businesses from EU regulations and urge the Prime Minister to continue his campaign to free up British risk-takers from Brussels' red tape?

The Prime Minister: I thank my hon. Friend for his question. As I said in my statement, so often at European Councils the Commission comes along with a list of things that countries should do, but does not ask enough, "What can we, the Commission, do to encourage deregulation and growth?" From 1998 to 2010, I think that 69% of new regulations came from Brussels. Clearly, Brussels needs to play its part in trying to exempt small businesses from at least some of those regulations. I shall keep pushing this agenda and I find growing support for it around the table at the Council of Ministers.

Sir Stuart Bell (Middlesbrough) (Lab): May I draw the Prime Minister's attention to the conclusions of the European Council that there is recovery within the European zone, that that recovery is long and sustainable and that the Heads of State and the leaders of Governments will commit themselves, and have committed themselves, to do all that is necessary to ensure financial stability within the euro? Is that not in the interests of the United Kingdom?

The Prime Minister: Yes, it is in the interests of the United Kingdom. Fifty per cent. of our exports go to the EU and 40% go to eurozone countries. We want the eurozone to be sustainable and strong, and it has issues that it needs to sort out, so we do not stand in the way when eurozone countries want to do more together, as they are doing through the euro-plus pact. I still think that there is a big question mark about whether they are really gripping some of the issues that they need to resolve, but none the less it is in our interests, and that is why we are playing such a constructive role in it.

Mr Edward Leigh (Gainsborough) (Con): Following the Prime Minister's interesting and welcome answer to the hon. Member for Walsall North (Mr Winnick) on the subject of Libya, will my right hon. Friend confirm that our mission is entirely humanitarian and there is the genesis of a deal here? If Gaddafi is prepared just to hold what he has in Tripoli, we could then achieve a compromise and the end to this war.

The Prime Minister: Britain's role is clearly set out in UN resolution 1973, which is to work with others to stop the attacks on civilians. It is not about regime change; it is for the people of Libya to decide who governs them and how they are governed. We have also always been clear that if Gaddafi declared a ceasefire and removed his troops from the towns and cities that he has invaded, that would be playing his part in resolving resolution 1973. Where I have always gone on and said that I cannot see a future for Libya where Gaddafi is still in place for the simple reason that if one looks at what this man has done during the last 100 days—although he has had every opportunity to pull back and put in place a ceasefire—all he has done to his own citizens is more shelling, attacking, murdering and sniping. So it is inconceivable to think of a future for Libya where he is still in a position of authority.

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab): Given the significance of the European Council, it is a great shame that the Leader of the House still thinks that this is Back-Bench business and therefore we did not have a debate ahead of the Council meeting. Has the Prime Minister instructed his officials to demand that the Commission starts to prepare a legal framework for a country to leave the euro rather than just wait for the bad day and then have chaos?

The Prime Minister: On the extent of parliamentary debate, we have one of these statements every time there is a European Council, and we seem to be clocking up those at a rate of knots. We have also put in place the recommendations of the Wright Committee to ensure that Back Benchers have proper time for debate.

In terms of what happens next in the eurozone, I have set out the Government's position. We do not want a disorderly breakdown in Europe. We are playing our full part in making sure that the eurozone sorts out its problems, and we are protecting Britain's interests by ensuring that we are not contributing as a European country to a Greek bail-out. The Greeks have chosen their path and they will be voting in Parliament shortly. They have chosen the path where they want to put in place further measures so that they can stay inside the eurozone and find their way back to solvency in dealing with their debt problems. That is the choice they have made; it is the choice that is being supported by eurozone members. We are not in favour of disorder in the eurozone for the very good reasons that we have given.

Bob Stewart (Beckenham) (Con): Will my right hon. Friend tell the House, in view of the increasing number of European summits, whether he managed to save any taxpayers' money en route to the recent European Council summit?

The Prime Minister: As I am sure my hon. Friend knows, I use a variety of transport means. On this occasion, I flew by a scheduled plane to Prague for my meetings with the Czech Prime Minister and President and shared the Prime Minister's aeroplane from Prague to Brussels, although I have to admit that the RAF kindly flew me home. I seem to remember in previous years different Ministers flying in different planes to the same summit. I think that sharing an aeroplane with another Prime Minister is a good way forward.

Barry Gardiner (Brent North) (Lab): Will the Prime Minister tell the House the amount of British taxpayers' money being made available to Greece indirectly through loans from the International Monetary Fund and confirm that, should a default occur that ultimately causes further defaults in Europe, that money might also be at risk?

The Prime Minister: Let me make two points to the hon. Gentleman. First, our share of the IMF is a little over 4%, so that is our contingent liability share of what the IMF dispenses. Secondly, the point about the IMF—this might also be of some reassurance to my Back-Bench colleagues—is that it will lend money only if it is confident that it is part of a programme that a country can repay, and that is important to consider. I say to those who are sceptical about our role in the IMF that Britain, as a leading economic power in the world, has an important role to play as a shareholder and board member of the IMF, and the idea that we should somehow be seeking to reduce that is wrong.

Jo Swinson (East Dunbartonshire) (LD): Seventy-two top businesses, including Google, Centrica and Unilever, have made a joint declaration saying:

"Moving to a 30% emissions reduction target is a win-win-win for Europe"

that will

"boost economic growth and create new jobs".

Does the Prime Minister agree with those companies, and if so, is there anything he can do to ensure that his MEPs vote accordingly next week?

The Prime Minister: We do agree with those companies and want Europe to move to that target. We have supported that and put it in our own carbon budget in this country. I think that that is the right way ahead.

Kelvin Hopkins (Luton North) (Lab): Recent press reports indicate that 15 member states are questioning the wisdom of Schengen. Indeed, Denmark has reintroduced passport controls with Germany and Sweden. Were there any further discussions on the issue over the weekend, and is there any possibility of moving away from Schengen over the next few years?

The Prime Minister: There was a very lengthy discussion on the Schengen issues, and clearly there is some unhappiness among Schengen members about some of the pressures they face. There was a particularly long discussion about the fact that Romania and Bulgaria feel that they have now qualified for membership of Schengen and want to see that membership advanced. There are pressures within the Schengen area that clearly do not apply to the UK, but it is clear that some of the northern members feel that Schengen has not been operating in their interests in the same way in recent years, but the Council's conclusions were pretty clear that Schengen is working and will continue.

Greg Hands (Chelsea and Fulham) (Con): Does the Prime Minister agree that in the event of any breakdown in the eurozone, in assessing the potential banking liabilities in this country and abroad, by far and away the best thing we can do is ensure that there is, first, transparency in the banking system and, secondly, a proper set of stress tests in place so that we know what the potential liability for UK banks might be in future?

The Prime Minister: I think my hon. Friend is entirely right. The Governor of the Bank of England spoke powerfully about this and has set out what the liabilities of British banks are in terms of Greece. We need the stress tests to be transparent, and we then need them to be acted on by making sure that those banks that need to build up their reserves do so. One of the things I wanted to secure at the European Council was to ensure that the conclusions were very tough on this, because at the same time as they are operating these stress tests and arguing for more capital to go into the banks, some European powers are trying to water down the Basel requirements. It seems to me to be completely illogical to try, on the one hand, to strengthen a banking system to withstand pressure in the eurozone, and then to start weakening it on the other. I am thankful that the conclusions are pretty clear on that point.

Mr Wayne David (Caerphilly) (Lab): I welcome what the Prime Minister said about Croatia coming closer to the European union, but was there any reference to Turkey?

The Prime Minister: In terms of future membership of the EU, I think I am right in saying that the conclusions referred only to Croatia, which is completing its negotiations. There was a reference to Serbia's European perspective, because with the arrest of Ratko Mladic I think that it has taken another step towards European membership. There was no specific mention of Turkey, but as the hon. Gentleman knows, I strongly support Turkey's membership of the European Union.

Jacob Rees-Mogg (North East Somerset) (Con): May I congratulate the Prime Minister on the most successful defence of British interests at a European summit since the halcyon days of the noble Baroness Thatcher? Will he turn his negotiating firepower on the Commission's proposal to increase its own resources tax base?

The Prime Minister: I am very grateful to my hon. Friend, although I would not put my efforts in the same class as the famous Fontainebleau negotiation, because the British rebate still benefits Britain to a huge extent—even after the Labour party signed a large portion of it away. But I do hope people agree that they were a good step forward to keep us out of the situation.

On the budget, we have secured a very strong letter to the European Commission about future financial perspectives, saying that effectively there should be nothing worse than a real-terms freeze. That is what we got other countries to commit to, and I am sure that Government Members, like me, would wish to go further, but we are laying down the baseline of a freeze going into a negotiation, and that is a pretty good start.

Graham Stringer (Blackley and Broughton) (Lab): What is causing disorder and instability in Europe is the fact that Greece is bankrupt. The whole world knows that, and nothing said in this Chamber will alter it or create greater instability in the world markets. If Greece can neither withdraw nor default, good money—our money—via the IMF, or European Union money via

other mechanisms, will be wasted bailing it out. Why does not the Prime Minister discover his Eurosceptic self and lead an orderly withdrawal of Greece from the euro?

The Prime Minister: First, as I said earlier, the IMF cannot lend money unless it believes that a country can undertake a programme that will lead it to pay back that money. Secondly, Britain's interests are protected, because we will not contribute via the financial mechanism to Greece. Thirdly—I have said this before but I do think it important—the Greeks want some time, via some extra liquidity, so that they can take steps to get themselves back on a path to fiscal sanity. Of course, people can doubt whether that can happen, but the Greeks want to be able to get people to pay their taxes, to reduce spending programmes and to privatise assets so that they can get back to a position of financial sanity. That is the decision they have taken; that is the decision taken by members of the eurozone; and that is what the eurozone members themselves will support.

Alec Shelbrooke (Elmet and Rothwell) (Con): With the Greece situation showing what happens if a country does not control its deficit, does my right hon. Friend the Prime Minister agree that the actions of Labour's paymasters this Thursday show that they and the Opposition are more interested in dogmatic cobblers than harsh reality?

Mr Speaker: Order. I have explained the point on innumerable occasions to Members that questions are to be about the policy of the Government, not that of the Opposition, so we will now move on.

Mr William Bain (Glasgow North East) (Lab): The Bank for International Settlements, in its annual report published yesterday, identifies two solutions to the Greek sovereign debt crisis: either mutualising Greece's debts through further eurozone bail-outs, or restructuring them. Does the Prime Minister agree with that analysis, and if so, which option does he favour?

The Prime Minister: Of course, everyone is free to speculate about the different paths that Greece might take or might like to take, but it is not for the Government of the UK to speculate about another country's finances. The Greek Government have made their decision, backed by the eurozone and the European Council, to seek further austerity measures so that they can deal with their deficit. That is the decision they have taken, that is what is supported by eurozone money, and the IMF will lend money only if it believes that it can be paid back.

On deficits, let me just make the point before people get too over-confident that if we look at 2011, we find that the UK's deficit is 8.6% compared with Greece at 7.4%. That to me underlines the importance of our domestic programme of dealing with our debts and our deficit—*[Interruption]*—and not of charging around, as the most annoying man in British politics is currently doing, and suggesting a £51 billion VAT cut.

Mr Julian Brazier (Canterbury) (Con): My right hon. Friend rightly acknowledges the tension between, on the one hand, the need to rebuild capital ratios in order to achieve resilience in the banking sector and, on the other, the crying domestic need to get banks lending again. Does he agree that part of the solution lies in tackling the barriers to entry for potential new lenders, and that that could start with Brussels looking again at the uneven regulation on overdrafts, on how banks are allowed to market them and on how other lenders handle short-term lending?

The Prime Minister: My hon. Friend makes a very important point. Of course, if we are asking banks to rebuild their balance sheets and their reserves, there is a tension with that compared with asking them to lend. One of the solutions, as he says, is to make sure that there are new entrants into the banking sector, and that is something we are keen to secure.

Bill Esterson (Sefton Central) (Lab): The Prime Minister said that the IMF would not have made the loan to Greece if it did not think it could be repaid. The Governor of the Bank of England seems to disagree about the likelihood of that loan being repaid. I think that what the people of this country want to know is how much British taxpayers will be liable for if Greece defaults.

The Prime Minister: The point I made is that Britain's share of the IMF is a little over 4%. It is a broad requirement of the IMF to consider whether the money can be paid back before it makes the loan. That is not something that it has decided to do on this occasion; it is something that it has to do.

Rehman Chishti (Gillingham and Rainham) (Con): I welcome the Prime Minister's statement. On Libya, did the European Council discuss the position of Qatar and the United Arab Emirates in continuing to support the mission the longer it continues? As the Prime Minister will know, those two countries provide the largest Arab support to the mission at the moment.

The Prime Minister: We did not discuss that specific issue at the European Council, but I speak regularly to the leaders of both those countries. I praise them for the huge commitment they have made—not just in men and matériel, as it were, but in the political commitment to garnering support in the Arab world for keeping up pressure on Gaddafi. I think that what the Qataris and Emiratis have done has been absolutely superb.

Gavin Barwell (Croydon Central) (Con): My constituents will warmly welcome what the Prime Minister said about asylum, given that anyone who wants to claim asylum in the UK has to do so in person in my constituency. Is it not true that under this Government the trend of applications to the UK is going down while in other countries it is going up, and that if we allowed people to choose where in the EU to apply, that trend would reverse overnight?

The Prime Minister: My hon. Friend is absolutely right. That is why the Dublin regulation is so important, because it enables us to return people who claim asylum in the UK to another safe country. As the right hon. Member for Leicester East (Keith Vaz) said, many of the people breaking into Europe's borders do not want to stay in the first country they get to—they are trying to come to the UK. We need to be wise about this.

Mark Reckless (Rochester and Strood) (Con): May I congratulate the Prime Minister on his very significant success in largely keeping Britain out of this Greek bail-out, despite what the previous Chancellor agreed? Could he tell the House what has changed given that he was able to keep us out of this Greek bail-out when that did not prove possible with regard to Portugal?

The Prime Minister: I think that what changed was that because we were not involved in the first Greek bail-out, we were able to make the argument that we should not be involved in subsequent bail-outs—particularly because, as we are not members of the eurozone, we were not involved in the design of the new package. None the less, we were at risk, because there were countries that wanted to push the EFSM and its use for Greece, but we ran a very strong diplomatic campaign, using every lever at our disposal to persuade our good friends and allies in Europe that it would not be fair for Britain to pay, and we achieved that. It was not an insignificant achievement, because it took quite a lot of negotiating heft to get it done.

Andrew Stephenson (Pendle) (Con): I welcome the Prime Minister's statement. With an estimated cost to UK taxpayers of £25 million for the new £280 million home for European Union summits, which represents an unnecessary expense at a time of cuts and deficit reduction across Europe, will he assure us that further spending by the European Union will match the manner of spending currently seen in member states?

The Prime Minister: I can certainly give that assurance. We have actually managed to write into Council conclusions that Europe's spending should mirror what is happening in member states. The decision about the new building was taken, I think, in 2003, when the Labour party was in power. All I can say is that it seems to me that the building in which we hold the European Council has got plenty of space for all of us, and indeed for new members. I think they need to get real in Brussels and in the European Union about recognising the sacrifices that many countries are making in terms of spending restraint, and they need to start showing a bit of spending restraint themselves.

Dr Thérèse Coffey (Suffolk Coastal) (Con): I want to add my congratulations to the Prime Minister on standing up for Britain and British interests. On the answer he gave to the Chairman of the Home Affairs Committee about Greece paying attention to its asylum reception centres, I hope my right hon. Friend agrees that perhaps the people of Greece have other things on their minds. Is not this an opportunity for the European Commission, through Frontex, to spend its money and resources appropriately on helping member states rather than on some grandiose white elephant?

The Prime Minister: Frontex has an important role to play and it must be invested in for the reasons that my hon. Friend gives. My understanding is that one reason why there was pressure to get rid of the Dublin regulation was that Athens' arrangements for dealing with asylum seekers have been judged insufficient by the courts. We need to speak to our friends in Greece to get them to sort out their problems, so that the asylum system can work better throughout Europe.

George Eustice (Camborne and Redruth) (Con): Further to the Prime Minister's answer to my hon. Friend the Member for Skipton and Ripon (Julian Smith), I congratulate my right hon. Friend on getting the European Commission to identify regulations from which small businesses should be exempt. What does he expect to be the time scale in which that task is completed? Will he give an assurance that he will follow this matter through ruthlessly to ensure that the Commission delivers on the promise?

The Prime Minister: My hon. Friend makes the good point that getting these things to appear once in a set of European Council conclusions is a good start, but that we have to ensure that the European Commission follows through on that. That is why I am trying to build an alliance in Europe on this issue. The fact that several consecutive Council conclusions have mentioned it means that a programme will have to be put in place to get it done.

Stephen Hammond (Wimbledon) (Con): The Prime Minister's statement rightly said that the transitional national council is the only credible body in Libya and that there is now unity of purpose in the EU. Will he tell the House what the EU is doing in practical terms to support that body?

The Prime Minister: Cathy Ashton, the EU High Representative, has been to Benghazi, which I think was extremely worth while, and the EU has opened an office in Benghazi. We are trying to reposition the EU's plan for engaging with its southern neighbourhood to ensure that it puts resources, of which it has lots, into countries that are reforming in a democratic direction. In the past, we have handed out far too much money without questions being asked and without proper conditionality. We are now ensuring that there is a conditional programme that rewards countries that are heading in a democratic direction.

Mr David Nuttall (Bury North) (Con): I thank my right hon. Friend the Prime Minister for his statement. Would the accession of Croatia be likely to increase or decrease the burden of our contribution to the EU budget?

The Prime Minister: We are very hopeful that it would not have an impact. That has been one of our negotiating stances with regard to Croatia. I remind my hon. Friend that the letter to the European Commission that I signed, along with the German Chancellor, the French President, the Dutch Prime Minister and the Finnish Prime Minister, said:

> "The action taken in 2011 to curb annual growth in European payment appropriations should therefore be stepped up progressively over the remaining years of this financial perspective and payment appropriations should increase, at most, by no more than inflation over the next financial perspectives."

I know that my hon. Friend and many other Government Members would like us to go further, but to have lined up five countries behind an effective real-terms freeze over the next period is a very good start.

Mr Peter Bone (Wellingborough) (Con): Yesterday, I had a meeting with a constituent who I know can be very difficult at times. She was exceptionally happy and

was singing the praises of the Prime Minister because we will not be involved in the Greek bail-out, and because after 2013 we will not be involved in any bail-outs. However, Mrs Bone wanted to know whether, if a bail-out came before 2013, Britain would vote no in any case, despite qualified majority voting. She would be very happy if the Prime Minister gave that undertaking, and it would be really helpful for the Bone household if he could.

The Prime Minister: I feel that a very big part of my life is spent trying to give pleasure to Mrs Bone. On this occasion, I can go only so far.

Mr Speaker: We note the admirable self-restraint that the Prime Minister has demonstrated and we are grateful for it.

Defence Reform

4.29 pm

The Secretary of State for Defence (Dr Liam Fox): Last August I asked Lord Levene to undertake a fundamental review of the way in which the Ministry of Defence is structured and managed. Today I am publishing the independent report led by him. Copies of the report will be placed in the Library of the House. I would like to thank him and all the members of his steering group both for that excellent report and for setting us all an example by delivering it early.

Lord Levene's group has recommended a radical new approach to the management of defence, and I am pleased to say that I agree with him, as do my ministerial colleagues, all the chiefs of staff and my permanent secretary. We have already taken forward some of the recommendations.

No one in this Government was under any illusions about the scale of the challenge that we inherited in defence, which Lord Levene's report confirms. We have already introduced changes to budgetary control, the reform of procurement, export promotion, small and medium-sized enterprise development and changes to our armed forces. The strategic defence and security review set a clear direction for policy and will deliver coherent, efficient and cutting-edge armed forces fit for the challenges of the future. As a result, Britain will remain in the premier league of military powers.

However, the vision of the SDSR cannot be achieved without tackling the drivers of structural financial instability and the institutional lack of accountability in how defence is managed, and Lord Levene's report provides the blueprint for the necessary transformation. Before I set out his recommendations in more detail, let me first acknowledge the great strength that resides within our people in defence. They are professional, committed and often frustrated by a system that all too frequently lets them down. Among other things, the report describes a Department bedevilled with weak decision making and poor accountability, in which there is insufficient focus on affordability and proper financial management. Lord Levene's steering group proposes a new, simpler and more cost-effective model for departmental management, with a clear allocation of responsibility, authority and accountability. That will build on the strengths of the individual services within a single defence framework that ensures that the whole is more than the sum of its parts. It will be underpinned by a number of core themes.

First, to date individuals in defence have been asked to deliver defence outputs, but not given the means with which to do so effectively and efficiently. Authority must be aligned with responsibility, and budget holders should have the levers that they need in order to deliver. They should then be held robustly to account. In the past, the decisions that should have been made centrally have been ducked, and head office and Ministers have delved into tactical-level detail.

The defence reform unit recommends a strengthened decision-making framework for defence, centred on a new, leaner defence board based around the Defence Secretary, who will chair it and make the decisions. He will be supported by the permanent secretary and the Chief of the Defence Staff, who will bring to the

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meeting the views of the single service chiefs. I have already established that new board, and I chaired the first meeting last week. The new group will offer the type of decisive and focused strategic direction that has been so lacking in recent years.

Secondly, financial management must be tightened and a risk-aware and cost-conscious mentality must permeate every level of the MOD. The review recommends a new planning and financial model. Within that framework, we will empower the chiefs to run their individual services. Our single service chiefs are the custodians of their services, the fundamental building blocks of defence. Sadly, they are currently forced to devote far too much of their time to trying to influence policy and haggle over funding in London, which is a pointless waste of time and talent.

In the new model, the service chiefs will get clearer direction from the defence board, carry out the detailed military capability planning needed across equipment, manpower and training, and then propose how best to deliver that strategic direction. Once that is agreed, they will be given greater freedom to veer and haul between priorities within their own service to deliver what is needed in defence. They will enjoy long-denied freedoms, and they will be held robustly to account for doing so.

Allowing the chiefs to spend more time with their service reduces the requirement for commander-in-chief appointments, which will be phased out as part of a general reduction in senior posts. We will work closely with the Treasury on how to deliver that major change, but I am confident that when they are properly supported, trained and directed, our people at the point of delivery are best placed to run their business, not those at the centre. Micro-management must be consigned to the past.

Thirdly, the service chiefs have an established role as advocates for their service, but powerful single-service advocacy can sometimes be at the cost of joint or cross-cutting capability. The report has recommended that we create a new Joint Forces Command. It will manage and deliver specific joint enabling capabilities and set the framework for other joint enablers within the single services. It would include the permanent joint headquarters and be led by a new four-star commander. Joint Force Command will therefore be an important organisation in its own right but also have a symbolic purpose, reflecting our view of how conflict will develop, and providing a natural home for some of the capabilities of the future, such as cyber, as well as reinforcing joint thinking, joint behaviours, and the new generation of officers in defence. It offers a new opportunity for career progression right to the top and a challenging and intellectual career for those who otherwise may not have been attracted to defence. It is a fundamentally meritocratic reform. It may also be a path for service personnel who are injured on operations and unable to serve on the front line, but who are still determined to serve their country.

Fourthly, the report rightly challenges us to consider whether we maximise talent across defence. Be it in promotion, the development of key skills, or helping our people choose the right career path, more can and should be done. The report has concluded that we must pursue more vigorously the principle that posts be filled by the right person, with the right skills, for the right length of time. Buggins's turn must not interfere with the promotion of the right person for the job. Nor can we have the sort of musical chairs that occurred in the past.

Lord Levene has therefore recommended that we move to a system whereby most senior civilian and military individuals stay in post for longer than at present, as a rule for up to five years. That will allow our people to establish themselves in their roles, and invest the time they need to make a real difference to defence and be held to account for their performance.

To ensure that we maximise delivery on the front line, Lord Levene has recommended that we review all non-front-line posts across defence, beginning at the senior and management levels, including an assessment of the most cost-effective balance of regular military, reservists, civil servants and contractors. We are top heavy and that must end.

Most significantly, Lord Levene recommends that we adopt a new, more "joint" model for the management of senior military personnel to make the promotion and appointment processes more transparent and standardised, and to encourage the development of officers with strong joint credentials.

Lord Levene's report covers far more than I have been able to address here. It is a thorough and compelling analysis that deserves close attention. I am confident that when the people in defence review the recommendations, they will recognise this work not as a criticism, but as a constructive critique of a Department in need of reform, and that they will relish, as I do, the challenges that it represents.

Mr Jim Murphy (East Renfrewshire) (Lab): I thank the Secretary of State for his statement and Lord Levene and his team for their work in recent months.

It is right to start by paying tribute again to our armed forces. They defend our values and secure our interests. Today, in Afghanistan, Libya and around the world brave men and women are doing just that: protecting our national security and that of others. With armed forces day still in mind, we must all reflect on and give thanks for their patriotism and sacrifice. We all have a responsibility to ensure that they have the support and equipment they need to do their job.

Reform of the Ministry of Defence is a vital element of that. Successful reform should strengthen the bottom line and bolster the front line, enhancing Britain's ability to project force and tackle new threats, and to do so cost-effectively. It is important that efficiencies are sought for that purpose and not for reasons of strategic shrinkage by stealth.

Based on the limited details in the Secretary of State's statement—we look forward to debating them at a later date—we welcome the focus on cyber, widening the pool of promotion, making chiefs more accountable for spending and, in principle, some of the changes in MOD structure.

On streamlining in the senior ranks, Labour Members agree with measures to balance the higher levels of the military. Of course, no two situations are the same, but as our force numbers continue to fall, it cannot be right that the US Marine corps, which is 15% larger than all our armed forces put together, has five times fewer

senior officers. Efficiency must run from top to bottom. The difficulty will be in the implementation, but we support the introduction of a Joint Forces Command. A joint approach to structures is welcome as that reflects how operations are now routinely conducted.

Let me consider the changes to the defence board. Single service orientation must not be an impediment to decisions about equipment and acquisition programmes, which must be tied solely to defence policy objectives. However, does not the fact that the Secretary of State has chosen to act on inter-service rivalry after the strategic defence and security review demonstrate, at least in part, the problem of that inter-service rivalry?

Of course, there are strong arguments in favour of the reform of the defence board, but last week, unfortunately, the Prime Minister told service chiefs:

"I'll do the talking...you do the fighting".

Unfortunately, today's announcement of the removal of the three service chiefs from the defence board will be seen by some as a structural confirmation of that strident sentiment. It is beyond doubt that there is now at least a partial fracture in the relationship between Ministers and service chiefs, and the Secretary of State must make the case more carefully in the next few months than his boss has done in the past few days. Will the Secretary of State therefore confirm that service chiefs were wrong when they said that services are running hot and will be unable to sustain the current tempo of operations in Libya beyond September? Will he tell us how he will better incorporate military advice into those new decision-making procedures?

On MOD finances, I agree with the Secretary of State when he says that successful MOD operations are dependent on the defence budget being on a stable footing. However, today in the media, for hours on end, the Secretary of State blamed the previous Administration for the cuts that he has chosen to make. Let me remind the House that he agreed with each of our spending decisions on defence, and called for even greater spending on a bigger Army, Navy and Air Force, and more equipment for all three services. Is not the truth that, owing to the rushed and arbitrary decisions taken in the defence review, the Government have created their own black hole? They saw efficiency savings where they could not find them, and are engaged in events that they did not foresee.

The Secretary of State has his own financial legacy to deal with. In opposition, he spent just as much time demanding more as he has spent in government providing less. Will he therefore answer the following questions? First, will he tell the House whether there is any truth to reports that the mismatch between the MOD's assumptions and the spending settlement is up to £10 billion, which would be a greater overall cut than was made in the SDSR? Secondly, will he confirm that there are to be further cuts to the size of the Army in this Parliament? Thirdly, will he say what work will cease within the MOD in order to cut the number of civil servants by 25,000?

On procurement, the positions that the Government currently hold of using open competition on the open market, buying off the shelf and promoting exports, are inconsistent. Will the major projects board have as its remit the maintenance of a competitive, highly skilled UK defence industry? In that spirit, what sovereign capabilities does he believe the UK should maintain and promote over the longer term?

In conclusion, the Opposition welcome much of today's statement, and we look forward to scrutinising it in detail and discussing it in the House. However, the Secretary of State must know that there is real disappointment not about what is in the statement, but about something that is not in it. On this, the 100th day of operations in Libya, in which forces are using equipment that the Government had previously planned to scrap, it is surely now time once and for all to have a new, post-Arab spring chapter of the defence review. Such an announcement would be welcomed on both sides of the House and throughout the country.

Dr Fox: I am grateful to the right hon. Gentleman for his broad welcome of the report and its contents. It is an important report and it is very detailed, and there will be opportunities for the House to debate it more fully, not least because the Government will want to look at some of the report's more detailed recommendations and tell the House how we intend to implement them.

I was particularly keen that the shadow Defence Secretary accept the proposal for the Joint Force Command, which he has done. The command is a good way forward for our armed forces, and represents a strong consensual basis for moving forward on defence policy in the UK. Of course, we are all aware of the contribution of our armed forces—today, many of us would like in particular to pay tribute to the RAF Regiment and its contribution.

On the right hon. Gentleman's specific questions, the defence board proposal is not a reaction to anything that has happened in the short term. This has been 10 months in gestation. Lord Levene and his team, including the vice-chief of the defence staff and the second permanent under-secretary, were very clear that we needed a simpler, more manageable defence board. It is of course fed by both the ministerial committee and the chief of staff committee, through the Chief of the Defence Staff and the Minister for the Armed Forces, into the committee representing other ministerial and the chiefs' views.

When it comes to plans for the Army, we have no plans to reduce its size in this Parliament. On the 25,000 cut in the civil service, I regret that we are having to make reductions of that size, but we recognise that we have to do it to deal with the financial legacy that we inherited from the previous Government. However, we believe that we can make the cut while maintaining our full function. We believe that the best way to help the British defence industry is to support British defence exports.

Finally, on the question of Libya, when we make statements about Libya we must be careful about the messages. Colonel Gaddafi and his cronies will be listening to the messages we send, and the only message that we should send is that we have the military capability and the political and moral resolve to see through the task that the international community has begun. Anything else would risk civilian lives in Libya.

Several hon. Members *rose—*

Mr Speaker: Order. Understandably, there is intense interest in this statement, but I have also to protect time for the heavily subscribed debate that is to follow. Therefore I must insist on brief questions and brief answers.

Mr James Arbuthnot (North East Hampshire) (Con): I congratulate my right hon. Friend on what is a truly radical shake-up of the Ministry of Defence, which it has needed for decades. I am delighted especially to hear that the chiefs of the armed forces will get more control over their budgets. Will my right hon. Friend assure me that the Treasury shares my delight and will honour this promise?

Dr Fox: Whether or not the Treasury is delighted by the proposals that I have put forward, it has certainly given its agreement. Therefore, the spirit in which it has done so is not really my concern.

Mr Bob Ainsworth (Coventry North East) (Lab): I congratulate the Secretary of State and Lord Levene, and I welcome the broad thrust of what is proposed. The Green Paper that we produced in the winter of 2009-10 flagged up the need for a joint command of the type that will now be introduced, and it is the right thing to do. How real and how deep will that jointery be? It is no good if it is not real and people's allegiances belong entirely and exclusively to the single services.

The other thing that is needed is transparency. How can we have the kind of reforms that will be necessary in order to put the Ministry of Defence where it needs to be if we do not have transparency? The Secretary of State effectively abolished 3 Commando Brigade without ever admitting having done so. How can we introduce real transparency?

Dr Fox: One of the reasons why I was keen that we should have the Joint Forces Command with its own four-star at the top was that I believe that people who are involved in defence at any level—in logistics, in ISTAR, in defence intelligence or in defence medical—should have a chance to rise to the top of the tree, if they have the talents to do so. I want to create a fourth pillar precisely to create a more meritocratic structure. That will be much more transparent than what we had before, because we will not be able to have the stovepiping that gives primary allegiance to single services rather than defence as a whole.

Sir Menzies Campbell (North East Fife) (LD): I hope that my right hon. Friend will excuse me if I sound a note of caution. I have lost track of the number of occasions on which I heard his predecessors stand at the Dispatch Box and promise us accountability, responsibility and efficiency. How can we be sure that these necessary qualities will arise as a consequence of the implementation of Levene?

To go from the abstract to the particular, when senior commanders, both in public and in private, express reservations about the sustainability of current operations, does the Secretary of State have not a scintilla of doubt about the match between commitments and resources?

Dr Fox: We have already put in place some of the recommendations, including the defence board, and we have begun implementing some of the other changes. We have put into place the major projects board, which will give greater accountability in terms of the running of the major projects. As for Libya, I repeat the point that I made earlier. While we will constantly look at the resources available, the public message must be simply that we understand the mission that we are undertaking, its legality and its moral force, and we have the political will and military wherewithal to see it through.

Dan Jarvis (Barnsley Central) (Lab): I welcome many of the proposals in the report, but should not the reorganisations announced today and the forthcoming review of reserve forces have been conducted in parallel with the SDSR? This combined with the Arab spring means that the case for a new chapter is overwhelming. Does the Secretary of State agree that the world has moved on and that defence policy and resources should move with it?

Dr Fox: The VCDS leads the reserves review and was a key member of the steering group, so there is no lack of continuity. The hon. Gentleman asked why these things were not done at the time. We had to complete the SDSR because the comprehensive spending review was running at the same time, and because we had to deal with the huge deficit left by the previous Government. I know that the Labour Benches remain populated by deficit-deniers, but that does not reduce the responsibility on the Government to deal with the problem.

Bob Stewart (Beckenham) (Con): As I understand it—perhaps I am wrong—service chiefs lost the right some time ago to go directly to the Prime Minister. What right does a service chief have when he or she feels strongly about something outside the normal chain of command?

Dr Fox: There is no change in the constitutional position under which chiefs of staff—or, indeed, the CDS or VCDS—have a direct right of access to the Prime Minister of the day.

Angus Robertson (Moray) (SNP): I appreciate the advance copy of the Defence Secretary's statement, in which he said that the senior ranks are "top heavy". That is not true in Scotland, however, where only 2.1% of the most senior ranks are stationed. Under this report and the plans that will follow it, will there be even fewer decision makers in Scotland, or will the number remain at the same derisory level?

Dr Fox: The hon. Gentleman always fails to point out that across the piece far more people in the defence industry are based in Scotland and a disproportionate amount of defence industry spending goes to Scotland. Scotland might have fewer positions in terms of military rank, but these are Crown forces and their footprint is spread evenly, one way or another, across the United Kingdom.

Mr Bernard Jenkin (Harwich and North Essex) (Con): May I commend my right hon. Friend for getting down to the unglamorous business of how his Department works, and may I welcome the Levene report as the kind of corporate change programme that the Public Administration Committee is seeking to recommend for every Department? Will he bear it in mind, however, that such corporate change takes years and depends on united, consistent and sustained leadership from the top and throughout the Department in order to bring about the necessary cultural change that I am sure his people want to see?

Dr Fox: I fully accept that this is the unglamorous but no less necessary part of the business. It might mean that I have to bore the House witless—but some would say that is no break with precedent. On the corporate change programme to which my hon. Friend referred, may I specifically thank him for the encouragement he has given me through his focus on corporate change programmes? That has been instrumental in giving us the will to drive through the reforms to this point.

Mr Speaker: The Secretary of State should not be quite so hard on himself.

Nick Smith (Blaenau Gwent) (Lab): Will the Secretary of State tell us more about how these reforms will deter future cyber-attacks?

Dr Fox: I was keen to discuss at length with Lord Levene how to create a structure within defence that could offer careers to those who might be attracted to the intellectual, if you like, side of defence—electronic warfare and so on—but who might not want to become commandos. We need to create a pillar inside defence that can grow as the nature of conflict changes. We want to create that expertise and attract those young minds who have a different view of what the electronic and cyberspaces look like and who are interested in a defence career. It is essential that we change how defence does business in order to reflect the genuine threats out there. As we develop that expertise, so we will have a greater ability to deter the sorts of attacks to which the hon. Gentleman referred.

John Glen (Salisbury) (Con): One of the issues that needs clarification is the practice of individuals being appointed to sensitive roles in large procurement processes for just two years. Will that be reviewed, so that the period of the role suits the project, rather than an arbitrary career path?

Dr Fox: The specific work on that is currently being done by Bernard Gray but, as I said in the statement, it is now important that we increase the length of tenure of many such posts, otherwise we are wasting talent. If the MOD were a private company, it would be number three in the FTSE. The idea of having the most senior people in the private sector stay for 18 months or two years, and then rotating them round because it is "good for their career experience" would not hold water in the private sector, and it no longer holds water in the MOD.

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab): The Secretary of State started his statement by referring to our being in the premier league of military powers. In the view of the three chiefs of the services, we are currently not a full spectrum power. If these reforms are implemented, will we again be a full spectrum power, and if so, when?

Dr Fox: I refute the idea that the United Kingdom is not among the leading defence powers in the world. We have the fourth biggest defence budget, and we have extraordinarily capable armed forces, which are among the most professional and best trained. If that does not put us in the premier league, I do not know what does.

Mr Julian Brazier (Canterbury) (Con): I endorse the statement in the strongest possible way. In particular, I would like to pick out my right hon. Friend's comments about the length of tenure in important jobs. It really is astonishing that we change people over every two years. If we are to make the progress that he wants to make, this will involve not just the most senior jobs, but other sensitive key positions in the organisation.

Dr Fox: It is important, as my hon. Friend says, that all those in key positions remain there to maximise what they learn in the job and that they can therefore give back as much as they can—I will be encouraging the Prime Minister to read *Hansard* on that point.

Paul Flynn (Newport West) (Lab): The statement is welcome because it recognises the waste and inefficiencies arising from rivalries between the three services, but should the Secretary of State not take the next logical step that the realities of modern warfare demand, which is to aim to create a single, unified service?

Dr Fox: No one can deny the intellectual logic behind the hon. Gentleman's point, but anyone who has spoken to a Canadian Defence Minister in recent years will have got a strong message: "Whatever you try, don't try that." There are differences in the approach of the single services, sometimes differences in the ethos of the single services and, clearly, differences in their history too. As we are asking our servicemen and women to do so much for us, the last thing that we want to do is to destroy that important emotional attachment to their heritage.

Dr Julian Lewis (New Forest East) (Con): I welcome that response from my right hon. Friend. He knows that he is assured of my personal support for the work that he is doing, but I remain convinced that there is a difference between the management of defence procurement and the formulation of military strategy at the highest level. What bothers me is that the single service chiefs are increasingly separated from the Chief of the Defence Staff, and that is no way to end inter-service rivalry. We ran the second world war with a committee of three, and we ought to be running these wars with a committee of four, not with a CDS on his own on a defence board, even if supplemented by the Minister for the Armed Forces.

Dr Fox: But of course this is not a process that is run by the CDS. As part of the defence board, we have purposely set up the chiefs of staff committee so that the views of the chiefs of staff can be discussed collectively before the defence board and reflected to it by the CDS, not formulated unilaterally by the CDS.

Bob Russell (Colchester) (LD): The Secretary of State referred to a "radical new approach to the management of defence" and a "new, leaner defence board". In that spirit, how many ministerial posts are going to be axed?

Dr Fox: As my hon. Friend knows, it is not for me to determine the number of Ministers in Her Majesty's Government. What we have said, however, is that when we have had time to address the Levene report in greater detail, we may well look at the designation of Ministers—

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their titles and specific roles—to see whether we can bring the organisation of the ministerial team better into line with the organisation of the Department.

Mr Ben Wallace (Wyre and Preston North) (Con): I welcome the good report by Lord Levene. It is long overdue and prompts the question of what the Labour party was doing over the past 13 years. As a result of the report, a number of key figures in the Ministry of Defence are worried about the future, and there will be some uncertainty. Will the Secretary of State please let us know what time scale he envisages to put these reforms in place?

Dr Fox: Some reforms have already been put in place; some are being put in place; and others will be put in place as quickly as possible. I hope that by the time the Department has made a full review of the report and given its full response, we will not be much past September.

Oliver Colvile (Plymouth, Sutton and Devonport) (Con): Will my right hon. Friend help me to understand how this can improve our relationships and our discussions with our NATO allies?

Dr Fox: Our discussions at both ministerial and official level are already full and fruitful. This will allow us to translate anything decided collectively into action in a much more disciplined and cost-controlled way. It is about the effective and efficient running of defence in the United Kingdom rather than any change in doctrine for dealing with our international partners.

Tony Baldry (Banbury) (Con): How will these structural changes affect the role of the reserves, who are equally as professional and as committed as anyone else in the armed services?

Dr Fox: The reserves review, which is headed by the vice-chief of the defence staff and which will report to the Prime Minister in the near future, will set out a number of options on the balance between regular forces, reserve forces, civil servants and contractors. I hope to report on that to the House at the soonest possible date.

Gordon Birtwistle (Burnley) (LD): Is the Secretary of State confident that the Puma helicopter upgrade being carried out overseas is on target and on budget? Is he confident that, when upgraded, those helicopters will carry out their intended role? Does he agree that it might be a better option to scrap the upgrade and use the money to buy new state-of-the-art helicopters from AgustaWestland, which will carry out their intended role and have a service life of 40 years?

Dr Fox: I confirm that the programme is on track after some early difficulties. Of course, while we would always like to and prefer to purchase new aircraft, using the Puma life extension programme was the most effective way of providing the capability we required.

Oliver Heald (North East Hertfordshire) (Con): I welcome this businesslike statement, particularly the setting up of the joint force command, but will my right hon. Friend go a little further in explaining what other capabilities, apart from cyber, might be included? For example, what is going to happen with complex weapons, which can come from different platforms but share quite a lot of capability and infrastructure?

Dr Fox: My hon. Friend raises a good point. I have already mentioned defence intelligence as a key element within that pillar and that defence medical is being brought together for the first time. We will want to see what other elements we can introduce that fall within the broad joint arena, not least because we owe it to the younger generation of officers, who have a much more joint approach, to ensure that they have a genuine career structure and that those involved in areas such as logistics, who are invaluable to the delivery of our service, are not regarded as ineligible for some of the top posts in defence.

Mr Mark Field (Cities of London and Westminster) (Con): I share the Secretary of State's unequivocal support for this report. Given the streamlining to which he has referred, will he take this opportunity to guarantee that defence procurement will be both more efficient and more cost-effective in the future than it has been in the past?

Dr Fox: Yes.

Stephen Gilbert (St Austell and Newquay) (LD): Inter-service rivalry and single service lobbying is a key tradition of the British armed forces. Is the Secretary of State convinced that the single service chiefs will have confidence in the CDS to represent their branches fairly, and how will he prevent noises off?

Dr Fox: The single service chiefs will, through the chiefs of staff committee, always be able to have a robust debate among themselves and with the CDS ahead of the CDS reporting their views to the defence board. They also have access to me, as Secretary of State, if they have a particular grievance that they feel has not been listened to. My door is open to them at any time.

Matthew Hancock (West Suffolk) (Con): During the year for which I have been a member of the Public Accounts Committee, I have often been shocked by the poor management of the budget in the Ministry of Defence, so I warmly welcome the report. Will the Secretary of State explain how the new joint command will be held to account, and will he reassure me that the establishment of a new command will not reduce accountability?

Dr Fox: All parts of the armed forces will be subject to regular and rigorous review. Although, as I have said, we are devolving power to the single service chiefs in terms of their budgets—which will allow them sometimes to exchange manpower for equipment, for example—they will be subject to quarterly review by the CDS and the PUS, who will consider both the military impact and the financial implications of any decisions that are made.

Rehman Chishti (Gillingham and Rainham) (Con): Will the Secretary of State confirm that he, not the PUS, will be in charge of the defence board?

Dr Fox: Oh, yes. I fully intend to chair both the defence board and the major projects board. I have done so once already, and on that occasion was both elated and depressed: I was depressed, because so many of my fears about poor project management were shown to be correct; and I was elated by the fact that we seemed to have identified the problem and put the appropriate solution in place.

David Rutley (Macclesfield) (Con): In Macclesfield, we are fortunate enough to have many skilled engineers in the military aviation sector, which is so important in the north-west. Will my right hon. Friend assure the House that his plans will focus more on allowing them to apply their skills, and less on unnecessary layers of bureaucracy?

Dr Fox: I want to end the presumption that those at the centre know better how to micro-manage the services than those who are trained and have spent a lifetime in those services. We need to accept that, while politicians have a particular role in policy, the application of that policy should fall to those with the real expertise, namely the armed forces chiefs themselves.

Stephen Phillips (Sleaford and North Hykeham) (Con): Like all Conservative Members, I welcome the statement, not least because it deals with so many of the inadequacies with which my right hon. Friend was left by the previous Administration. Does he believe that his statement, and the publication of the report in full, tell us all that we need to know about behaviour of the present Government as opposed to that of the previous Government, who tried to bury bad news in the form of the Gray report?

Dr Fox: Perhaps the greatest difference between us is that the Labour party tried to bury the Gray report, whereas we gave Bernard Gray a leading job in the Government. That shows that we have faith in the analysis.

Mr Deputy Speaker (Mr Nigel Evans): We will now proceed to the debate on House of Lords reform. Before I call the Deputy Prime Minister, let me inform the House that, because the debate is not only well subscribed but over-subscribed, we have introduced a seven-minute limit, which is likely to be reduced later. I ask Front Benchers to take that on board when considering the length of their speeches, and I ask for restraint in interventions, which will clearly lengthen the Front-Bench contributions. I also request that no Members approach the Chair to find out when they will be called in this over-subscribed debate.

House of Lords Reform

[Relevant Document: The Seventh Report from the Political and Constitutional Reform Committee, Seminar on the House of Lords: Outcomes, HC 961.]

5.8 pm

The Deputy Prime Minister (Mr Nick Clegg): I beg to move,

That this House has considered the matter of House of Lords reform.

On 17 May, the Government published a draft Bill and White Paper proposing a reformed House of Lords. Since then, there has been considerable debate on the content of the proposals—I, of course, welcome that debate. These are significant constitutional changes and so demand proper and full scrutiny. As the debate unfolds, however, it important for us to step back for a moment and remind ourselves why we are doing this. First, very few people seriously believe that the status quo—an unelected second Chamber—makes sense in a modern democracy. *[Interruption.]* Most people agree with that, anyway.

During last week's debate in the other place, someone said that elections are not

"the only form of democracy".—[*Official Report, House of Lords*, 21 June 2011; Vol. 728, c. 1165.]

The suggestion that democracy can somehow exist without elections reminded me that there is a fundamental principle at stake here—a basic choice. Do we believe that people should choose their representatives in Parliament, or do we not? Should citizens choose the people who make the laws of the land, or should they not? Every hon. Member must now decide which side of the argument they support.

Mr James Gray (North Wiltshire) (Con): I apologise for intervening so early in the Deputy Prime Minister's speech, but it is important to pick up his statement that everyone presumes that the status quo is not an option. What evidence does he have? The status quo is precisely the option for which I will vote.

The Deputy Prime Minister: If I remember correctly, my hon. Friend voted for 100% election to the House of Lords when this subject was last up for discussion, which suggests that he might be more willing to entertain change than his question implies. Even the advocates of minimal change—even those in the other place, as was witnessed in last week's debate—accept that some change is now unavoidable.

We have all promised change—every major party committed to Lords reform in their manifestos last year—so there is a legitimate expectation that we will now deliver it. Liberals and Liberal Democrats have long pursued Lords reform as part of a wider renewal of our political arrangements; the Labour party has advocated it as a blow to patronage and privilege; and the Conservative party has, especially in recent years, pushed for putting more direct power in the hands of voters.

John Thurso (Caithness, Sutherland and Easter Ross) (LD): In that regard, was my right hon. Friend struck by the contributions in the other place of Lord Whitty and Baroness Quin, which made clear both the need for

[John Thurso]

reform and how it should be taken through, and which represented fine examples of what their party so often stood for in the past? Will my right hon. Friend encourage Labour Members to return to their roots by taking that as their example now?

The Deputy Prime Minister: The contributions of Lord Whitty and Baroness Quin were, indeed, excellent, and I look forward to hearing support for the ideas that they set out last week from Labour Front Benchers today.

Turning to the second key reason for change, if we do not modernise the other place, a question mark will continue to hang over our second Chamber. We have passed the point of no reform, and to come this far and give up is to condemn our upper House to enduring doubt about its legitimacy. Yes, Lords reform has been debated for a century and, yes, our second Chamber has evolved over that time, but the other place cannot afford another 100 years in limbo. Reform is overdue, and it is time to bring this chapter to an end.

Mr Bernard Jenkin (Harwich and North Essex) (Con): I must confess that I think the House of Lords has done a pretty good job over the past 100 years, and I am glad that the Deputy Prime Minister acknowledges that it does, indeed, do a good job. I invite him to consider that House of Commons Library figures show that the average Member of Parliament costs the British taxpayer about £257,000 a year, whereas the average unelected appointed peer costs well under £100,000. Is now the right time to start demanding that we spend more money on more politicians, more expenses, more secretaries and more office space, when the House of Lords is doing a perfectly good job as it is?

The Deputy Prime Minister: I agree with my hon. Friend that the other place is oversized—it is far too large. That is why one of the centrepieces of the proposals worked up by the cross-party Committee, which I chaired, was that we radically cut the number of politicians in the other place right down to 300, so it would be less than half the size of this Chamber.

Mr Jenkin: On a point of order, Mr Deputy Speaker. Will you look into the House's sound system? I distinctly heard the right hon. Gentleman the Deputy Prime Minister refer to the size of the House of Lords, when my intervention made no mention of that whatever, so he must have misheard me.

Mr Deputy Speaker (Mr Nigel Evans): That is not really worth responding to.

The Deputy Prime Minister: I will respond to that point of order, however. The issue of cost is, of course, directly related to the number of Members serving in the House of Lords; the larger it is, the more expensive it will be. Under our reform proposals, the size of the House of Lords will be cut to 300, less than half the size of this Chamber.

The Prime Minister and I are committed to reform, but the reform will go with the grain of the evolution that we have already witnessed in the Lords; it will be steady, ordered and careful; and it will be built on the widest possible consensus. That is why our proposals build on the work of countless others from both sides of this House as well as the other place over recent decades. The Wakeham commission, the Straw committee and the Cunningham report have all made hugely important contributions, and I pay tribute to the work of reformers on all sides of the argument. Without them, the case for change would already have been lost.

I also thank the cross-party Committee established to consider this matter last year. We reached agreement on most elements of the proposed package and in the end there were only two issues relating to the content of the reforms on which we did not reach final agreement. On both, we have left our options open in the White Paper.

Mel Stride (Central Devon) (Con): Let me return my right hon. Friend to the cost of these reforms. He will be aware, no doubt, of Lord Lipsey's estimate that 300 or so new Members of the upper House would cost about £430 million in the 2015 to 2020 Parliament, which is enough to employ some 21,000 nurses. Does my right hon. Friend believe that the British people would rather have 21,000 additional nurses or some 300 fully expensed and fully paid identikit politicians?

The Deputy Prime Minister: With the greatest of respect to Lord Lipsey, I think that his figure was a guesstimate rather than an analysis. There are all sorts of unknown quantities involved, such as what the final size of the House of Lords will be, how many Members will be elected, the time scale and the transitional arrangements for those elected and for those who depart. Until those things have been decided, which I hope will happen in the coming months, it is impossible to come up with an accurate figure.

Conor Burns (Bournemouth West) (Con): Will the Deputy Prime Minister give way?

The Deputy Prime Minister: Let me make a little progress, if I may.

If we are to continue in the spirit of co-operation, it is essential that we are pragmatic. House of Lords reform has constantly been blighted by an inability to compromise, because of either pessimism on the one hand or purism on the other. Both must now give way. When we differ on the detail, we must not lose sight of our overarching aim, which is a more democratic and legitimate upper Chamber.

Members know my preferences for reform: I support a fully, rather than mostly, elected House and believe that Members should be elected by the single transferable vote to give the other place greater independence from party control. I shall continue to argue strongly for both, but I will not make the best the enemy of the good. I shall remain open-minded and realistic, and I hope that Members on all sides of the debate will do the same. On that note, I give way to the hon. Member for New Forest East (Dr Lewis).

Dr Julian Lewis (New Forest East) (Con): The Deputy Prime Minister is being very courteous in giving way. Does he accept that to elect two Houses by different electoral systems will lead to arguments over relative legitimacy? Will he put this particular voting system to

a referendum? Why should we have a referendum on the voting system for this House and not one on the voting system for the other House?

The Deputy Prime Minister: On the first point, we have an array of different electoral systems already in this country, from that used for the European Parliament to that used here in London and those used in the devolved Assemblies. Those systems all co-exist. I do not think that we need perfect consistency of electoral systems, as we do not have it anyway. On the second point, when all three parties have committed to something in their manifestos, such as House of Lords reform, the situation is unlike that with electoral reform to this place, so there is not a similar case for a referendum.

A range of issues will no doubt come up today, and many of them have been brought up already. There are two particular areas of concern, however, that have frequently come up in debates so far, and I want to address them in turn. The first is that the Government's proposals risk creating a second Chamber that is too powerful and the second is that Members will be elected but not properly accountable.

On the question of the balance of power between the two Chambers, it is simply not the case that the other place will rival the Commons—with 300 Members, it will be half the size. That is the number that we judge to be right, although we are listening to views on that question. Whatever number we settle on, however, the Commons will remain significantly larger, as is the case in the vast majority of bicameral systems around the world. Members of the other place will serve long single terms of 15 years with no prospect of re-election, keeping them a step removed from the electoral cycle of this House. They will be elected according to a different voting system, which will be proportional and will have, we propose, larger multi-Member constituencies, giving them an entirely different mandate from MPs. Their elections will be staggered, so that they will be either elected or elected and appointed in combination in thirds. That will mean that they will never have a more recent mandate than the Commons.

The two Chambers will remain entirely distinct. The Commons will continue to assert its authority through the Parliament Acts, through MPs' decisive right over the vote of supply and through the Government's need to retain the confidence of MPs in order to remain in office.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): The right hon. Gentleman knows my interest in this matter, which is to protect the power and functioning of this House. I do not know of any bicameral system that works as efficiently as the arrangements that we have at the moment. Every other bicameral system that I know ends up being deeply conservative and with the elected, mandated Government in the lower House being frustrated in implementing their manifesto by a second Chamber that becomes increasingly powerful over the years.

The Deputy Prime Minister: No doubt, those are the reasons why the hon. Gentleman voted for 100% election last time this matter came up for vote.

Mr Sheerman: I have several times voted for the abolition of the House of Lords, and I want that to be on the record.

The Deputy Prime Minister: And for direct, full election, which is obviously something that I welcome—we are at one on that. To address the hon. Gentleman's point, anyone in doubt should remember that there are 61 elected second Chambers in the world, and the overwhelming lesson is not the one that he has underlined but that they do not threaten the primacy of the first Chamber. As Baroness Quin, who was rightly cited earlier as having delivered an excellent speech last week, eloquently put it:

> "Experience from abroad shows that second Chambers generally live within their powers. They cannot increase them unilaterally and they do not cause gridlock on the whole…Surely our Parliament, with its long and proud democratic tradition, is capable of creating a democratic, competent and respected second Chamber for the future."—[*Official Report, House of Lords*, 21 June 2011; Vol. 728, c. 1233.]

Andrew George (St Ives) (LD): On the 61 countries in which the second Chamber is elected, does my right hon. Friend acknowledge that in those countries there is a written constitution that clearly enshrines the relative powers between the first and second Chambers? I welcome many of these reforms, but I have many misgivings about that particular aspect.

The Deputy Prime Minister: It is the view of the Government that this reform, which is long-overdue and long-debated, can take place without the embellishment and framework of a written constitution.

Graham Stringer (Blackley and Broughton) (Lab): The right hon. Gentleman says that the Parliament Acts are the reason why this House will retain primacy, but they apply only to legislation that starts in this House, not to that which starts in the House of Lords or to secondary legislation. When the House of Lords overturned a piece of secondary legislation concerning large casinos that this House had supported, the right hon. Gentleman supported the House of Lords and not the House of Commons. That was the first time that that had happened since the Southern Rhodesia issue.

The Deputy Prime Minister: Perhaps I have not followed the hon. Gentleman's point carefully enough, but that arrangement will not change. The asymmetry between the two Chambers rests not only on the Parliament Acts but on the different mandates, different terms and different electoral cycles of the two Houses, as occurs in the vast majority of the 61 bicameral, elected systems around the world, which seem to rub along perfectly well.

Sir Menzies Campbell (North East Fife) (LD): The hon. Member for Blackley and Broughton (Graham Stringer) has said that this House has the capacity to overrule the other place only in respect of legislation that starts here, but it would be a very simple matter to change the law so that this House had the power to overcome the House of Lords whether a Bill started here or in the other place.

The Deputy Prime Minister: That is one of the many options available to both Houses to ensure that the deliberate imbalance between the two Chambers persists. As I have said, all the evidence from bicameral systems around the world indicates that that imbalance is perfectly well understood, whether the Chambers are elected or not.

[The Deputy Prime Minister]

On accountability, given that we are proposing single, fixed, 15-year terms, some Members have asked, "If someone cannot stand for re-election, how can they be held to account?" That is a reasonable point to make and a concern that I understand. It is important to strike the right balance between increasing the democratic legitimacy of the reformed Chamber and preserving its independence from the Commons, and these arrangements are essential for that.

The longer non-renewable terms ensure that serving in the other place is entirely different from holding office here, separate from the twists and turns of our electoral cycle and more attractive to the kinds of people whom we wish to see in the other place—people who are drawn more to public service than party politics and who are not slavishly focused on their eventual re-election. That system guards against—dare I say it?—an element of political selfishness, ensuring that Members of the other place are there to do a job, not simply to pursue their own electoral ambitions.

Mrs Eleanor Laing (Epping Forest) (Con): The right hon. Gentleman has explained the accountability issue very well, but if somebody in the other place has no accountability, no electorate to whom to be answerable and no prospect of overturning anything that is done by this House, which is what the right hon: Gentleman has just promised, why on earth would anyone of any standing wish to become part of such a House?

The Deputy Prime Minister: As I know as a leader of a party, people are queuing up to get in there right now without elections, and I suspect that that will continue, because the House of Lords does an excellent job as a revising and scrutinising Chamber. There is a place in politics for people who do not want to become Members of this Chamber, but who want to play a role as serious scrutineers of legislation and holding the Government of the day to account.

Mr Sheerman: As the right hon. Gentleman knows, I represent Huddersfield, and presumably one of these 15-year senators, or whatever they will be called, would, theoretically, float above the two constituencies of Huddersfield and Colne Valley. They would be elected only every 15 years. My successor or I would be fighting an election every four or five years, whereas this person, who presumably might be from another party, would not get involved in my election, campaign in general elections, have any political will or conduct any activity at all. Is that what he is saying? A kind of neutered politician would float—

Mr Deputy Speaker (Mr Nigel Evans): Order. Interventions should be brief.

The Deputy Prime Minister: The hon. Gentleman has, say, six Members of the European Parliament floating around, as he puts it, in his area already, and I assume that relations are perfectly cordial. I do not want to cast aspersions on the future reformed House of Lords by comparing it too directly to the European Parliament, but the idea that politicians with different mandates, elected on different cycles and different systems, cannot co-exist, is patently not the case. It happens now, and I think it will happen in the future.

By reforming the upper House so that it is more legitimate but still independent, we can ensure that it continues to function as an effective revising Chamber, able to hold Government to account, but with a new democratic mandate. We can preserve everything that is good about the other Chamber—expertise, independence and wisdom—but at the same time we can inject democracy into the mix and reform the Lords so that it is fit for modern times.

Mr Mark Field (Cities of London and Westminster) (Con): I am probably in a minority on the Government Benches, but I support a democratic House of Lords. Does the right hon. Gentleman not realise, however, that the complications that he has already put in place in the 20 minutes that he has spoken so far will help opponents of reform to frustrate what he is trying to achieve, whether it be 15-year terms, a partly elected or fully elected Chamber, or a proportional representation system? It is literally seven and a half weeks since the people of this country, in a plebiscite, had a chance to say, overwhelmingly, that they did not want a PR system in our Parliament. How can he possibly consider that this is the right way forward for democratising the House of Lords?

The Deputy Prime Minister: The two issues are wholly separate. More than that, if my hon. Friend has other ideas about how we can arrive at our shared objective of a wholly or mainly elected House of Lords, that is precisely why we are now creating a Joint Committee. That is precisely why we have published not a final Bill but a draft Bill with a White Paper and why that followed a process of cross-party discussion in a Committee that I chaired, and which in turn built on many recommendations of a cross-party nature over the years and the decades. It was not just an invention of this Government. The Wakeham commission, the Straw committee and others came up with many of the recommendations that we are now suggesting. If he thinks they are too complicated, I look forward to his suggestions about how they can be made simpler.

Mr Gray: Will the right hon. Gentleman give way?

The Deputy Prime Minister: If I may make a little progress, because I know many others wish to speak.

Our proposals are a comprehensive blueprint for change—there are 68 clauses and nine schedules. There is a lot to discuss. The Parliamentary Secretary, Cabinet Office, my hon. Friend the Member for Forest of Dean (Mr Harper) will respond to points raised in the debate in his closing speech.

The next stage, as I have just mentioned, is pre-legislative scrutiny of the draft Bill and White Paper on a cross-party basis by a Joint Committee of both Houses. I am sure that the Committee will take note of today's debate in its deliberations, and we look forward to hearing its conclusions in due course. The Government's plan is then to introduce a Bill next year in order to hold the first elections to the reformed House in 2015. There is clearly a lot of detail to be hammered out between now and then, and I hope that both sides of this House and of the other place will work together constructively as we move forward.

The truth is that no one seriously supports the status quo. *[Interruption.]* The vast majority of people do not support the status quo. I am delighted, by the way, by the enthusiasm for change from Opposition Members, which is excellent progress compared with the previous debate. Everyone has committed to change and we must now be pragmatic on the detail, never losing sight of the basic principle at stake: in a modern democracy, people must choose their representatives. Let us complete the long journey of Lords reform once and for all.

5.31 pm

Sadiq Khan (Tooting) (Lab): I believe in a fully elected House of Lords. It is right and proper in this day and age that both Houses of Parliament are directly accountable to the electorate. I would like to remind the House where Labour stood on Lords reform at the general election. Labour's manifesto stated:

"We will ensure that the hereditary principle is removed from the House of Lords. Further democratic reform to create a fully elected Second Chamber will then be achieved in stages."

The Deputy Prime Minister has often suggested that the best is sometimes the enemy of the good—he used the phrase today—as justification for the proposals contained in the draft Bill presented to Parliament, which falls short of his own party's manifesto commitment, but I feel very passionately that there is a principle at stake, the fundamental principle of having a 100% elected upper House. That is the right and proper outcome, and one which will deliver the democratic system that the people of this country deserve.

Dr Julian Lewis: Does the right hon. Gentleman not accept that the single most important function of our second Chamber is the revision and improvement of legislation? If we remove hundreds of people who are experts in their field and substitute them with hundreds of professional party politicians, what will make the latter better qualified to revise legislation in that Chamber than we amateurs are in this Chamber?

Sadiq Khan: I do not think that the second point necessarily makes the first point impossible; it is possible to have a second Chamber that is a revising Chamber and for all its Members to be elected. Of the 61 other bicameral Parliaments, none has an appointed upper Chamber. All of them are elected and seem to be doing a pretty decent job.

I am concerned that in other areas of constitutional change the Government have shown themselves willing to be less principled and more partisan. For example, we will see the number of MPs reduced from 650 to 600 at the next election, with no evidence for why we should lose 50 Members, which will simultaneously increase the power of the Executive. We have had 117 new unelected peers appointed to the House of Lords since last May, with more promised. Each peer costs £108,000 a year—we can all do the maths. There are now almost 830 unelected peers in our Parliament. We have seen boundaries re-fixed according to out-of-date electoral data that exclude 5 million eligible voters. We have seen Parliaments fixed at five-year terms, which was mentioned by neither coalition partner before the election, but is now mysteriously favoured by both. We have seen the political fudge of establishing a commission on a Bill of Rights, papering over the cracks between the coalition partners on human rights, and we have seen a failed referendum on the alternative vote. Those are some of the reasons why those of us who should be the natural allies of the Deputy Prime Minister's plans to reform the House of Lords are suspicious of his plans and of him.

Jo Swinson (East Dunbartonshire) (LD): I, like the right hon. Gentleman, would like to see a 100% elected House of Lords, but if the choice were between 0% elected and 80% elected, given that so far we have waited 100 years, I would like us to make some progress and to get to 80% elected at least. In that situation, what would he choose?

Sadiq Khan: I would make sure that my leader, if he were the Deputy Prime Minister, negotiated properly for a fully elected second Chamber so that the problems that have been highlighted did not occur. What has happened—*[Interruption.]* I hear the chuntering both from Government Front Benchers and from Liberal Democrat Members, whose concerns and aspirations I will come to in a moment. We remember the sanctimony of Liberal Democrat Members when we were in government. I will talk about the progress that has been made over the past 13 years, but I accept that there was not enough.

We have also heard that 100 years is too long to wait for those who sit in the Lords to be elected, and those of us who want a fully elected second Chamber understand the wish to proceed sooner rather than later, but there are many issues that the Deputy Prime Minister has not addressed in the draft Bill or in the White Paper, and with the best will in the world it is simply unrealistic to expect the Joint Committee to have resolved them by February, as he wants it to.

The Parliamentary Secretary, Cabinet Office (Mr Mark Harper): If the right hon. Gentleman is in favour only of 100% election as a matter of great principle, why when the House last determined the matter in 2007 did he vote for all the elected options that were on offer?

Sadiq Khan: The hon. Gentleman might not recall, but in 2003 this Chamber rejected all seven options, so it was important to ensure that some proposals went through. They went through, and both the party that he is now in coalition with and our party had in their manifestos a promise of a 100% elected second Chamber. We are not in government; the Liberal Democrats are.

The genuine obstacles and difficulties that remain require solutions, but they are not limited to the two areas to which the Deputy Prime Minister referred. First, we must identify exactly what we want a reformed House of Lords to do. My view, and I agree with some of the interventions from Government Members, is that it should continue as a revising Chamber that seeks to finesse legislation and, yes, on occasions, to act as a check on this House. We might not like it, and when in government we might all prefer to push our legislation through without any opposition from the second Chamber, but its role is an important check on this House and on the Executive, and that is right and proper and part of a healthy democracy. Too few checks are bad for all of us, and it is important that we preserve the balance.

Sir Menzies Campbell: I am having some difficulty following the right hon. Gentleman's logic, but perhaps he will help me in this respect. Is he saying that he is so committed to a 100% elected House of Lords that he would vote against an 80% elected House of Lords?

Sadiq Khan: What we have before us is a draft Bill, but we have also a very good Joint Committee, and I look forward to it doing the work that is required, within a sensible time scale, to come back with a Bill that we can all accept with cross-party consensus.

Mr Gray: May I invite the shadow Minister to rise from the short grass and the detail of exactly what is going to happen and, for a second, before he moves on to the detail of his speech, to address a fundamental question? Which aspect of the work of the House of Lords, as currently constituted, does he dislike or think unsatisfactory? If he can point to some part of the work of the House of Lords that is wrong, will he explain how it would be improved by electing 100% of its Members?

Sadiq Khan: The hon. Gentleman heard the speech from the Deputy Prime Minister, who gave a number of examples whereby the other Chamber—*[Interruption.]* I will give the hon. Gentleman an example. Is it right that we have 828 Members in the other place, all of whom, except for the 92 who by good fortune of their DNA have to go through elections, are not elected? That is not acceptable in a modern democracy.

There are those who have, I accept, legitimate concerns that a directly elected upper Chamber might seek to assert its newly found democratic mandate by facing down the Commons, and it is critical that the Joint Committee addresses that issue. After all, the primacy of this House must remain. It currently rests on two principles, the first of which is legislative. The Parliament Acts removed the powers of the Lords over money Bills and empowered the Commons to override the Lords on non-money Bills. The second principle underpinning the primacy of the Commons is drawn from the elected nature of its Members, so if we move to a directly elected upper Chamber it is not unreasonable for some to ask whether this House faces a threat to its primacy.

Graham Stringer: I will try to have another go at the point I made to the Deputy Prime Minister. In today's edition of *The Times*, the previous leader of the Liberal Democrats, Paddy Ashdown, says that the newly reformed House of Lords—the Senate—would be able to stop this House doing what it wanted on a manifesto commitment. I was completely against the poll tax, but it was in the Conservatives' 1987 manifesto. The Liberal Democrats want more power to go to the other place. How would my right hon. Friend guarantee the primacy of this House on non-legislative matters?

Sadiq Khan: There are big questions about the powers and functions of the second Chamber, and my hon. Friend has given one example of the anomalies that arise. The hon. Member for Cities of London and Westminster (Mr Field) gave another example of the issues that those of us who are in favour of a 100% elected second Chamber need to address if we are going to win the argument not only in this House but in the other Chamber. That is why a simultaneous debate on powers, conventions and the relationships between the two Houses is absolutely fundamental if we are to get the reform right so that it delivers the bicameral system that serves our democratic needs effectively. Form and function go together, and I am afraid that there is scant evidence that that is recognised in the draft Bill and in the White Paper.

Simon Hughes (Bermondsey and Old Southwark) (LD): The right hon. Gentleman is a reformer within his party and has a good political tradition, and the newly elected Labour leader has a similar view on this issue. Will he therefore be very clear to the House that he supports, and the Labour party supports, a bicameral Parliament with primacy in this Chamber and an elected second House, and that during this Parliament Labour will work with the Government to achieve that so that we can have elections in 2015?

Sadiq Khan: The right hon. Gentleman may not have heard everything I have said—it has not been that great so far—but I think I highlighted in the first 30 seconds the Labour party's policy, and my views, on this issue. He can take it from us that we will do business with those who keep promises and whom we can be sure have a real commitment to a properly elected second Chamber.

It is obvious that many of the conventions that have stood us in good stead over decades are becoming increasingly defunct and will not serve us at all should reform proceed as planned. For example, the convention whereby the Lords will not continue to oppose legislation based on manifesto commitments for which there is a mandate faces a new test under the coalition given that it is not clear what can be considered its manifesto. Is it each party's manifesto or the coalition agreement, which the electorate did not vote on? We will need to ensure that the rules and regulations that allow a reformed upper Chamber to continue to revise and scrutinise are in place, while continuing to recognise the role of the Commons. The second Chamber must continue as a revising Chamber, not a rival Chamber.

Jesse Norman (Hereford and South Herefordshire) (Con): Given the right hon. Gentleman's strong commitment to honouring manifesto commitments, will his party honour its own manifesto commitment to insist on a referendum on any Bill on an elected House of Lords?

Sadiq Khan: The hon. Gentleman makes a good intervention. It is important that the Joint Committee respects party policy and manifestos, and I hope that it will do so in its recommendations.

The draft Bill does not adequately address these issues. Clause 2 simply states that nothing in the Bill

"affects the primacy of the House of Commons".

That is inadequate and ignores work done on rules and conventions by previous Committees, including the Joint Committee on Conventions chaired by Lord Cunningham of Felling. The new Joint Committee will need to recognise this fact and seek to open up the issue of powers and conventions; otherwise, the reform process runs the risk of being fatally flawed.

Another area of concern is the length of term of those elected to a newly reformed upper Chamber. Increasing the democratic accountability of the Lords

has to be one of our key objectives, but I am unclear how this will be best served through single 15-year terms for those elected. What do we do in a situation where some less diligent individuals are elected and recognise, almost straight away, first, that the next 15 years are now sorted and, secondly, that they do not need to worry about what the electorate believe or want because they will never need to face them again at the ballot box? Is this what we want in our second Chamber?

We also face the tricky constitutional issue of the future of the bishops. I recognise that we have an established Church and that a move to a fully elected upper Chamber would not accommodate our current system. Some have argued that if we allow the bishops to stay in the reformed second Chamber, we should allow representatives of other major religions to have seats. However, there are major practical difficulties, not least the fact that some religions do not have such obvious hierarchical structures as others, so it is unclear who would be their representatives—let alone whether it is right for organised religion to play such a central part in our political system. It is right and proper that this House and the Joint Committee debate such issues if we are to get reform of the second Chamber right.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): My right hon. Friend is making a very good speech. At the beginning, I was a little concerned that those of us who have consistently, even when we have voted tactically to frustrate some of the motions—[Hon. Members: "Ah!"] Yes, Members on both sides of the House have done that. Some of us resent the suggestion that we are anti-democratic. Those of us who believe in the primacy of this House want either the abolition of that place or a very weak upper House. That is the democratic position and it is due some respect from both Front Benches.

Sadiq Khan: My hon. Friend makes his point very well.

Another area that the Joint Committee will have to examine is the transition. What will happen to the existing Members of the House of Lords? One option is to allow them to continue until they choose to leave by their own volition or die. Even the option of a phased move over time leaves the question of which Members to keep and which to ask to leave. That would not be easy to manage and would not be cheap.

Mr Field: Is there not a precedent from what happened in 1999, when the hereditary peers whittled down their own number from 650 to 92? Will the shadow Secretary of State and his party support a similar situation if there is any sense of frustration from this Bill in the years to come, whereby the massively over-bloated House of Lords is reduced from 800 or so Members to 300, allowing each group, including the political parties and the Cross Benchers, to choose their Members on a pro rata basis? Might that not be an important poisoned pill to ensure that we get reform with some speed and alacrity?

Sadiq Khan: It is very unusual for me to be fair to the Deputy Prime Minister, but he did include that very option in the White Paper. The Joint Committee will have to look into that before a Bill is finally published in February, as the Government hope.

We are also faced with the cost. Each peer, as I have said, costs £108,000 a year. The 117 new peers who have already been announced will cost £63 million over this Parliament. A transition that involves a 15-year phasing out of existing peers would therefore result in a substantial cost to the taxpayer. Other areas that need resolution are the size of the second Chamber, the impact of early elections, the electoral system to be used, and the need for a referendum for such a big constitutional change.

Between 1997 and 2010 a number of parliamentarians, including some very good ones, stood where the Deputy Prime Minister just made his speech from and argued for reform of the House of Lords. During that time, we made some progress in reforming the House of Lords. We removed 90% of the hereditary peers, created the post of elected Lord Speaker, separated our judiciary from the Lords by creating our first ever Supreme Court, and created people's peers. We clearly did not go as far as we would have liked. However, as I am sure has happened and will happen to the Deputy Prime Minister, we encountered opposition to our proposals at every turn, most tellingly from his new political bedfellows. The Conservatives opposed our attempts to remove the hereditary peers from the Lords, most recently in the passage of the Constitutional Reform and Governance Act 2010. They undermined our attempts to reach a cross-party consensus on Lords reform throughout our 13 years in government. The irony is that this Government are embarking on Lords reform at a time when citizens up and down the country are more preoccupied with fears about job losses, their pensions and cuts to public services. They expect us to prioritise those bread and butter issues as well.

One great parliamentarian who stood where the Deputy Prime Minister just stood and argued for major change to the House of Lords was Robin Cook. When I look at the draft Bill and the White Paper presented by the Deputy Prime Minister, and when I think of the task facing the Joint Committee, I think of the words of Robin Cook on the evening in 2003 when the House of Commons rejected all seven options for reform that had been presented by another Joint Committee:

> "We should go home and sleep on this interesting position. That is the most sensible thing that anyone can say in the circumstances."

He went on to say that

> "the next stage in the process is for the Joint Committee to consider the votes in both Houses. Heaven help the members of the Committee, because they will need it."—[*Official Report*, 4 February 2003; Vol. 399, c. 243.]

Reflecting on those comments, I sincerely wish the members of the Joint Committee and the Deputy Prime Minister the best of luck in the challenge ahead.

Several hon. Members *rose*—

Mr Deputy Speaker (Mr Nigel Evans): Order. I thank both Front Benchers for making short contributions so that more Back Benchers are able to get in. There is a seven-minute limit with two minutes of injury time, but Members do not need to take interventions or take their seven minutes.

5.50 pm

Conor Burns (Bournemouth West) (Con): An Opposition Member referred in an intervention a few moments ago to something called the poll tax. Known, as I am, as a

[Conor Burns]

doughty defender of Baroness Thatcher, may I point out that she is recorded as saying that she was a great fan of the Polish people and would never have tried to tax them?

May I begin by saying to the Deputy Prime Minister, who concluded his remarks by saying that no one is in favour of the status quo, that I am in favour of the status quo, as I know many Conservative Members are? In that context, it is vital that as we have this debate we remember the words of Lord Denning, who said that two reasonable men may hold opposing views without surrendering their right to be considered reasonable. The tone in which the debate is conducted is incredibly important, and having known the Parliamentary Secretary, Cabinet Office, my hon. Friend the Member for Forest of Dean (Mr Harper), for more than 20 years, I know that he will handle it with great tact and dignity.

I welcome the establishment of a Joint Committee. Many of us on the Conservative Benches, and on the Opposition Benches, are open to reform of the other place but opposed to its abolition. To say that it has become too big, or that it is becoming increasingly political, is true, but that has happened not because of the other place but because of people down here sending too many people there. It is wrong to look to total abolition because of failures at this end of the building.

I am totally in favour of examining ways to improve the effectiveness of the other place. I hope to develop that argument over the coming months and feed it into the Joint Committee. We should consider retirement mechanisms, a cap on numbers and enshrinement of the proportion of Cross Benchers. We should also consider attendance criteria, because far too many Members do not come into the other place.

Thomas Docherty (Dunfermline and West Fife) (Lab): Perhaps the hon. Gentleman is not aware that his noble Friend Lord Heseltine has not even made his maiden speech in the House of Lords. "Part-time" would not be a good adjective to describe him. Can the hon. Gentleman think of one?

Conor Burns: I can think of many, and it is not often that I am accused of being on the same side as Lord Heseltine. I remember telling Lady Thatcher a couple of years ago that he had not made his maiden speech, having been in the Lords for nine years at the time. Her reply was, "Well, look on the bright side, at least we haven't had to listen to it." Lord Heseltine is a very good example of my point—he says that he took his membership of the other place because he wanted the honour, but he did not want to participate. He has participated in fewer than 20 Divisions in the 10 years that he has been a Member of the other place. That was why I found it absolutely disgraceful that he came in the other night to vote against the referendum lock in the European Union Bill, which is going through the other place. Such examples show that the other place needs some reform.

Dr Julian Lewis: Does my hon. Friend accept that there would be no more accountability under the current proposals than there is at present, because someone who underperformed in the other place would have been elected democratically for just one term of 14 years and could not be voted out again?

Conor Burns: My hon. Friend, as always, puts his finger on it. I will come to that precise point in a moment.

I remember some years ago knocking on a door when I was standing for Southampton city council for the first time, and somebody said to me that they thought there should be one major constitutional innovation in this country, which they deemed would improve our politics dramatically. They said that anyone who actually wanted to stand for Parliament should be barred from so doing. I have to say, sometimes when I look around and listen, I have some sympathy with that. The point of the other place is that it brings into Parliament people who would not dream of putting their name forward.

My noble Friend, and my predecessor's predecessor, Lord Eden of Winton, asked some fundamental questions in a speech in the other place last week. On what basis would candidates put themselves forward for election to a revised second Chamber? Would they bear a party ticket, and would they be answerable to any form of mandate? By what form would they be chosen by the political parties? Would there be a risk that we would be putting more and more power into the hands of the party apparatchiks? Government and Opposition Members have seen what that manipulation can mean.

I do not know whether the Deputy Prime Minister has seen the suggestion of my right hon. Friend the noble Lord Eden that the Deputy Prime Minister should be based permanently in the other place and subjected to regular parliamentary oral questions. I suspect that if he thinks the response he is getting here is fierce, it would be considerably fiercer at the other end of the building.

I wish to deal briefly with the argument that reform was in every party's manifesto. It was, to some degree, and the Liberal Democrats, who had the most pro-reform manifesto commitment, got 23% of the vote in the general election. Labour, which was slightly more lukewarm, got 29%, and the Conservatives, who were the most lukewarm, got 36%. There is almost an argument that if we want to do things on the basis of what was in the manifestos, we should remember that the most people voted for the party that was most lukewarm on the issue.

We have to ask ourselves, as at the time of Maastricht, when all three Front-Bench teams are united on something, how do those who dissent make their view known? I say to Opposition Members that they could do no better than listen to the words of the former Prime Minister, Tony Blair, who was very clear in saying that

"the key question on election is whether we want a revising Chamber or a rival Chamber",

which was why it was a question

"not for one Parliament, but for the long term."—[*Official Report*, 29 January 2003; Vol. 398, c. 877-878.]

Despite manifesto commitments, he twice committed himself to a free vote in the House of Commons so that every hon. Member could put their points across.

My biggest worry is that we will create a rival to the House of Commons and to the supremacy of this place, which we will come to regret. We will have the problem of mandate creep. It may start innocuously, but I point out the words of the noble Baroness Williams when the matter was last debated in the Lords, in 2003. She said that

"I want to say simply that, having listened to many speeches on the issue of the right of a non-elected House to challenge the other place, Members on these and many other Benches in this

House declare that it is not our wish to be a non-elected House."—[*Official Report, House of Lords*, 26 November 2003; Vol. 655, c. 18.]

In other words, when that place gets more democratic power under an electoral system, which the Deputy Prime Minister is on record as saying he believes to be more constitutionally robust and right, its Members will not sit there and happily accept that they have no power at all.

Andrew Percy (Brigg and Goole) (Con): I say to my hon. Friend that the Australian Senate is elected on a different, more proportionate electoral system, and it does not have that problem.

Conor Burns: And I say in response to my hon. Friend that it is at the core of Conservative beliefs that if something is working, one does not mess around with it. The other place is working, as is shown by the fact that we in this place accept more than 80% of the amendments that it sends back to us. It is playing its proper role as a revising Chamber.

There is one point of consensus on all sides. We want to see an effective second Chamber that works. I welcome the Deputy Prime Minister saying that he is open to ideas for reform and improvement, and as the Joint Committee embarks on its important work, I hope that it will consider ideas for improving the second Chamber from those of us who want to improve the status quo. We all want it to work in the interests of our constituents, but I am not convinced that the proposals that the Government have on the table at this point will achieve that objective.

5.58 pm

David Miliband (South Shields) (Lab): I apologise to the House for having to absent myself for a short period this evening.

It is nice to be able to speak in the House in full and enthusiastic support of the manifesto on which I was elected, and consistent with my previous votes in the House for 100% election and 80% election to the Lords, in 2003 and 2007. I look forward to getting the chance to vote on the matter again.

I wish first to dispose of three very bad arguments against proceeding towards an elected House. The first is that we need to sort out the functions of the House of Lords before doing so. The truth is that there is agreement on that point. The House of Lords is a revising Chamber not equal to the House of Commons, prevented by statute from pre-empting the supremacy of this House and established by law and by practice to persuade and restrain this House.

The second argument is that the public have got other things on their mind. The idea that the Government have a bad economic policy or health policy because they are distracted by House of Lords reform is frankly risible. We are elected to this place to debate the big issues of the time, and I do not believe that it is sufficient to say that this is not people's main preoccupation.

The third bad argument is by far the most tempting. It is: because the Deputy Prime Minister is in favour of an elected House, is sponsoring the debate and will sponsor the Bill, it must be a bad idea. That view has many supporters in both main parties, as we will discover, and one can see the force of the point. When the right hon. Gentleman said before the election that he wanted to unite the nation, he could scarcely have imagined that people of all shades of opinion would come together so quickly to agree that he is not a very lovable rogue. However, although that is a tempting argument, I hope that my colleagues, especially Labour colleagues, will not fall for it. The right hon. Gentleman needs no help from either of the two so-called main parties to administer his fate, and there is a much bigger game here than the temptation to kick a man when he is down. The roadblock to reform is not, in this case, the right hon. Gentleman, but the Government's puppetmaster, the Prime Minister. We should not be diverted by the temptation of kicking smaller fry.

The fundamental issue at stake is whether a stronger, more assertive, more legitimate House of Lords will be good for the governance of the country, not just in democratic theory, but in real life and practice. I believe that it would. I am a believer in strong government. I also believe that a strong Government get stronger and better when they are more accountable to a strong legislature. That is what we are debating today. That is a recipe not for gridlock but for better government.

Legislative strength is, in part, the way in which this House functions. Personally, I would have liked to see electoral reform of this House and the second Chamber on the same ballot paper in a single referendum, because we should debate the Parliament of the United Kingdom as a whole. The House of Commons and the House of Lords exist in relation to each other, not simply separately. However, following the alternative vote fiasco, that opportunity has been missed. None the less, it is striking that many of those who argue that reform will make no difference to the public also contend that it will mean the end of the House of Commons as the voice of the public. They cannot have it both ways.

Reform of the House of Lords is important to the strength and effectiveness of the legislature as a whole. That is why I argue for it.

Jesse Norman: I am grateful to the right hon. Gentleman for reciting such a compendium of errors. If he is giving us a lecture on logic, how does he explain the contradiction of a Prime Minister, who is allegedly, in the right hon. Gentleman's view, a puppetmaster, yet also an enthusiastic advocate of the proposed legislation?

David Miliband: The hon. Gentleman tempts me and I will deal with that exact point shortly.

To those who say that an elected House of Lords will be stronger, I reply, "Good." It will be good for the House of Commons and good for Governments of any stripe to face more effective and assertive scrutiny, and, where necessary, revision of their legislation from the House of Lords. That is not the same as advocating the overthrow of the primacy of the House of Commons, or as saying that the House of Lords will be a rival to the House of Commons. This country's democratic problem is not neutered Government, emanating from the House of Commons, but under-scrutinised, under-accountable, over-centralised and over-confident Government.

Jacob Rees-Mogg (North East Somerset) (Con): In the first minute of his speech, the right hon. Gentleman said that the House of Lords would not be more powerful;

[Jacob Rees-Mogg]

in the fifth minute, he said it would be. I think that it would not be a bad thing if the House of Lords were more powerful, but we ought at least to recognise what we are doing.

David Miliband: I am sorry to disappoint the hon. Gentleman, but I have my speech in front of me, and I did not say that the House of Lords would not be more powerful. I made the logical point that the House of Lords could have a stronger voice in the nation's affairs; that it would not become a rival to the House of Commons, but that it could provide more effective scrutiny of legislation proposed by a Government elected to this House.

The problem in the current system of an over-centralised and under-accountable Government would be significantly reduced by an elected House of Lords. The simplest and most principled case is for a wholly elected House. It has my support. However, I do not accept the argument that the reservation of 20% of seats for independent voices, independently selected, torpedoes the purpose of reform. It is less pure than a wholly elected House, but it may be more practical. The argument that it creates a hybrid House is not strong, given the current composition of the House of Lords, in which the hereditary peers and the non-party peers are in a class of their own.

Let me conclude with some history, which addresses the point that the hon. Member for Hereford and South Herefordshire (Jesse Norman) made. I had the pleasure of writing with Lord Irvine of Lairg the 1997 Labour manifesto that committed the new Government to removing hereditary peers from the House of Lords. The wording was designed to pre-empt any queries from the other place on Salisbury convention grounds. However, we did not bank on the willingness of Viscount Cranbourne and his backwoodsmen to threaten the whole of the Government's programme if we proceeded with the abolition of all hereditary peers. That was the origin of the then Government's acceptance of the so-called Weatherill amendment, which reprieved 92 hereditary peers.

In speaking to the historic motion to remove some 650 hereditary peers from the Lords, Lord Irvine said that the compromise in respect of the 92

"would guarantee that stage two would take place".—[*Official Report, House of Lords*, 30 March 1999; Vol. 599, c. 204.]

One reason for its not taking place is that, until now, the Conservative party has been officially opposed to an elected House of Lords. However, the Conservative Opposition in the House of Lords in 1999, in reply to Lord Irvine, said that it was absolutely crucial that one amendment to the Bill should be a timetable setting out exactly when stage two would be put in place.

Twelve years on, we are still waiting, to the shame of all parties in this House. Many of us fear that the Deputy Prime Minister's Joint Committee will be another recipe for foot dragging. However, for the first time in centuries, the Conservative party has been dragged to support an elected House of Lords. Let us get on with bringing it about.

6.6 pm

Mr Mark Williams (Ceredigion) (LD): It is a great privilege to have the opportunity to speak in favour of the long overdue reform of the second Chamber. I welcome the publication of the draft Bill and the appointment of the Joint Committee. I am sure that its members, given their background, will do an excellent job of scrutinising the proposed legislation.

Although the draft Bill may not be the direct product of the joint discussions that have taken place so far, it reflects broad areas of agreement. I hope that, more importantly, there will be an opportunity for thorough pre-legislative scrutiny, to which hon. Members of all parties will contribute in order to make it successful. It is a privilege to follow the right hon. Member for South Shields (David Miliband), who reminded us that progressive forces operate on both sides of the Chamber.

As the draft Bill makes clear, those of us who are reformists do not want the new second Chamber to compete with this House, but to retain its role as a revising Chamber. However, it is important—and a fundamental principle for many of us—that Members of that House have legitimacy through an election. That is only way in which they can have legitimacy.

Perhaps the House of Lords has become marginally more legitimate with the abolition of the hereditary principle. The right hon. Gentleman rightly alluded to the fact that that was an evolutionary process. Attempts were made to remove all the hereditary peers in one go, but that could not be achieved and 92 remained.

Liberal Democrats passionately believe in a 100% elected Chamber, but we appreciate the opportunity for evolutionary change: 80%, with 20% appointed, must not be squandered—it is a huge step in the right direction. However, we must emphasise that this House retains primacy. As well as Members being elected for the single 15-year terms, we will have a different electoral system, which will ensure that power remains in this place.

Mel Stride: My hon. Friend makes the important point, as several others have done, that we must not upset the balance of power between the other place and us. Does he agree with the comments that Lord Ashdown made last Tuesday? He said:

"The fact that we do not have democratic legitimacy undermines our capacity to act as a check and balance on the excessive power of the Executive backed by an excessive majority in the House of Commons."—[*Official Report, House of Lords*, 21 June 2011; Vol. 728, c. 1190.]

Mr Williams: I do not understand what the hon. Gentleman means. I have great sympathy with my noble Friend's comments.

The Government's critics have mentioned a lack of pre-legislative scrutiny of other Bills, but that is precisely why we have set up the Joint Committee, which is about to undertake such work, and why it is important to have a robust House of Lords, which will continue its function in scrutinising legislation. As someone who worked in the other place many years ago, I understand the sort of detailed scrutiny that was undertaken.

The expertise in the other place has been mentioned. I must say that that debate is 20 years out of date. When I was there 20 years ago, I had the privilege of sharing an office with a former lecturer at the London School of Economics, a former chairman of the Independent Broadcasting Authority, a former chairman of the National Coal Board and a former Minister for the arts. The composition of that House is very different now. It is

dominated by people who have served in this place. Without being rude to those people, they spend a short time on the red Benches and go native.

Stephen Williams (Bristol West) (LD): Does my hon. Friend agree that the expertise of the other place is a myth, because in fact there are many elected experts in this House? Experts have nothing to be afraid of in standing for election to this House. They could gain legitimacy to add to their expertise.

Mr Mark Williams: I thank my hon. Friend for that contribution, with which I of course agree. I simply observe that the points made about expertise in the other place are largely historical ones.

When the House of Lords operates well, it can make significant improvements to legislation, as we have seen recently in the passage of the Public Bodies Bill. I would hazard a guess that that will be vastly improved when it comes here shortly. That scrutiny role is vital, which is why we need to be clear on the role and responsibilities of a reformed second Chamber. My hon. Friend the Member for St Ives (Andrew George) mentioned the codification of those roles in a written constitution, but as my right hon. Friend the Deputy Prime Minister said, that is not the direction in which we are going.

Despite what some Opposition Members have said, the Parliament Act makes clear the primacy of this House. However, we need to make it clear to the public, who may not be as engaged in the debate as some of us would wish, that we expect senators or Lords, or whatever the Joint Committee decides to call them, to have a very different role.

Doubtless there will be questions about the size of a second Chamber. In this climate, the Government are absolutely right to have a streamlined House with committed Members. In the 2009-10 Session, only 281 out of 792 peers attended more than 75% of sittings; 85 attended less than 10%; and 46 did not attend at all. We need to ensure that the membership of the House is large enough for it to function adequately, and so that it can provide members for all its Committees and ensure healthy debate. I am not sure whether the agreed number will be 300, but that problem needs to be addressed by the Joint Committee. Importantly, the draft Bill alludes to the statutory appointments commission and independent 10-year terms for commissioners.

There is a risk of competing mandates, which should be avoided. My experience of Welsh devolution and the National Assembly for Wales is that there is no problem of legislatures and those who make laws knowing about their responsibilities. However, 12 years on, public confusion on the role of MPs and AMs remains. Perhaps that will wane in time.

Thomas Docherty: The hon. Gentleman cites devolution. I am sure he accepts that in Scotland there has been constant mission creep by MSPs on to Westminster territory, leaving aside the Scotland Act 1998. What guarantees can he give us that this House will not experience such mission creep by the other place?

Mr Williams: I can give the hon. Gentleman no guarantees, but that is one concern that the Joint Committee will address. I accept that risk, and it needs to be addressed. There needs to be specific reference to the four or six senators elected in Wales in the first tranche not undertaking constituency duties, and not competing with MPs or AMs to get on to the front page of local newspapers. Again, that points to the importance, as the Deputy Prime Minister said, of having different electoral systems and different term lengths to suit the different roles. Those guarantees will come from that legislation.

Although Members of the second Chamber ought not to have a constituency role, it is important to elect representatives from the regions and nations of this country and to provide a guaranteed presence, to end the bias towards London and the south-east. We have had some notable peers from Wales—the list is endless—and many still function there, but critically, they have had to rely on the patronage of the Prime Minister.

This is an historic opportunity to give legitimacy to the second Chamber and to remove the power of patronage. I accept that I have not had a huge number of e-mails or letters on this subject, but as the right hon. Member for South Shields said, that is not a reason to ignore the reform proposals.

Simon Hart (Carmarthen West and South Pembrokeshire) (Con): Will the hon. Gentleman give way?

Mr Williams: I will not, because time is very short.

During today's debate, the proposals—*[Interruption.]* I anticipated being called to speak somewhat later—*[Interruption.]* I was about to say that the proposals have been characterised as a Bill. I would certainly lay that charge at noble Lords in another place. This is not a Bill but a draft Bill. There is much work to do, but it gives us the basis to develop a legitimate second Chamber which can undertake that scrutiny role. I was surprised that the Leader of the Opposition in another place described the proposals as a bad Bill. I sincerely hope that after the Joint Committee has finished, it will not be a bad Bill. She will have the opportunity to label it a bad Bill when the Committee's work is done.

The draft Bill represents a huge step forward, and I hope that progressives on both sides of the House play their part in developing reform. I hope that we are not subjected to a Michael Foot-Enoch Powell 1968 holy alliance that stops otherwise sensible reform.

Mr Deputy Speaker (Mr Nigel Evans): Order. I have never before heard an hon. Member complain about me calling them early, but there is a first time for everything.

6.16 pm

Graham Stringer (Blackley and Broughton) (Lab): I do not complain, Mr Deputy Speaker.

This is both a bad Bill and a half-baked Bill, and I shall certainly vote against it. It is not improvable in that sense because of the principles on which it is based. Admittedly, we are in strange territory with the new coalition, but some very strange policies and constitutional principles are coming out. First, in the name of democracy we are reducing the number of elected MPs and increasing the number of Members of the other place. That is pretty strange.

Secondly, the Deputy Prime Minister—I am sorry that he has left the Chamber—annunciates, as the basis of his support for many policies, that he can support

[Graham Stringer]

any policy he wants, even if it is in contradiction to his manifesto, because he did not win the election. Who ever expected the Lib Dems to form a Government on their own? He is saying that because they were not going to form a Government on their own, he can support any policy he wants, irrespective of what he said to the electorate.

Thirdly—this is a difficult but fundamental point—reform of the House of Lords was in the manifestos of all three parties. However, that means that there was no differentiation. The electorate could not choose to vote for one party or another on the basis of what was in a manifesto. We have just had a fairly ridiculous referendum between first past the post and the alternative vote, but how much more important are making fundamental changes by introducing a voting system and changing the balance of power between this House and the other place? Are we having a referendum on that? No we are not, even though the electorate had no choice during the general election.

Duncan Hames (Chippenham) (LD): The hon. Gentleman mentions the lack of differentiation in the manifestos, but in actual fact one manifesto called for a referendum on the subject—the manifesto was for a party that was defeated at the election.

Graham Stringer: The hon. Gentleman may not have noticed, but all the parties lost the election. Nobody got a majority.

What is the problem? Is the problem in our democracy really the relationship between this House and the other one? I do not think so. Where has all the power gone from these Houses of Parliament? It has gone to Europe. Depending on which area people are in, 60% or 70% of our legislation is now passed by Europe. The proposals do not deal with that, but it is one of the most fundamental problems.

Within the power structure of our constitution—I accept that a lot of that power has gone away—the problem is not the House of Lords but the Privy Council, the royal prerogative and the fact that there is no separation between Ministers and Members of the legislature, which is almost never talked about when we compare Parliaments. It is fairly unusual in Parliaments around the world for Ministers to be accountable to themselves within a legislature. That is a big problem, and one reason why there is less Government accountability than one might expect, so the arguments for it are second rate and do not deal with the main problem.

Most of the debate we have had today has been about whether these reforms would affect the primacy of the House of Commons. If we introduce a democratic element into the House of Lords, it is bound to undermine the primacy of this House for several reasons. First, what would happen if we introduced proportional representation—STV or any other form of PR? Some Members of this House believe that PR is a superior and more democratic system to first past the post. The electorate disagreed, but that is those Members' honest and openly held view. If we were to elect the other place by PR, it seems reasonable that they would then argue primacy.

Secondly, is it more democratic to elect people who never have to go back to the electorate who elected them and account for themselves? I do not think so. It is just a method of appointment. Democracy implies not only the ballot box, but accountability in terms of justifying which way Members have voted. Otherwise Members could vote any way they wanted without any consequences.

John Stevenson (Carlisle) (Con): In the election to this Chamber, someone could be elected on a Thursday night and on Friday announce to the world that they had no intention of seeking re-election five years later. Where is the accountability there, according to the hon. Gentleman's argument?

Graham Stringer: It is difficult to argue that the fact that individual Members of this House could say that they would not stand again is a justification for every Member in the other place never standing again. That would be a very odd argument to make.

My third point is one that the Deputy Prime Minister made a great deal of, and it is that the elected senators or Lords in the other place would never have a fresher mandate than we have in this place. However, that cannot be guaranteed. Even the Fixed-term Parliaments Bill contains mechanisms that allow for elections and one could still have elections twice a year, so we could get out of phase with the other place and their mandate would be fresher. They would then argue that they had primacy. I have never come across anyone standing for election who does not really believe that their view is the right view or who does not want to prosecute that view as hard as they can. Otherwise, why stand for election in the first place?

My final point is about how this House would assert its primacy if the other place were 80% or wholly elected. If legislation started in this place, it would be subject to the Parliament Acts. That process takes a long time and is of limited use. Further, some lawyers would argue that there are real difficulties with the second Parliament Act of 1949.

Much discussion and debate is not about legislation, but about policy. It is about secondary legislation, and some Conservative Members were pleased when the House of Lords overturned the decision of this House on a statutory instrument on the super-casino. That was not a principled issue of this House against the other place—people who did not like very large casinos voted against it, even though the primary legislation had been passed in this House. The House of Lords overturned a detailed decision—and that happened before they had elections.

I can see no situation in which an elected house would not want to have more power. That would mean that we would have less and we would not be dealing with the fundamental issues. These proposals do not deal with the biggest issues facing our society at the moment. International experience is prayed in aid of the Bill. In nearly every international case there is a written constitution, often set up by the British Government after wars or revolutions, when people have to define the various powers of the president, the legislature and the Government. We do not have such a constitution and the real fight in history has been between the House of Commons and the Government, of whatever stripe.

Unfortunately, increasing the power of the House of Lords is likely to reduce the power of the House of Commons and all elected Members to the benefit of the Government. That is why this is a very bad Bill.

6.25 pm

Oliver Heald (North East Hertfordshire) (Con): I agree with the hon. Member for Blackley and Broughton (Graham Stringer) that over the years power has gone from this place—to the EU, to the Government and to the devolved assemblies. It is important to bear that in mind, and the balance between Parliament, the Executive and those other bodies is something that we should debate in some detail on another day.

A respectable case can be made that the House of Lords works well. In recent years, we have had the issues of 90 days' detention, attacks on jury trials and the Legislative and Regulatory Reform Act 2006, which would have given Ministers the chance to overturn laws just by signing an order. On those occasions, the Lords came to the rescue of the country and did the right thing. It is an excellent revising Chamber and it does not try to rival what we do here. One has only to think of the contributions that people make there—we can point to Lord Heseltine, but I can think of other people who have gone from this place to the Lords, such as Lord Boswell, who is a member of the Council of Europe Parliamentary Assembly, and others who do a very good job. The mix in the Lords is something that would never be invented, with all those landed aristocrats mixing with the bishops, a dose of Labour trade union leaders—*[Interruption.]* Yes, that includes Tommy McAvoy and other former MPs. It does work.

My hon. Friend the Member for Bournemouth West (Conor Burns)more or less said, "If it ain't broke, why fix it?" But he suggested what I would call maintenance work—just servicing the vehicle so that it does not break down. Some changes could usefully be made, such as to the retirement age, and I personally believe that there is a case for a minimalist approach to voting. That is probably where I would fall out of step with my hon. Friend.

The last time we debated this issue fiercely—between 1995 and 1997—the background was the scandal of loans for peerages, as it became known. There was much concern that the method of appointment to the Lords was part of the problem. The right hon. Member for Blackburn (Mr Straw) had a working party—of which I was a member—and we looked at all the issues. There was a feeling that we wanted to keep the 20% made up of the great surgeons and lawyers and others who make such an important contribution, so we needed an appointed element, but for the political Members there was a case for election. That could be as minimalist as simply saying that at the general election people would get another vote for a party—Conservative, Labour or Lib Dem—and the seats would be filled from the parties' lists in that proportion. In many ways, it would be very similar to what we do now, but it would give an added respectability to the method of appointment.

Conor Burns: My hon. Friend is eloquently making the argument that we should consider a range of options, as we have done in the past. This House and the other place should consider a number of options, rather than just one, so I hope that the Minister will assure those of us with ideas for improving the system that we can look at a broad range of ideas, rather than just the one. There might be an argument for a small element of election, but I am not convinced.

Oliver Heald: I welcome that intervention, and I agree with my hon. Friend. In fact, when we came to the votes in 1997, an unclear picture emerged.

Chris Bryant (Rhondda) (Lab): The hon. Gentleman is 10 years out—I think he means 2007, not 1997. Is not the most bizarre element in the argument against any form of election the fact that 70% of the present House of Lords take a party Whip, and 85% of those who attend on a daily basis take a party Whip? Surely those people at least should be elected.

Oliver Heald: Yes, the case for election is this: it would give the appointment mechanism for the political element of the other place an added respectability. I agree passionately that we do not want to set up a rival Chamber. It is important that we do not run the risk of two people, both in Parliament, representing the same area, and one interfering with the work of the other. I do not think that would be satisfactory. I am gradually coming round to the idea of a national list system: a voter would decide at a general election whether they were Conservative, Labour or Lib Dem, and the lists would be devised in proportion to the votes cast. However, I am quite happy to agree with my hon. Friend the Member for Bournemouth West that we should consider a range of options. Some people say that we could improve selection.

Andrew Griffiths (Burton) (Con): Surely my hon. Friend would agree that a national list system would actually hand all the power back to political parties, which would put their placemen at the top of the list.

Oliver Heald: It depends how we view the people appointed under the current system. I happen to believe that the current system works pretty well but needs some maintenance. Those who think that the people appointed to the other place have been the wrong people, or that it has not worked well, might take a different view, but the benefits of a national list system are that it gives us elections, it does not create constituency rivalries and it recreates what we have now but in a way that has an elected element to it. It therefore answers one of the problems. It is just a thought, but it might be something to look at.

When we voted last time, in 2007, there was no clear outcome. There was actually a lot of support among Conservative Members for the status quo, and quite a lot of support among Conservative Members for 80:20. Then, at the end of the day, everybody—apart from me—voted for 100%. I am not sure why, but it was curious—

Chris Bryant: It was because of my speech.

Oliver Heald: It might have been, but I think it unlikely. I am not going to give the hon. Gentleman the credit because he mentioned 1997—or perhaps I did. What was I thinking? It was a terrible year.

[Oliver Heald]

I think that the Committee will do useful work. There are a lot of options to be considered, and I think we should show respect for the work of the other place, and the fact that it does an excellent job and has saved us when we needed it.

6.33 pm

Susan Elan Jones (Clwyd South) (Lab): Article 21 of the universal declaration of human rights declares:

"The will of the people shall be the basis of the authority of government; this will shall be expressed in periodic and genuine elections which shall be by universal and equal suffrage and shall be held by secret vote or by equivalent free voting procedures."

I cannot believe that in the 21st century anyone could seriously argue for a wholly or mainly appointed second Chamber. I believe that the nation should move to a 100%—or, if that is not possible, at least an 80%—elected Chamber. That the Deputy Prime Minister is fronting this charge should not prejudice us unduly. I, for one, would be pleased were we to see the end of that very British creation—peer creation. Under the Blair Government, the number of peers increased by 37 per year, but let us not forget that it was that Government who abolished 555 hereditary peerages—so a net reduction of 181. Under the Government of my right hon. Friend the Member for Kirkcaldy and Cowdenbeath (Mr Brown), on average 11 peers were added per year, but under this Prime Minister—the Prime Minister who wishes, by non-consensual methods, to abolish 50 Members of this House—the number of peers in the House has increased by 117.

Mr Andrew Turner (Isle of Wight) (Con): Is the hon. Lady aware that 50 of those were appointed by the current Prime Minister, and 54 by the former Prime Minister?

Susan Elan Jones: I would welcome the hon. Gentleman saying that he would support the consensual method for retaining the number of MPs. I thank him for that.

Let us consider where we are with the House of Lords at present. It is the second largest parliamentary Chamber in the world behind only—would you believe it?—China's National People's Congress, which has 3,000 members, and which meets for two weeks a year. It is not an upper Chamber. The House of Lords is the biggest upper Chamber of the 80 upper Chambers recorded by the Inter-Parliamentary Union, and the United Kingdom is the only bicameral country in which the second Chamber is bigger than the lower. It has been argued in this debate that somehow, as if by osmosis, the House of Lords works rather well. We have heard how it brings in the shy who would never stand for election—those rare creatures who suddenly, by osmosis, will find themselves in the second Chamber. I cannot accept that, and I cannot accept that we can seriously be thinking of any Chamber in this Parliament being predominantly or wholly un-elected.

The House of Lords reform White Paper plans to reduce the size of the Lords to 300 Members, but let us not forget the coalition agreement—even if, sometimes, the coalition partners do. The agreement states:

"Lords appointments will be made with the objective of creating a second chamber that is reflective of the share of the vote secured by the political parties in the last general election."

However, such proportionality might give us 86 more Tory peers and 99 more Liberal Democrats, and therefore a Chamber of 977 Members if no new Labour or independent peers were created. Some of the proposed transition arrangements to the new system would leave all the current peers alongside the new peers for several Parliaments, which would mean approximately 1,000 or more Members next door.

We have to go down the route of a more democratic upper Chamber. I would be slightly concerned to see 60 appointed Members. For all the good that the Bishops do as individuals, there is a case for giving the matter some consideration. I say that even though I am a member of the disestablished Church in Wales. We also need to consider whether the single term of 15 years allows proper electoral accountability. I was interested to hear that when the new Iraqi constitution was drawn up, the west commended it because it was democratic. There was a strong commitment to elections, but there was no mention of an upper House, and there was certainly no mention of an appointed Chamber. It is extraordinary that as so many countries around the world are exploring democracy—just think of the middle east—we are sitting in this House and seriously suggesting that there can be any merit in a wholly or mainly appointed second Chamber. The modernisers need to speak in this place for a new and modernised pluralistic Britain.

6.38 pm

Andrew Griffiths (Burton) (Con): Thank you for calling me, Mr Deputy Speaker, in this important debate. By speaking today, I am breaking a little pledge that I made to myself: I assured myself, when I was elected just over a year ago, that rather than be tempted to speak in every one of the interesting and exciting debates that we hold in this Chamber, I would limit myself to those debates concerning a particular constituency issue, or where my constituents were particularly concerned. I wanted to be the voice of the people of Burton and Uttoxeter, and in order to do that I was going to champion their views in Parliament.

By speaking in this debate, I am breaking that pledge, because not a single constituent has contacted me to discuss Lords reform. Not one e-mail, either pro or anti, not one telephone call, not one letter and not one person attending my surgeries has brought the burning issue of Lords reform to my attention. That is why I am so concerned to speak in this debate, because not only has that not happened in the past 12 months of my being an MP, but it did not happen in the previous four years, when I was busy knocking on doors and kissing babies as a parliamentary candidate. Indeed, in the 10 or 20 years that I have been an active member of the Conservative party, campaigning regularly, nobody has ever raised the issue of Lords reform with me.

Dr Julian Lewis: In support of what my hon. Friend is saying, let me point out that in response to a Liberal Democrat comment in *The Southern Daily Echo* in favour of House of Lords reform, I wrote an entire column saying why the House of Lords should remain appointed and not be elected in any way, shape or form. Not only was not a single blog post or letter of dissent directed towards me, but nothing was put in the paper, which only goes to show what a non-issue this is, in either direction, for the electorate.

Andrew Griffiths: I could not agree more with my hon. Friend. He makes the exact point that while we are devoting valuable time in this Chamber to the subject—we will devote more time to this discussion over the coming months and probably years—our constituents want us to talk about things such as employment.

Andrew Percy: I want to ask my hon. Friend whether anybody in his constituency had ever written to him about fixed-term Parliaments or the electoral system, and whether he voted for those Bills.

Andrew Griffiths: I cannot agree with my hon. Friend. In fact, I have received quite a lot of letters about fixed-term Parliaments. Most of them came from Liberal Democrat activists who wanted me to vote in favour, so that point is not quite right. The reality is that our constituents want us to spend our time in this Chamber producing legislation that will have an impact on the things that matter to them. They want us to talk about jobs, the economy, schools and the health service. Above all, they want the legislation that comes out of this place to be the best possible legislation with the best chance of making the kind of difference that they want.

Conor Burns: When my hon. Friend and I were candidates knocking on people's doors during the previous Parliament, does he recall the number of people who raised with us subjects on which the House of Lords was expressing their opinion and who urged this place to think again?

Andrew Griffiths: I concur with my hon. Friend. We heard earlier about a number of issues that the other place has led on, saving the nation in many respects. I commend wholeheartedly not only the work of the other place, but my hon. Friend's earlier speech. My speech will be considerably shorter, because he covered many of the things that I want to say, and he did so more passionately and more eruditely.

Simon Hart: If one of my hon. Friend's constituents was unlucky enough to flick over from the tennis this evening and instead watch him in action, what does he think their reaction would be? Does he agree that this debate simply contributes to the idea that what we do here is quite often irrelevant and a vast distance away from what we should be doing?

Andrew Griffiths: As my hon. Friend is, like me, a member of the Select Committee on Political and Constitutional Reform, he will know how passionate we both are about political and constitutional reform. We want to see a better Chamber and a better politics come out of this place, but all too often we are navel gazing by talking about the things which turn us on as political anoraks, but which have no impact whatever on the general public and voters at large.

Jesse Norman: Does my hon. Friend share my view that the process of scrutinising the Bill is likely to take days, if not weeks, of parliamentary time? Does he also share my view that it will be impossible to account to the electorate for how that time was spent when there is a fire in the economic engine-room?

Andrew Griffiths: My hon. Friend is absolutely right. We should focus on the issues that matter to our voters. I return to the original point: we are here today to debate the future of another place. Fundamentally, we should be asking ourselves what we want it to do. What is it there for? Fundamentally, it is there to improve the legislation that we put before it. It is there to polish—I remember the phrase, "You can't polish"—*[Interruption.]* I cannot remember the end to that phrase. The House of Lords is there to improve the legislation that we send to it. It is a revising Chamber. It is there to scrutinise the work that we do.

Among all the people in this debate, both for and against—those in the other place, Ministers and experts—absolutely nobody has suggested that the other place does not do a good job in scrutinising the legislation that is put before it. To repeat the saying that has been used so often, "If it ain't broke, why fix it?" One of the reasons why the other place works so well is the experts contained within it. We have heard from some people who suggest that perhaps that point is out of date, but when I look at the quality and the level of the debate that takes place in another place—

Chris Bryant: Have you been there?

Andrew Griffiths: I have indeed, on many occasions, and I suggest that the hon. Gentleman examines the quality of some of the debates that take place there.

Chris Bryant: Sometimes the Lords have excellent debates, but quite often they do not. I remember a debate on the Communications Act 2003 in which several hon. Members down that end of the building spent all their time talking about black and white television licences. Honestly, sometimes their expertise is rather out of date.

Andrew Griffiths: The hon. Gentleman is an assiduous attender in this Chamber. If he can honestly say that he has never heard anyone make a spurious speech or move away from the point in any of the debates that he has attended, he has obviously not been to some of the debates that I have sat through in the past 12 months.

Oliver Heald: I do not know whether my hon. Friend agrees with me, but one can go to a debate in the other place and hear Lord Pannick, a top lawyer, talking about the detail of a legal issue, or Lord McColl, a wonderful surgeon who has been involved in Mercy Ships. There is some marvellous knowledge there.

Andrew Griffiths: I should throw away the rest of my speech, because my hon. Friend has hit the nail on the head. The quality of the debate in another place is so high, because of the experts there. When another place has a debate on the NHS, it can rely on the comments of people such as Lord Winston. When it debates the economy, it can rely on captains of industry, ex-chairmen of the CBI and people who have taken small businesses and turned them into nationally successful businesses. When Members in another place talk about sport, they can listen to the views and opinions of a number of gold medal winners. Those are the kinds of people who are best placed to polish and improve the legislation that this place sends to it.

[Andrew Griffiths]

I have taken a number of interventions, and I will now draw my speech to a conclusion. We should return to the central point, which is that we wish to send the best possible legislation from this place, with the best chance of improving the lives of our constituents. The contribution that the other place makes to that is crucial.

6.48 pm

Sir Stuart Bell (Middlesbrough) (Lab): I will not follow the hon. Member for Burton (Andrew Griffiths), but I will refer to him later in my speech.

The first ghost that I should like to lay to rest in this debate is the ghost of manifesto commitments past. It is a well known and well subscribed to constitutional position that the sovereignty of Parliament lies in the fact that Parliament cannot bind its successors. It follows that it cannot be bound by its predecessors. The point was made by the Deputy Prime Minister in response to a question from the Opposition Benches. The hon. Member for Bournemouth West (Conor Burns) has also referred to it, as have my right hon. Friend the Member for South Shields (David Miliband) and my hon. Friend the Member for Blackley and Broughton (Graham Stringer). Thus, the vote in the last Parliament that there should be an elected second Chamber on the basis of 100% elected Members does not bind the present Parliament. That was the point made by my hon. Friend the Member for Huddersfield (Mr Sheerman) and by the hon. Member for North Wiltshire (Mr Gray). Nor, I should add, are manifesto commitments binding when entered into by a party that has lost the election. Were that to be otherwise, I would have fought successive general elections on a 1983 manifesto commitment unilaterally to disarm our nuclear deterrent and to withdraw from the European Economic Community.

If a manifesto commitment is supposedly written in stone by the Labour party, which lost the election, why is the party carrying out a review of all policy—a review that is taking place over a year? My right hon. Friend the Member for Tooting (Sadiq Khan) tried to put forward a position for the Labour party as best he could, but he did nothing other than put forward a position that was entirely his own. It is not the position of the Labour party, and only when the Labour party comes out with its review at the end of the year will its position be clear. Otherwise, what is the purpose of the review? Why have it and waste one's time. Why have a review on a policy when we already have one? How can that be?

The lack of logic on the part of my Front-Bench team is astonishing. *[Interruption.]* Any manifesto commitment by the Liberal party might have— *[Interruption.]* My hon. Friend the Member for Rhondda (Chris Bryant) makes a sedentary intervention. He was a great supporter of the alternative vote, and we know where that went. He now says he will commit the Labour party to a 100% elected Senate. I can tell him now that if he wants to divide his party, he should go ahead. We almost divided the party on the alternative vote—that did not happen thanks to those who supported the "No to AV" side, as we kept our heads down when the leadership supported AV. If my hon. Friend is telling the House that the Labour party has a commitment that it does not have for a 100% elected Senate, he will split the party. It is as simple as that.

Chris Bryant: My hon. Friend knows that in political parties there are quite often issues that divide. One such issue is Europe, although he and I are on the same side on that. When it comes to the House of Lords, this policy was not devised without reference to party members; it went to a national policy forum, which increased the percentage from 80% to 100%. Until such time as our policy changes, that is our policy.

Sir Stuart Bell: It is not our policy, and my hon. Friend would do well to realise it. He replied to the Parliamentary Secretary, Cabinet Office, the hon. Member for Forest of Dean (Mr Harper) about debates in the other place. I will write to my hon. Friend, so he can read last week's debate and the statement made by Baroness Royall, which said that the Labour party is divided on this issue. Whatever forum made an agreement, it does not bind the party until we come out with a new set of policy commitments, which will not take place before the end of this year. I can tell my hon. Friend now that if he wants the Labour party to go down the road of having a 100% elected Senate, he will not have my support.

Conor Burns: The hon. Gentleman makes the point that the Labour party is divided on this issue, but so is every party. That is why this issue has always been subject to a free vote in previous Parliaments. Does he agree that the coalition should be encouraged to do the same this time?

Sir Stuart Bell: We have to be careful about free votes, because one does not know where they will end up. *[Interruption.]* My hon. Friend the Member for Rhondda has made a series of remarks from a sedentary position, which I heard and which I will not forget.

Chris Bryant: What?

Sir Stuart Bell: My hon. Friend knows what they were, and I will not forget them.

Chris Bryant: I did not say anything.

Sir Stuart Bell: Yes, you did.

Stephen Pound (Ealing North) (Lab): As ever, my hon. Friend has been illuminating the House from a position of great wisdom and experience. When he talks about parties being split, however, does he not accept that the Labour party might be split on the detail, the minutiae and the sub-clauses of the Bill, but that there is absolutely no man, woman or child in the Labour party who is against the principle of House of Lords reform in some way, shape or form?

Sir Stuart Bell: I would have reached that part of my speech, if I had not been interrupted from the Labour Front Bench by my hon. Friend the Member for Rhondda. Of course we want reform of the House of Lords. The noble Lord Steel has proposals for the reform of the House of Lords. If it is a question of reforming the House of Lords, the proposals are already there. Why go to the expense when even the Deputy Prime Minister—he made an eloquent contribution today and the other day—cannot quantify the cost of a new House of Lords or Senate, as it will become.

Mr Harper: The hon. Gentleman has explained the difficulties with the Labour party's position. Given that he voted in 2007 for an 80% elected House of Lords, will he confirm whether that is still his position?

Sir Stuart Bell: I certainly voted for an 80% elected Upper Chamber, but never on the basis of proportional representation—never! A number of votes were taken on that occasion, but Members who were present at the time know that they were no more than wrecking votes or wrecking amendments. *[Interruption.]* My right hon. Friend the Member for Tooting voted for every motion put to the House that night. *[Interruption.]* He said so earlier.

Mrs Laing: Does the hon. Gentleman agree that he and every other Member has the right and the privilege to change their mind as circumstances change and that whatever the right hon. Member for Tooting (Sadiq Khan) did or voted for in the past, he is entitled to vote for something completely different today?

Sir Stuart Bell: Just as Parliament does not bind its successor, I do not bind myself by a vote that took place in the previous Parliament.

Constitutional issues are the most important issues that the House faces tonight and that it will face in the future. The Deputy Prime Minister has said that this is a constitutional Bill, and he referred to it as such again tonight. It is so constitutional that it passes by the prerogative of the Whips, who cannot control how this House will vote when it comes to the abolition of a third of Parliament, as we understand it. Parliament, as we understand it, consists of the monarch, the House of Lords and the House of Commons. If we talk about democratic deficits for the Lords, when are we going to get around to the democratic deficits for the monarch? *[Interruption.]* If the Liberals wish to debate the democratic deficits of the monarch—*[Interruption.]* They should not say no. I am not going to see it in my generation, but future generations might see it.

I have witnessed anti-establishment of the Church of England views being put by Labour Members seeking the disestablishment of the Church through this constitutional debate. The time might come when someone says that there is a democratic deficit for the elected leader of this entire country. As I have said, these issues of constitutional importance cannot be dealt with by Government Whips or by a whipped vote on the Opposition side. The established Church has hardly been mentioned, but this is the reason why I have never voted for a 100% elected upper House. The established Church is part of our constitution. It is in every interstice of our life throughout the parishes of the land, and the Queen is head of the Church and Head of State. To start dismantling the established Church and to take away a third of the Parliament—and to keep the name of the House of Lords, when it will really be a Senate—is all part of the Government's obfuscation, and they are being helped by my own Front-Bench team.

There will be a battle royal on this issue. If the Government wish that, so be it. If the Labour party wants to go down the road of proportional representation to allow the Liberal Democrats and their friends on our Front Bench to achieve for the second Chamber what they could not achieve for the first, it can count me out.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Nigel Evans): Order. To assist the process of more Back-Bench Members contributing to the debate, the time limit is reduced to six minutes, but injury time for two interventions remains.

6.58 pm

Mr David Ruffley (Bury St Edmunds) (Con): The draft Bill before us is not the solution to a 100-year-old problem, but it might be the precursor to many new problems being introduced into British politics. From it could spill unintended consequences: first, that the upper Chamber will become a less good scrutinising body; and, secondly, that the primacy of this Chamber will be fatally undermined.

The Bill assumes that the upper House's composition should be decided predominantly by universal suffrage. I was struck by what the hon. Member for Middlesbrough (Sir Stuart Bell) said. The reductio ad absurdum is that if this concept of closing a democratic deficit by having a universal suffrage franchise is adopted, it could result in the election of a head of state. I do not think that any Conservative Members are interested in that, but that is what we are dealing with.

The Bill's proponents seem to be saying that because universal suffrage is good enough for this Chamber it must be good enough for the upper Chamber, but the upper Chamber does something radically different. It revises, it amends, it delays Bills to make us think again in extreme cases, and it has no control over money Bills. Because of its very nature, however, that revising Chamber requires a different set of talents.

We heard eloquent speeches from my hon. Friend the Member for Bournemouth West (Conor Burns), my hon. Friend the Member for Burton (Andrew Griffiths) and others about the unique contribution that men and women with skill, experience and expertise bring to the process of revising and amending measures that we send them in order to make them better. I know many individuals with such talent and experience who speak and revise well in the upper Chamber, and they would not stand for election. Distinguished medics, Nobel prize winners and members of the arts community would simply not put themselves through the process.

Gavin Barwell (Croydon Central) (Con): Will my hon. Friend give way?

Mr Ruffley: I will, very briefly.

Gavin Barwell: I have a great deal of sympathy with what my hon. Friend is saying. I have had a chance to review all the appointments to the House of Lords since the general election. What proportion does my hon. Friend believe to fall into that category of independent-minded people who have never stood for election and have no party-political involvement?

Mr Ruffley: So many people are being appointed nowadays that I would not hazard a percentage, but I will deal with the point about nominations later.

David Mowat (Warrington South) (Con): Will my hon. Friend give way?

Mr Ruffley: I want to make some progress.

It seems that we are being required to duplicate the mandate of this House, but why should we do that, particularly when it would lead to confusion and conflict? As night follows day, elected Members of an upper Chamber would be able to claim as much legitimacy as Members of this House. [HON. MEMBERS: "No!"] An elected Lord, from my party or any other party, would be entitled to turn up in my constituency, or any Member's constituency, claiming that he had a mandate on almost any issue he chose. What would the public make of that, and what kind of mandate would it be? Would it be based on proportional representation? There are two problems with that. First, any kind of electoral reform was—the last time I looked—rejected fairly decisively by the British people in a referendum earlier this year. Secondly, as I think my hon. Friend the Member for Burton observed, the system would be the creature of party machines—dare I say it, Whips—who would ensure that, on a national or regional list, troublemakers, perhaps independent-minded existing peers, were not placed on such a party list.

David Mowat: Will my hon. Friend give way?

Mr Ruffley: I want to make some progress.

The final objection to such a system, of which we have heard much today, is that an elected peer would be elected for a 15-year term, and during that period would be accountable to no one. Even on its own terms, the democratic argument seems defective.

According to the White Paper published earlier this year,

"The Government does not intend to amend the Parliament Acts or to alter the balance of power between the two Houses of Parliament."

I must say, with respect, that that utterly misses the point. A democratised upper House would be stronger, and would have its own view about the balance of power. Once the power has been given to them, what Ministers "intend" is irrelevant. The Minister has said that there would be no change in the balance of power. How precisely does he intend to enforce that?

Jesse Norman: Is my hon. Friend as concerned as I am by the example of Scotland? Although Mr Salmond has no mandate to call a referendum on Scottish independence, it seems absolutely certain that he will do so in the next two to three years.

Mr Ruffley: That is an excellent point. We heard some sensible observations along those lines from other Conservative Members earlier. It would be a case of mission creep. It is not something that anyone would specifically intend and it would not be explicit in a Bill, but it would be implicit in the granting of powers to a new set of elected individuals who would claim legitimacy and a democratic mandate. I ask again why we should wish to duplicate the mandate that elected individuals have when those individuals are here, in this Chamber?

When it was studying the upper House, the Joint Committee on Conventions said that if the conventions between the Houses were to change—which would be inevitable if there were elections to the upper House—all the conventions and Acts involved in their relationship would have to be examined again. Will the Minister undertake to re-examine the conventions and Acts governing the delicate balance between this Chamber and the upper House?

Many of us are not luddites. We know that practical reform of the upper House could be effective in certain respects, and could make it more efficient. My hon. Friend the Member for Bournemouth West gave us a flavour of some of the changes proposed by Lord Steel, who suggested the establishment of an independent commission that would limit the number of peers. He also suggested that the 92 hereditaries, as and when they died off, should not be replaced, and that peers who did not attend for a defined period should lose their right to speak and vote, as should those who committed serious criminal offences.

I consider it unacceptable, in this day and age, that in the last year 137 peers did not table a question or make any contribution to debates in the upper House. We can change that, and we can do so along sensible, practical lines that most Members of both Houses would sign up to tomorrow. The upper House should not be pickled in aspic—we should not be luddite in any way—but, although it can be improved, the Bill is not the way in which to do that. We fumble with the rich and delicate texture of our constitution at our peril, and we should beware the law of unintended consequences.

7.7 pm

Paul Murphy (Torfaen) (Lab): Before the Minister leaps up and tells me how I have voted on various debates on the House of Lords over the years, let me say that, like my right hon. Friend the Member for South Shields (David Miliband), I eventually voted for a 100% elected House, but for very different reasons. According to a rather bizarre tactic—I must confess that I did not quite see the logic of it—if I voted for that, the establishment of a directly elected House of Lords would somehow be prevented. *[Laughter.]* There it is; we were told that at the time.

Nevertheless, I want to put on record that I do not believe in a directly elected House of Lords. I am not attracted to the idea because I believe that we would elect a rival to this House of Commons, and I do not think that we would have a revising Chamber anywhere near as good as the one that we have now, although I do believe that there is a strong case for reforms of the House of Lords as it stands.

A Member mentioned Australia earlier. The lower House is elected by alternative vote—that is another story—and the upper House by single transferable vote, but over the years there have been serious differences of opinion and almost gridlock between the two Houses on various issues such as climate change. That could well occur were the upper House in this Parliament to be elected. The Prime Minister's tutor Vernon Bogdanor, who recently wrote a book on the coalition and constitutional change, has said that in the event of disputes between the two Houses,

"a directly elected second Chamber would decrease, not increase, the power of the voter, by insulating Parliament even further from the voter than it is already."

I am not persuaded in that regard.

The hon. Member for Ceredigion (Mr Williams) and others have observed that the House of Lords does not contain the sort of expertise that it might have years

ago, and that today it is packed with place-people from various parties. I am not sure that I agree with that. In last week's debate in the other place, Lord Howe of Aberavon cited contributions to a debate on the national health service by

"two former deans of university medical schools, a practising dentist, a consultant obstetrician, a consultant paediatrician, a former GP, a former professor of nursing, a former director of Age Concern and the president of Mencap."—[*Official Report, House of Lords,* 21 June 2011; Vol. 728, c. 1195.]

I do not believe that a House of Lords whose Members were elected in the way suggested could provide such expertise.

Conor Burns: Does the right hon. Gentleman agree that even if the number of experts diminished over time with the increased number of appointees, that would be an argument not for the abolition of the House of Lords but for returning to having more people of expertise appointed to the House of Lords?

Paul Murphy: It is an argument for reform, not abolition. The bishops are another case in point. I am a Roman Catholic, not an Anglican, but I believe that the bishops of the Church of England offer a tremendous amount of expertise and experience to Parliament, and that they should still be Members of the House of Lords.

Duncan Hames: Does the right hon. Gentleman think that bishops voting in the House of Lords adds in any way to the expertise they are able to offer through what they say in that Chamber, and might they find it easier to remain in that Chamber if they were to desist from taking part in Divisions?

Paul Murphy: That is possible; obviously, such matters would have to be addressed.

Whatever our views about the Bill, I have to say to my Front-Bench colleague, my hon. Friend the Member for Rhondda (Chris Bryant), that I entirely agree with the Opposition Front Bench on a number of points—for example, a 15-year term of election is completely dotty. I hope that will be reconsidered, because it would give Members a long time in the other place without any proper mandate. As they are to be paid and their job will therefore be a profession, most of them will, presumably, be about 51 years of age upon election now that the pension rules have been changed, so that they can retire at 65. I hope that that proposal will be jettisoned, therefore.

I want to conclude with a few comments about process. When this House considered the constituencies Bill, the coalition was not a bit interested in consensus. Every time contributors to the debates both here and in the other place talked about the need for major constitutional changes to have a bedrock of consensus, the coalition Government refused to take any notice, but now that they want their way on the House of Lords consensus is the order of the day. I wonder whether this is a consensus of convenience, therefore. I believe that my own Front-Bench team should be rather sceptical about a Joint Committee and about being drawn into a consensus that in my view is convenient. We should not be gulled by that, and I think this particular constitutional change needs more than a Committee; it probably needs a royal commission to deal with it, rather than a Committee of politicians. Whatever sort of body it is, however, we must be very careful.

In all the years I have been a Member of this House, there has been a free vote on reform of the House of Lords. That should be the case whatever the manifesto commitments—and I agree with my hon. Friend the Member for Middlesbrough (Sir Stuart Bell) that our manifesto commitment fell when we lost the election—and whatever the policies of the parties. Over the years, there were manifesto commitments and party principles and policies, but there was always a free vote for all the parties in this House of Commons and in the other place, and I believe that there should be a free vote on this issue.

Finally, I wish to raise the referendum issue. Some 100 years ago when the then Liberal Government introduced their first reform of the House of Lords, there was, to all intents and purposes, a referendum in that there was a general election on a single issue: whether the House of Lords should be reformed. Therefore, it is completely logical that we, too, should have a referendum on reform of the House of Lords. We had a referendum on whether we should remain a member of what was then known as the Common Market. We had referendums on elected Assemblies in Northern Ireland, Wales and Scotland. We had a referendum only this year on whether the powers of the Welsh Assembly should be extended—they were—and we also had a referendum on the alternative vote.

Lord Ashdown referred in his speech in the other place and in *The Times* today to people who hold my views on the matters under discussion as war horses, and to those who agree with me on the alternative vote as dinosaurs. Whichever animals we might be, the dinosaurs won the argument with the people on the alternative vote, and the war horses have the following in common with the dinosaurs: we want the people of this country to decide the constitutional future of this country in respect of the House of Lords, so let us have a referendum on this Bill.

7.15 pm

Dr Julian Lewis (New Forest East) (Con): May I start by warmly endorsing that suggestion, although I am afraid that a referendum would result in the triumph of hope over experience? I fear that the knowledge that this proposed reform of the House of Lords to a primarily elected or all-elected Chamber would not get past a referendum ensures that no referendum will be offered to the British people.

I have been trying to think of what I might contribute to this debate that has not been said before and that might not be repeated subsequently, and in the end I have come up with a little personal experience, which I hope the House will indulge me in discussing. It has often been my silent boast to myself that I did far more in affecting legislation before I became a Member of Parliament than I have managed subsequently. In fact, I have only once managed to affect legislation going on to the statute book since I was elected to this House in 1997, and that was over the issue of MPs' home addresses not being made public in response to freedom of information requests. I was able to win that change only because the then Labour Government had the decency to give the House a free vote.

[Dr Julian Lewis]

I influenced legislation on three occasions prior to becoming a Member of this House, however, thanks to the House of Lords and the way in which it functions. The first of the three occasions was to do with the Trade Union Bill of 1984. The then Thatcher Government did not propose to make postal ballots for trade union elections compulsory. The issue was passionately raised in the House by Conservative Back Benchers, and most prominently by my hon. Friend the Member for Gainsborough (Mr Leigh)—who was in the Chamber until very recently but has sadly slipped out just at the wrong moment—but their arguments were brushed aside. In the House of Lords, however, an amendment that trade unions should conduct their elections by postal ballot rather than the raising of hands in unrepresentative branch ballots was discussed in great depth and at great length, and that amendment was carried on the strength of the argument. Of course, there was no question of that surviving into legislation without the agreement of the democratically elected lower House. Precisely because Members in the upper House had recognised the strength of the argument and had taken the trouble to amend the Bill, when it came back to the lower House, although the Government did not accept the amendment in full, they at least made a determination that trade union postal ballots should become the norm. In subsequent years they did not become the norm, however, so in 1988 that measure was brought in against that test, which would not have been in place but for the intervention of the upper House. Subsequently, trade union postal ballots were made compulsory in the 1988 Act. My hon. Friend the Member for Gainsborough has now returned to the Chamber, having just missed my recent reference to him.

The second campaign was to do with the fact that in the 1980s many ideological disputes and divides were finding their way into the school classroom. Once again, we could not get an amendment considered seriously in the lower House, but it was taken very seriously in the upper House. The Bill that became the Education Act 1986 was amended in the upper House to ensure that political issues were raised in the classroom in a balanced and responsible way. When the Bill returned to this Chamber, the amendment's merit was recognised and it was kept.

Finally, the same thing happened with the Bill that became the Broadcasting Act 1990. Questions of due impartiality for politically controversial subjects were enshrined in law as a result of changes made in the upper House.

The whole point is that in the upper House there are not only experts but people who can make changes to Bills that would be whipped out of existence if they were introduced in the lower House. If we go down the road of having a fully elected upper House, we will simply increase the number of Members of Parliament by a total of 300. They will be whipped in that place in the same way as they are in this place and the prospects of their being able to make changes that will survive the process in the democratic lower House will be lost.

Gavin Barwell: I am partly giving my hon. Friend an opportunity to finish his argument in the time allowed to answer my intervention, but I also ask him to consider the model in the draft Bill, which is 80% elected and 20% appointed. That does not seem, at least from the study I have done of the appointments since 2010, to be that different from the ratio in the upper House at the moment between political appointees and those who might be classified as independent experts. Why does he think there is a danger with the 80:20 model?

Dr Lewis: My hon. Friend makes a fair point, which was made by Lord Ashdown in his article in *The Times*. He said:

> "As for wisdom versus democracy, well I concede that there is a reservoir of expertise in the Lords."

He went on to say that

> "maybe we should preserve this 20% if they are independently appointed",

much though he would prefer to follow the 100% model.

On the question of experts, nobody is denigrating the potential expertise of people who become party political professionals when they enter this House. I am not saying that the average level of intelligence or articulateness in this House, whatever people might think, is lower than the average level of the same qualities in the other House, but the fact remains that those of us who chose in our 30s or 40s to become professional politicians gave up the chance of reaching the pinnacles of expertise that we might have reached if we followed other careers. If we make the proposed change, we will find that people who reach the pinnacles of their profession will no longer be part of the legislative process and that will be our loss.

7.22 pm

Mr Pat McFadden (Wolverhampton South East) (Lab): After many years of debate on this issue, it might be thought that there is little new to say. It is important, however, and the first thing we should do is leave aside the argument that because the subject is not raised very often on the doorstep and because other pressing issues face our nation we should somehow set it aside. If we took that view, we would never carry out any constitutional reform, so I do not think it should be the starting point for the debate.

The debate is important because in the past the House of Lords has been at the heart of sometimes titanic struggles with the Commons. If we look at our history, we can see that the Lords stood for old interests and old power. That is less so today, but historically it was true. When the great reforming Labour Government were elected at the end of the second world war and there were practically no Labour peers in the House of Lords, they felt the need for the Salisbury convention, which said that the House of Lords would not oppose manifesto commitments carried through by the elected Government of the day.

The discussion about reform always starts with composition and percentages. Indeed, as we have heard, when we discussed this matter a few years ago we had a series of votes on the percentages—20%, 40%, 60%, 80% and so on—with little discussion about the relationship between the two Houses.

The first point to be made about the argument on an elected Parliament is that we already have a 100% elected House of Commons. The discussion often takes place as though the House of Commons does not exist, but

that must be the starting point for debate. It is a crucial part of our democratic system that general election day is the decisive democratic moment for the country. That is valued by the voters and if anyone doubts it, they need only look at the referendum result a couple of months ago.

The second and closely related flaw in the traditional argument is the assumption that we can change the democratic legitimacy of the upper House and nothing else will change. The Government's document and draft Bill repeat that assertion, and clause 2 states:

"Nothing in the provisions of this Act...affects the primacy of the House of Commons".

It is simply not possible, however, for a second Chamber to be elected without the power relationship between the two Houses being changed. There is no way that politicians elected to the second Chamber will not do their job by asserting themselves and claiming the authority that comes from democratic election in doing so. I have some experience of such reform as an adviser during Labour's first term of office, when we removed the bulk of the hereditary peers. Even that fairly minor reform was responded to with the threat that from that moment on, the Salisbury convention would be taken off the table. If that was the response to a fairly minor reform, there will also be a similar response to a much more far-reaching reform, such as the one under discussion.

We can decide whether we want a second Chamber that is 80% or 100% elected, but we must also follow the logic of that argument. This is not a cosmetic change. After all, what would be the point of asking the public to take part in elections for the second Chamber if they did not really matter? They will matter. An elected second Chamber would mean a recasting of the relationship between both Houses and would certainly claim greater legitimacy and alter the nature of general election day in the future. Some Members may welcome that, as my right hon. Friend the Member for South Shields (David Miliband) did earlier, but let none of us deny that it will be the case.

There are other consequential changes, some of which are discussed in the Government White Paper, to do with pay, pensions and so on. I do not believe that they are fundamental and I think we should take the decision on its merits, not by adding up the cost of a Member of the House of Lords or House of Commons. I mention in passing that the Government will give this elected second Chamber the gift of the Independent Parliamentary Standards Authority, and I wish its future Members all the best with that relationship.

There is one difference between the proposals and the situation for Members in the Commons and that is that the second Chamber will be given democratic legitimacy but not accountability, because of the single 15-year term. The accountability that informs us daily will not inform the Members of the second Chamber.

The second Chamber is in need of reform. It is too big and too many people do not turn up, and we ought to be able to do something about such things. There is also the question of the separation of peerage and membership of the House of Lords. I do not stand here opposed to all reform, but I do say that although Parliament can choose to have an elected second Chamber, we must follow the logic of what that will mean. If the Government say that such an alteration will not change the relationship, they will have to do far more in their Bill to ensure that that is the case.

7.28 pm

Mr Edward Leigh (Gainsborough) (Con): It is a pleasure to follow the right hon. Member for Wolverhampton South East (Mr McFadden) and I think I agreed with virtually everything he said. There have been some outstanding independent-minded speeches from hon. Members on both sides of the Chamber, including three excellent speeches: the last speech and those made by the hon. Member for Middlesbrough (Sir Stuart Bell) and the right hon. Member for Torfaen (Paul Murphy). I agree with them all. It is a bit of a pity, if I might say so, that the Deputy Prime Minister did not stay for longer, because this is an important constitutional issue. I know that a lot of people in the Dog and Duck are not very exercised about it, but why should they be? It is an important debate and it is important that the Government should listen to it. I know the Minister is listening. Virtually every speech we have heard has been thoughtful and very critical of the proposals and it would be highly regrettable if the changes were forced through on a three-line Whip. I believe that the House of Commons should consider all the options very carefully and by all means come to some sort of compromise, but it would be regrettable to force this through on a three-line Whip, with people who have taken no part in the debate, who perhaps have very little interest in it and who have their careers to look after, being poured in, especially given that the proposal was not in a manifesto. Let us consider that.

I sympathise with the Deputy Prime Minister in a sense, because he has an impossible task. In the absence of a written constitution he is trying to create an elected second Chamber that is not a rival to the House of Commons, but that is a virtually impossible task. He has therefore come up with the idea, which was well summed up by the right hon. Member for Torfaen as "dotty", of electing people for a single, 15-year term. We really have to kill that idea; I am not aware of any other major legislature in the world that does that. The points have been made again and again, so I do not need to repeat them. Those people will be elected but unaccountable, and what sort of life will they lead if they are in the House of Lords for 15 years and never have to stand again? Is the senator for the east midlands, which is a vast area, really going to want to go and talk to Poverty Action in Nottingham on a rainy Saturday night, or to their local party in Leicester on a wet Friday evening? That is not going to happen. Those people will be sitting in the Lords knowing that they are never going to be allowed to stand again—so, unaccountable in that sense—but they will claim that they are elected, and it is for the birds to suggest that they will not take on this House. Of course they will, especially if they think they are more representative because we are elected under this old-fashioned, first-past-the-post system—which by the way people quite like, but let us forget the people for a moment—and they are elected under a much more democratic, proportional representation-type system.

I think it is the worst possible system and I say to the Minister that it does not address the real problem. The problem is not a great constitutional dispute between the people and the House of Commons or between the House of Commons and the House of Lords: the problem is that there are too many Members of the House of Commons who are not sufficiently independent, because, yes, they are elected but, quite rightly, they are

[Mr Edward Leigh]

ambitious and they want to be Ministers as the only outlet for their energy. I suspect that once the people in the Lords are elected for their 15-year term, they will start off with all the joys of spring but will very soon be like the rest of us—they will want to become Government Ministers and they will be as much under the thumb of the Executive as most Members of Parliament are. So what will the changes achieve? Having just got rid of 50 Members of Parliament, because, apparently, too many of us are under the thumb of the Executive, why are we creating another 280-odd up there who, after a couple of years, will also want to become Ministers?

Mark Durkan (Foyle) (SDLP): Why, if the other Chamber is to be a revising Chamber, should there be Ministers in a reformed House of Lords? This Chamber could be well distinguished as having primary powers by being the only seat of Government Ministers—not the other Chamber.

Mr Leigh: That was an excellent intervention. There are many other legislatures in the world, such as the United States House of Representatives and the United States Senate, in which one cannot be a Minister. That is why Senators in the United States are much more independent of the Executive than Members of Parliament here are. If we were to create an elected Chamber, why not have a rule that nobody up there who was elected could become a Minister? Then, perhaps, they would be free from the powers of patronage, which strongly militate against genuinely free debate in this Chamber.

Mark Tami (Alyn and Deeside) (Lab): What we should be talking about is what the House of Lords is for and what it should be doing, but all we are talking about is whether it should be fully elected, fully appointed or 80:20. We should really be concentrating on what its key role is.

Mr Leigh: That is absolutely right. Perhaps we have spent too much time, even this afternoon, talking about methods of election rather than about the sort of men and women whom we want in the second Chamber and what sort of job we want them to do. Apparently, the sort of men and women we want are people of expertise who are good at revising legislation, and I submit that we have very large numbers of dedicated Members of the second Chamber who do precisely that. Of course, there are some who are lazy, corrupt or bad—and some are good, some are old and some are young—but there are scores of people up there who do their job as men and women of expertise in revising and improving legislation. Let us concentrate on the sort of people we want up there rather than being absolutely obsessed by the methods of election.

Chris Bryant: The hon. Gentleman rightly says that one of the most important things in the second Chamber is having a number of people of independent mind. Is it his experience that party leaders, when recommending people to go into the second Chamber, primarily think about their independence and their voting record in this House?

Mr Leigh: I suspect that a lot of the people taking part in this debate would quite like to end up in the other place—we all have fallible human natures. No doubt Prime Ministers reward their acolytes, friends and people who have been in the Cabinet—we all know that goes on—but before we get terribly excited about the concept of an independent appointments commission, let us consider whether it would produce a House of Lords that was necessarily superior in intellect or whether it would just produce the same old great and good from the liberal establishment and ensure that nobody of idiosyncratic views, such as myself, perhaps, or my hon. Friend the Member for New Forest East (Dr Lewis), would ever end up in the other place. I am not sure I accept that the concept of prime ministerial patronage is altogether wrong.

Why is the Deputy Prime Minister fixated on the concept of PR? It will not only ensure that the Lords will claim democratic legitimacy but will allow our right hon. and hon. Friends on the Liberal Democrat Benches to have a gridlock on legislation. It will make it more and more difficult for those on the radical left or the radical right to come up with ideas that will actually get into legislation. Why do we want that kind of gridlock? In the remaining seconds of my speech, I contend that what we have in the House of Lords is not so very bad. It reflects our history and traditions and I would have thought that, as Conservatives, that is what we are about. We are about preserving what is best in our history and I very much hope that as this debate proceeds to its final conclusion, there will be a blocking mechanism from the old left and the old right to throw this proposal into the dustbin of history, where I believe it belongs.

7.37 pm

Mark Durkan (Foyle) (SDLP): I follow the hon. Member for Gainsborough (Mr Leigh) perhaps agreeing with his last observation—that what we will see is a coalition of reaction against reform and change from the traditional right and the traditional left. Essentially, when we talk about House of Lords reform, we have a situation in which so many people consistently aspire to a democratic Chamber but then consistently conspire to sustain the undemocratic status quo. That is happening on both sides of the House. I agree with other hon. Members that this has been a good debate up to a point. I do not know how many Lords-in-waiting we have heard from in the debate, but we have definitely heard from some, and—surprise, surprise—it is clear where they stand. They see themselves moving into a slightly adjusted, slightly reformed Chamber, but certainly not a democratic one.

To my mind, the Joint Committee is going to be a mixture of hypocrisy meeting up with futility on the way back from apparent amnesia about people's positions, and it will be detained by self-interest in various forms. We have a situation in which people who said they were committed to democratic reform of the House of Lords in the past now say that they did not mean to vote for it because it was just a tactic and they cannot even remember why the tactic was needed. That is not a very believable case against reform. As I said on the day that the Deputy Prime Minister made his statement about the draft Bill, I fear that this is going to be another situation where we have a penalty shoot-out in which no one scores, with everyone putting their case for reform.

Some say there cannot be reform without consensus, but the same people also say, "And by the way, because we don't trust consensus, we want to make sure that there are free votes on any proposals." We also had the nonsense of the scratchcard idea. Everybody could vote for different proportions of electability to the second Chamber, safe in the knowledge that there would never be a sufficient cluster around any one for there to be a clear outcome. So I am not impressed with some of the arguments that I have heard.

I have some sympathy with some of the arguments against some of the proposals. We run up against the tensions that have been created by the constituencies part of the Parliamentary Voting System and Constituencies Bill. House of Commons constituencies will change every five years, possibly significantly. If Northern Ireland loses a seat, all our constituencies will change relatively significantly, and MPs may feel that it is more difficult for them to deal with changing constituencies if there are elected Members of the other House who sit there for 15 years without having to worry about boundary changes or anything else. I accept that point only in relation to how it affects the position of MPs, but I do not accept that this Chamber would be at all undermined by an elected second Chamber if that second Chamber had a clear, limited role in relation to qualitative revision of legislation. That is one reason why I do not agree with the proposal in the draft Bill for supernumerary Members to accommodate the appointment of temporary Government Ministers.

Conor Burns: As the Bill stands, I fully accept what the hon. Gentleman says, but is there not the potential for a creep in that over time? In the event of a conflict, if both Houses were elected and one had a fresher mandate, it could claim that it had an equal voice in the debate.

Mark Durkan: I do not share the hon. Gentleman's worry that the danger lies there. I believe that the danger lies in this Chamber. Many hon. Members, including my hon. Friends, have asserted the primacy of this Chamber, but they are the same people who slavishly accept the bizarre convention that operates in this House that the Government will not accept amendments in this Chamber, even when they accept that they are right and logical and make sense, but will instead concoct their own version. The unelected Chamber then gets this great score rate of all the significant amendments, precisely because that is the way this Chamber accepts it. This Chamber accepts being bound and trussed with programme motions that everyone complains about but then votes for, just as everyone says they want House of Lords reform, but manage then always to conspire against it, and somehow there is a sufficient coincidence of objection to one proposed reform or another. I would worry whether this Chamber is up to the challenge. Perhaps the challenge of an elected Chamber next door is what this Chamber needs for it to assert itself a bit more against the Executive. Moreover, if the Executive seek to have Government Ministers only in this Chamber, that too would be an improvement.

Andrew George: The hon. Gentleman makes a good argument in favour of reform of this Chamber. Does he not accept that in the White Paper, under the section on powers, it is clear that the Government have no intention of addressing the issue of the existing conventions? There is no intention to codify them in any form, so there is a chance of the leach of power from one Chamber to the other.

Mark Durkan: That is only if the measures go forward as they are in the Bill. That is not an argument for the status quo; it is an argument for getting necessary change and getting it right, making sure that there are clearly distinct roles and powers. Those distinctions will be clear in the minds of Members of the respective Chambers and in the minds of the public who will be separately and distinctly electing people.

There is the idea that one form of election will trump another. In Northern Ireland, even those parties that defend the first-past-the-post system for elections to this House all agree that the elections for our three seats in the European Parliament should be by single transferrable vote, because it is fairer, better, safer and avoided geo-sectarian tensions and everything else. At no point are the mandates of MEPs used to trump or override the individual mandates of MPs in any sense. If we clearly distinguish between the two Chambers in how we work and function, there will not be a problem.

There is also the issue of other supernumerary members, not just those appointed temporarily as Ministers, but the bishops from the Church of England. I do not believe that that should be the case. However, from my own background and experience, I am obviously very aware of religious and constitutional sensitivities. If representation is to continue, there is no reason why there should not be some sort of pastoral Bench in the second Chamber, for, yes, Church of England bishops, but for other faith interests as well, perhaps without the right to vote, but with the right to address issues so that they can offer their sincere reflections without being trapped into various procedural devices and partisan ruses. Many of those pastoral interests might prefer to speak without the bother of the vote or being caught having to decide between amendments here and particular votes there. If we have 80% election, part of the 20% could be elected or approved indirectly through some of the devolved Chambers, and perhaps that could include some of the faith interests and some pastoral representation as well.

We need to think reform through a lot more than is provided for in the Bill, and we need to use the Committee to improve it. Unfortunately, I note that the only two parties in the Chamber that have never appointed anybody to the House of Lords—that have always refused to do so on principle—are not involved in the Committee. We are serious about reform; I am not sure if anybody on the Committee is.

7.46 pm

John Stevenson (Carlisle) (Con): On 18 August 2011 it will be the 100th anniversary of the Royal Assent of the Parliament Act, which has been used on only seven occasions. It is probably one of the most important, if not the most important, Acts of Parliament, for the simple reason that it establishes the primacy of the House of Commons over the House of Lords.

Having read some of the debates from 1910 and 1911 on the Parliament Bill, I find it interesting that at that time further change was expected. Indeed, the preamble to the Bill actually states this. No less a person than

[John Stevenson]

Winston Churchill said that the Parliament Bill was not meant to be the last word but the first. Speaking in the 1911 debate, he said that further legislation would include

"a measure for creating that fair and evenly constituted second chamber."—[*Official Report*, 22 February 1911; Vol. 21, c. 2036.]

It is clear that when the Parliament Bill was being debated back in 1911, further reforms were intended. At that time, some suggested the abolition of the House of Lords and that we should have just one Chamber but generally, overall, the view was that there should be two Chambers, and that view still prevails today. Interestingly, during the last 100 years we have effectively had a muddle. We had legislation in 1949, 1958, 1963, and more recently in 1999, but we have ended up in a thoroughly unsatisfactory mess. We now have an opportunity to put that right.

All three main parties in their manifestos have made a commitment, however lukewarm, to reforming the House of Lords. We have been talking about reform of the House of Lords for years, and it is about time that we got on and reformed it in such a way that we do not need to be debating it for the next 100 years but have a settled will. To achieve that, two key issues need to be dealt with. The first is the principle of reform, and the second is the practicalities of reform—the composition of the House of Lords and its powers. For today's purposes, the most important is just getting across the principle of reform. To deal with that there are three key issues.

The first and most important issue is, quite simply, that we live in a democracy and power belongs to the voters. Voters exercise that power through the ballot box. As democratic authority derives from the electorate, the composition of any chamber or council should be decided by the people. It is extraordinary that we elect members of councils, MEPs, Members of devolved Assemblies and parish councillors, we even elect captains of golf clubs—

Mr Andrew Turner: Does my hon. Friend think that there would be any objection to electing magistrates?

John Stevenson: We are talking about the democratic institutions that make laws and byelaws, so I would take a different view on that point. We elect Members of this House, but for whatever reason we do not elect those who sit in the second most important part of our democratic institutions. For that reason, the House of Lords lacks true legitimacy and accountability. However great its expertise, diversity or experience, it is simply not elected. Of the 71 major Parliaments around the world, 61 have an elected or partly elected second Chamber. In fact, Canada is the only other major democracy with a fully appointed upper Chamber.

Andrew Percy: My hon. Friend will be aware that the Conservative Government in Canada have just introduced a Bill in the Canadian Parliament to ensure that the Senate is elected for periods of nine years.

John Stevenson: That is an interesting point that I did not know, but it helps to support my argument. As someone who lives in a democracy, I think it is absolutely right that I should have the opportunity to stand for any elected Assembly in that country. As someone from this country, I should have the right to stand for election to the House of Lords. It is completely wrong that membership can be determined by a person's religion. Interestingly, there have been comments about the Church of England, but as a member of the Church of Scotland I take a slightly different view.

Chris Bryant: But it is also established.

John Stevenson: It is established, but not represented in the House of Lords. Members of the House of Lords are appointed by Prime Ministers past and present, and there is still the hereditary element. The composition of the House of Lords has also been mentioned. It is interesting to note that the average age of a peer is 69 and that the vast majority live in the south-east of England. I am not ageist, and I have nothing against people who live in the south of England, but that demonstrates that there are pluses and minuses to the composition of the House of Lords. Ultimately, it is right and proper that the House of Lords should be democratically elected because, quite simply, we live in a democracy.

Secondly, there is a lot of talk about the experience, expertise and, indeed, wisdom of Members of the House of Lords. I fully accept that there are some very able people in the House of Lords, far more able than myself, but they would not lose their expertise by being excluded. They could still be members of commissions and produce reports for the Government. Lord Hutton recently produced a report on pension reform, but he did not need to be a Member of the other House to do that, so I am not so sure about that argument. More importantly, we forget that this Chamber, too, has expertise. We do this Chamber a disservice when we talk about the expertise in the other Chamber, because the same expertise exists here. Indeed, Members develop that expertise over the years they are here, and I see no reason why that would not be replicated in an elected House of Lords.

Mrs Laing: On my hon. Friend's point about lord Hutton, if someone has expertise that we as a legislature need, the system he is describing would prevent them from exercising their expertise in Parliament.

John Stevenson: I do not believe that access to that expertise would be removed, because those people could still produce reports and be members of commissions and we could still debate their advice and act upon it.

Thirdly, there is the challenge between the House of Commons and the House of Lords, which could be termed the power struggle. Yes, the conventions will undoubtedly change and a democratically elected House of Lords might assert itself more, but I do not think that that would necessarily be a bad thing. Indeed, it might be a good thing for our democracy. Ultimately, to go back to where I started, in 1911 the Parliament Act gave primacy to this Chamber, and that will remain the case however the conventions change.

In 1911, an MP called Herbert Samuel said that there might be

"common agreement as to the necessity for a reform of the other House... But there is no common agreement as to the character of that reform."—[*Official Report*, 2 March 1911; Vol. 22, c. 669.]

In many respects that has been the issue ever since. There is no perfect solution, but we must find common ground as best we can so that we can conclude the reform. One hundred years ago the Member for Carlisle voted for the Parliament Act and supported the reform of the House of Lords; one hundred years later the Member for Carlisle would like to see that completed and will support the reform of the House of Lords.

7.54 pm

Gavin Shuker (Luton South) (Lab/Co-op): Let me begin by doing something that Members on the Opposition Benches do not do very often: congratulating the Deputy Prime Minister on the approach he has taken so far in the formation of legislation. He said that it was impossible to defend the status quo. I disagree that it is impossible, but it is very difficult. The principle that legislators should be elected and hold popular legitimacy is one that we would want to see across the world and in our Parliament.

Let me be specific about what I welcome in the proposals. First, I welcome having an elected upper Chamber. Secondly, I welcome the Chamber being elected by proportional representation. I proudly voted no to the alternative vote and was glad to see that the people spoke resoundingly against that system, which I think would have been awful. One of the reasons people voted against it is that it would not correct what many consider to be the inherent unfairness in our system, even if I might want to defend first past the post, which is that AV is inherently disproportional. I think that there is scope for us to look at the arrangements between the House of Commons and the other place to address that by maintaining a strong system of first past the post in this Chamber and one of proportional representation in the other. I will go on to explain why PR would be a good option for the upper Chamber.

Conor Burns: Does the hon. Gentleman not accept that there is a danger in that, because many people believe proportional representation to be more legitimate than first past the post? If we were to elect a proportion of the Members at the other end of this building by a system that many people regard as more legitimate, the other place could claim more legitimacy.

Gavin Shuker: The hon. Gentleman anticipates the point that I was just about to make. Some people in this country view proportional representation as a more legitimate system of representation, although I and many Members of this House would disagree, so there must be safeguards to prevent the second Chamber taking on the mantle of that legitimacy. In my view, a wholly elected upper House would be the best way to manage that change. Specifically, what would be of most benefit would be to ensure that there was no constituency link between Members of that Chamber and the places they sought to represent.

Rory Stewart (Penrith and The Border) (Con): I am perplexed by the hon. Gentleman's suggestion that we should confer legitimacy on the upper House and then prevent it taking on the mantle of that legitimacy.

Gavin Shuker: The hon. Gentleman and I obviously have different opinions on the definition of that legitimacy. There is a type of legitimacy that is very important—the legitimacy of being able to look people in the eye, having stood for election, and hold the mandate of being elected. Equally, there is an issue of accountability. If the hon. Member for Wellingborough (Mr Bone) were here, I am sure he would stand up and say that the most accountability and legitimacy he would have would be with Mrs Bone, because he has a particular one-to-one relationship. *[Interruption.]* Obviously, I should not speak about him when he is not here. I hold a level of legitimacy and authority with the constituents I represent—100,000 or so—and believe that that would be an unfair level of legitimacy, accountability and authority to bestow on the other place in its new and revised form. I think that that indirect accountability is probably the best way to achieve the balance between having an elected House and not threatening the rights and responsibility of Members in this House to represent their constituents. I think that a party list system would probably be the best way to achieve that. There are many arguments for and against it, and I look forward to the Joint Committee looking at that in more detail.

I want to discuss one other area in relation to which I feel that a 100% elected system would be best: the selection of bishops in the House of Lords. I am a Christian. I am quite overt about that and very proud of my Christian faith. I want to see more Christians and people from other faiths coming into Parliament, but I find it very difficult to defend a system under which we choose a certain group over-represented or to always have a seat in that Chamber. I buy into the liberal idea that there is a round table around which we all get to come together and make our voices heard, and, although I do not feel that that position is always held in this Chamber or in the other place, I believe that that second Chamber could be a place where people go with their own representational legitimacy to make their case, and to make it well, without relying on the fact that they are there simply because of who they are in their own organisations or through right of birth.

The proper way to get more people of faith into our institutions is to encourage more people of faith to stand and make their case for election.

Stephen Pound: I am extremely impressed, as I am sure the House is, by my hon. Friend's speech. I do not claim to speak either ex cathedra or for the Roman Catholic Church, but I can confirm that it is the policy of the Roman Catholic Church not to seek Catholic bishops in the House of Lords, because quite simply we believe in the sound Augustinian principle of the separation of Church and state. There should be good Catholics in the House of Lords, but not as bishops.

Gavin Shuker: My hon. Friend speaks as a good Catholic.

In summary, we will need to resolve the issue of whether 80% or 100% of Members should be elected, and we will need to ensure that this Chamber is predominant in our discussions, while extending greater legitimacy to the other House so that its Members can look people in the eye and say that they have been elected and chosen to go there.

I believe that 100% elected is the best way as we choose to go forward as a House with the other place.

8.1 pm

Henry Smith (Crawley) (Con): I am very grateful for your calling me to speak in this debate, Mr Deputy Speaker, although I admit that for the first time in 13 months I do so with some trepidation, because, given the interventions and sedentary comments of those sitting close to me, I suspect that this is one of those arguments on which we will respectfully have to agree to disagree.

In case it has escaped anybody's notice, we are at the beginning of the second decade of the 21st century, and in a democratic country it is anathema that both Houses of Parliament should not both be democratically elected. The ultimate question in a democratic system is, "Who appoints the representatives?", and the ultimate answer is that only the people should be empowered to do so.

We have heard about the 61 other bicameral Parliaments throughout the world and how the vast majority have two fully elected Chambers, and that is absolutely right. Throughout the world, throughout the Commonwealth and, although it pains me to say it, throughout Europe, we see that that democratic structure is the norm. The United States Congress, with its House of Representatives and its Senate, is probably the predominant example, and 49 of the 50 American states have fully elected bicameral systems, too. There we have systems that work extremely well and, indeed, provide a greater check and balance than we have in our own Parliament.

In the Commonwealth, perhaps the best example is the federal Australian Parliament with its House of Commons and Senate, a system that, although no system is perfect, works extremely well for the people of Australia. That system goes for most Australian states as well.

Jesse Norman: My hon. Friend is making a powerful and interesting speech, but he is surely aware that the vast proportion of the legislatures that he describes operate under codified constitutions that explicitly prevent power leaching from one side to the other. Does he propose a codified constitution in this case? That is surely the counterpart of the undoubted change in conventions that would occur if there were an elected Lords.

Henry Smith: My hon. Friend anticipates the remarks that I hope to make in a few moments.

Several weeks ago I was in Poland, where I was fortunate to meet the Speaker of the Polish Senate. That country saw its Senate abolished under the Communist totalitarian regime but, happily, had it democratically restored approximately two decades ago, and again it is a system that works very well.

My main point—I hope this answers my hon. Friend's question— is that I do not look to the rest of the world to tell me the best way to construct our Parliament; I look to our proud British history. We have had Parliaments in these islands for the best part of 1,000 years, and I am struck by the coincidence that 2015 will be the 800th anniversary of Magna Carta, which is probably one of those points that set us off on our constitutional journey.

Since then, we have had the civil war, which in a greater way established the sovereignty of this Parliament, the Bill of Rights, the Reform Acts starting in 1832, the Parliament Act exactly a century ago, universal suffrage for women following the first world war and the Parliament Act 1949.

We are an evolving constitution, and we are a country that to its credit has proudly developed the principles of liberty and participative democracy over the best part of many centuries, but, as we are at the beginning of the second decade of the 21st century, an evolving constitution to my mind says that the only legitimate second Chamber for this Parliament is a wholly elected second Chamber, because 100% is the most legitimate and best way forward.

I do, however, want to make a couple of remarks about the draft Bill. I am pleased to note that it is a draft Bill, and I congratulate the Government on that and on the Joint Committee, because it is important that we feed in as many views as possible to what is an important constitutional change.

Time does not allow me to elaborate too much on the pros and cons of 15-year terms, but I suggest, first, to the Government that there should be a power of recall over any future elected Member of the House of Lords. I am sure that the vast majority of them will diligently carry out their duties on behalf of this Parliament and the country.

Stephen Pound: Just as Bagehot said that

"the cure for admiring the House of Lords was to go and look at it,"

may I advise the hon. Gentleman to read the House of Lords record on those occasions recently when recalcitrant peers have been identified as breaching the rules? He will suddenly see that the wagons circle around them and, far from a power of exclusion, there is a power of holding tight to the ermined bosom. That comes across loud and clear.

Henry Smith: I wish I had the hon. Gentleman's eloquence, based on that final comment. There are some infamous examples of noble Lords who have behaved in a less than noble way, but most Members of the other place do a very diligent job, and I am sure that future Members, under whatever system, will do so as well. It is important, however, that we have a mechanism like that in local authorities, whereby, if somebody does not participate for six months, excepting ill health or some other legitimate reason, there is a power of recall or replacement for that individual.

My second remark is about an 80% versus a 100% elected second Chamber. I think that 300 Members is about the right number for a second Chamber, but my concern is that if only 80 Members are elected at the beginning of every Parliament, that will not be terribly representative of the smaller regional constituencies proposed in the draft Bill. Having 100% election and 100 Members elected at the start of every Parliament would ensure that there was far greater representation in the other place. It would also mean that we had a second Chamber that was not dominated by any one party, not only because of the system of single transferable votes but because of its term stretching over the course of three Parliaments.

With regret at not having more time to elaborate on my arguments, I very much support the Bill and look forward to Members' contributions making it even better.

8.10 pm

Mr William Bain (Glasgow North East) (Lab): It is a pleasure to be called to speak in this debate and to follow an extremely fine speech by the hon. Member for Crawley (Henry Smith). I agreed with practically every word.

Prior to being elected to this House, I was a lecturer in constitutional law. [HON. MEMBERS: "He's an expert!"] Perhaps not an expert, but certainly a lecturer. One of the highlights each year was to delight, if that is the right term, students with the subject of the composition of the other place and to observe their look of astonishment that in the first decade of the 21st century, as it then was, so many Members were there by virtue of the hereditary and appointive principles rather than the elective principle.

I rise to give expression to the commitment that was first given by Keir Hardie from the Labour Benches more than 100 years ago in favour of a completely elected second Chamber. Like many Members, I believe that that is the most legitimate form of composition of a second Chamber. I believe in the important principle that those who make the laws to which others will be subject should do so as a result of the elective principle. I hope that, as the hon. Member for Crawley has said, we can improve the draft Bill further by electing not 80% but 100% of the Members of any revised second Chamber.

This debate has been extremely useful as a discussion of the powers and functions that a second Chamber should have. I want to direct Members back to the very impressive royal commission report that Lord Wakeham helped to draw up in 2000. He mentioned two important functions that it is important to put into the debate, the first of which is scrutiny of the constitution and of human rights. Having viewed the experiences of other second chambers across the world, he believed that the second Chamber was uniquely placed to be able to give particular scrutiny to those parts of our public policy, and he was right to point that out.

It is also important that the second Chamber should be a voice for the regions and nations of the UK. Of course, that is characteristic of second chambers in federal states. Given that so many parts of the UK have embraced the joys of devolved legislatures or assemblies, it is important that the second Chamber moves away from the south-east-centric nature of its composition and gives a voice to other parts of England, to Scotland, to Wales and to Northern Ireland. Such a second Chamber would help to bring the Union together.

I accept that a completely elected second Chamber would change the nature of the relationship between the two Houses, but it would not necessarily become a rival to this elected House. Drawing on our experience of devolution, there is a Scottish Parliament; there is, as the hon. Member for Foyle (Mark Durkan) has pointed out, a Northern Ireland Assembly; there is a National Assembly for Wales; and there is devolution in London. None of those institutions means that Members of Parliament in this House have less work to do than we did before—it is different work, certainly, but it is not less. A completely elected second Chamber would not be a rival to this House, and we should not try to stymie reform on the basis of that argument.

We must look at the conventions between the two Chambers. The interpretation of the Salisbury-Addison convention, which has been alluded to many times, has changed over the past century, and that will have to continue if we move to a completely elected second Chamber.

I support a written constitution, which would be a way of enshrining more comprehensively many of the conventions that are part of our system. It would also set out much better the relationship between the state and the citizen, between this House and the other place, and between this Parliament and the devolved parts of the United Kingdom. That will be outwith the remit of the Joint Committee, but I hope that the Government will move towards a commitment to such a constitution as this Parliament continues. Labour Members will continue to point out the benefits that that would have.

The proposals in the Bill are fine, as far as they go, but they would be much improved by being bolder in moving towards an entirely elected second Chamber. We have waited 100 years for this change, and we must not baulk at it now. I believe that an entirely elected second Chamber is what this country and many Members of this House will expect us to achieve during this Parliament.

8.16 pm

George Eustice (Camborne and Redruth) (Con): I am not entirely opposed to reform of the House of Lords, but I am deeply sceptical about the idea of an elected House of Lords. The simple fact is that there is far more to a successful democracy than elections. Many people have said that the reason why we must have elections for the House of Lords is to give it legitimacy. That is not the right argument. Lots of institutions in our democracy do not need elections to make them legitimate. Judges and magistrates are not elected, and we have a monarch who is not elected. All these parts of our constitution play a very important role despite the fact that they are not elective.

Stephen Williams: Judges and magistrates exist in our constitution to pass judgment over people who have broken laws. They are not there to make laws, which is what the House of Lords is for.

George Eustice: I accept that to some extent, although judges often make public policy decisions, and those judgments influence our legal system. However, my point is that we do not need elections for these institutions to be legitimate.

Jesse Norman: It is not true that judges do not have a role in making the law. For 700 years, common law judgments have been made in difficult cases that have laid down what is the law as a result. This position has always been understood by the judges. A famous lecture was given on the topic by Lord Reid in the 1960s. I am sure that my hon. Friend agrees that we should have no truck with the idea that judges do not have a thoroughly legitimate, though unelected, place in the constitution.

George Eustice: I share my hon. Friend's view entirely.

Mark Durkan *rose—*

George Eustice: I have given way a couple of times and I am going to continue.

[George Eustice]

The reason for having elections is not to give legitimacy but to deliver accountability. People say that we need to have greater legitimacy for the House of Lords, but if we gave it democratically elected legitimacy, it would then become a rival to this Chamber. That is one of the problems that is overlooked.

The proposals will not deliver accountability. There will be single terms of 15 years, and there is no chance of a failing lord being thrown out at the end of it. Accountability works when one can fire people who fail; if one cannot do so, it defeats the object of the exercise. We ended up with the stipulation of 15-year terms, because even the advocates of this reform recognise that as a consequence of having a democratically elected second Chamber people's independence might be compromised, because they would have to jump to the electoral cycle and would be more in hock to the parties that sponsor them.

The proposed Chamber would have a mixed nature, with some people being appointed and 80% being elected. Who would be blamed if they failed? Would it be the fault of the ones who were elected or of the ones who were appointed? That would cause confusion where there should be clarity. It should be either all elected or all appointed.

We must also consider how the elections would work in practice. People will typically make these judgments on the same day as a general election. They will not necessarily vote for the best people to scrutinise Parliament in the House of Lords. It will be rather as it is with the European Parliament at the moment—a national opinion poll on whether the Government are doing well or badly. People will therefore not be selected on their ability to scrutinise the Government.

Andrew Percy: Will my hon. Friend give way?

George Eustice: No; I have given way a couple of times and want to make some progress.

What is legitimate about electing people based not on their own performance or ability, but on the performance of the governing party or the Opposition? That is not the right way to select a Chamber that is, after all, there to revise.

My hon. Friend the Member for Carlisle (John Stevenson) has said that the average age of Members in the other place is 69. The hon. Member for Rhondda (Chris Bryant) was also rather scathing about the advanced years of some Members in the other place and the quality of the debate. However, the House of Lords is the forum that we provide for debate for the older generation and people who have experience. *[Laughter.]* This is an important point, if Members will hear me out. I believe that the dynamic between the other place and this place should be akin to that between a non-executive chairman and a chief executive, or between a father and a son. It is a natural dynamic. This place makes the decisions as new Governments come in with fresh ideas that they want to implement. However, we must not fool ourselves into thinking that we are so clever that we do not need another Chamber of people who can bring to bear their experience and say, "Well, we tried that in the '70s and the '80s and it didn't work." That is the reason for having a revising Chamber.

I do not think it necessarily matters that not everybody in the other place is of a completely independent mind, such as those with a political background or former politicians. The key thing is they have independence of mind coupled with experience. Retired politicians who go to the other place are often of the view that they have been told what to do for long enough by the Whips and that they will use their experience to change legislation sensibly, which must be a good thing. If we change to an elected House, we will lose some of that. The types of people who will stand for election to the House of Lords will tend to be people like us. They will be of the same generation as us and might include people who were unsuccessful at the last general election and so decide to stand for the House of Lords instead. We will lose the natural dynamic between the two generations, which is important.

To conclude, I will say a little about the areas that could be meaningfully reformed without having an elected Chamber. First, we could make the Lords smaller. Secondly, we could limit the time that people are there, so that they serve 10 or 15 years and then retire. Thirdly, we could tighten the appointments criteria, so that there are more independent people, if that is what we want to achieve. The single most important thing that we can do is to expect people to attend and participate. All too often in the past 10 years, people have been granted a peerage in recognition of something that they have achieved in life, but not with the expectation that they will work and attend debates. If we changed that, it would be a more meaningful and important reform than having an elected upper Chamber.

8.24 pm

Stephen Pound (Ealing North) (Lab): In years to come, when the proud constituency of Camborne and Redruth is mentioned, one speech will spring to the memory: the glorious suggestion of the Saga Chamber or the pensioners' Parliament, where the old, the tired and the formerly famous can shuffle off to some distant spot where they will do no harm; where the dust will slowly settle, the clocks gently unwind and the ermine capes float through the detritus of torn Order Papers and House of Lords *Hansard*; where, like in the dying days of the court of Emperor Haile Selassie, no wages are paid; and where, like in the great zoos of Addis Ababa, giant pachyderms sink to their knees and surrender to starvation. There, in the House of Lords, a few people with their last breath will say, "Well, at least we weren't out there causing trouble. We had been put somewhere safe. And who have we got to thank for it? Let us look to Camborne and Redruth."

I suggest that there are other, better ways. I am not entirely sure that we suffer from a democratic deficit; I think we suffer from a flipping democratic surfeit. I, as an honest burgher of a sophisticated west London borough—Ealing, obviously—am represented by three first-class councillors; an MP of certain qualities, that is to say myself; a member of the Greater London authority; Members of the European Parliament; and Tony Blair, who certainly represents me in some forum somewhere, because he represents us all all the time. Do I really want somebody to be trailing his escutcheon through my constituency every few years, touting for votes, presumably on vellum and hand-engraved? There would be nothing so vulgar as an election, but I am sure

that there would be some process, which would no doubt be worked out in North East Somerset. Do we really want that? I think that we probably have too much democracy.

There have been a few occasions on which people have sat down and thought about whether they actually needed a second chamber. One thinks obviously of the great Philadelphia convention, but some of us also think of the 1937 constitution of the Republic of Ireland. Those great legislators sat down and said, "Do we need a second chamber?" They came to the conclusion that, by and large, it was a fairly good idea to have one. I will not ascribe any ignoble motives to that, but it might have been a form of care in the community. To this day, Ireland has the vocational panels. The original idea was that there would be vocational panels to represent all aspects of modern Irish life. That is why people such as Oliver St John Gogarty, in between being thrown in the Liffey, and W. B. Yeats were Members of the Seanad Eireann. To this day, Ireland has the cultural and educational panel, the agricultural panel, the labour panel, the industrial and commercial panel, the administrative panel, and, of course, the national university of Ireland panel and the university of Dublin panel. I miss people such as A. P. Herbert who were elected to this place from the universities. Why does the university of West London not elect someone? If it cannot elect them to here, let it be to the other place.

Let us ask ourselves the most simple, basic, obvious question: is it really true that the only way in which experts can bring their light to bear is in the upper place? Did the noble Lord Ara Darzi achieve more as one of the finest and most famous surgeons in Europe than as a Member of the House of Lords? Look at the single greatest social change of the 20th century. The person behind that—Beveridge—was not in the House of Lords. He did not have to sit as a Member of the upper House to come up with the extraordinary idea of the national health service. The upper House is not the sole repository of wisdom, and it is not the only place where the great, the good, the bright and the brilliant can go and shine. There are so many other ways.

So do we need the House of Lords? I am not entirely sure, in all honesty, that we do, but as with so many things in this country, let us leave well alone. It is some glorious, great Gormenghast of a building that no one would ever build nowadays, but around which accretions, crenellations, towers and ramparts have emerged over the years. Hardly anybody knows what the original purpose was, but it does little harm, it is attractive, and on occasion it can actually add to the limited pool of intelligence and expertise that exists in this place.

I want to say that I have no ambitions whatever.

Mark Durkan: For now.

Stephen Pound: At least not this week, no. The difficulty, obviously, would be what level of expertise I would bring to the House of Lords. However, I have to say that I am instinctively opposed to the idea of a replicate second Chamber. We cannot have a dual mandate and have the same level of accountability in two places at once. Man cannot serve two masters; Parliament cannot have two masters.

8.30 pm

Jacob Rees-Mogg (North East Somerset) (Con): It is a real privilege to follow the hon. Member for Ealing North (Stephen Pound).

I begin by declaring an interest, because I have two noble kinsmen in another place, one a Cross Bencher and one actually on the Labour Benches. I feel it would be unhelpful of me to try to abolish them. Generally speaking, as I am sure you would agree, Mr Deputy Speaker, our noble kinsmen should not be abolished.

I am concerned about the draft Bill, because I do not think it tackles the fundamental constitutional issue that we ought to be considering—the fact that there used to be a balanced constitution, with the Crown, the House of Lords and the House of Commons, each having considerable power, authority and influence. In the 19th century the Crown lost its power, and over the 20th century the Lords lost its power, so now all the power in the constitution is theoretically vested here in the House of Commons. Of course, it is not, because it has gone back to the Prime Minister. Effectively, the Crown is more powerful than it has been since the time in the 18th century when the House passed the motion saying that the power of the Crown

"has increased, is increasing, and ought to be diminished".

My concern about the draft Bill is that it has been introduced without an examination of how that constitutional imbalance ought to be reformed and improved to get a better-working constitution that does not put all the power in the hands of essentially one person. Our coalition has changed that a bit at the margins—it is sort of one and a half people—but that really is not a very satisfactory constitutional settlement.

We have heard a lot of talk today about the Parliament Act 1911, without, as far as I know, anyone reading it out. I feel that I must put good that omission. The preamble to the Act is very clear, stating:

"Whereas it is expedient that provision should be made for regulating the relations between the two Houses of Parliament:

And whereas it is intended to substitute for the House of Lords as it at present exists a Second Chamber constituted on a popular instead of hereditary basis, but such substitution cannot be immediately brought into operation:

And whereas provision will require hereafter to be made by Parliament in a measure effecting such substitution for limiting and defining the powers of the new Second Chamber".

We have not got that. That is the absolute nub and crux of the debate. We need to decide whether a fully elected House of Lords will have such legitimacy that it will then be an equal partner with this House of Commons, as it was prior to 1911 and the Parliament Act. Her Majesty's Government argue at the moment that that will not be the case, and that all will remain the same. I simply do not think that is credible.

An Opposition Member said that since the removal of the hereditaries, the House of Lords has exercised its muscle more. Why? It has done so because it feels legitimate. It questioned the Salisbury convention. Why? It did so because the life peers thought that they had a greater legitimacy than the hereditaries. We know that secondary legislation is not covered by the Parliament Act, under which we cannot force things through until a year after the end of the current Session. Had their lordships dug their heels in on the alternative vote referendum, nothing could have been done until after

[Jacob Rees-Mogg]

the Queen opened Parliament about a year from now. Their lordships did not do that, because they recognised that it would have been an abuse of their non-elected power against the elected House.

As it happens, I am all for an elected second Chamber on that basis. I believe that a lot of legislation that is passed is bad, and I like what happens in the United States, where there is gridlock, and the mad ideas of one politician who happens to be in office for a short time are gummed up. In particular, that would make it difficult to effect major constitutional change on the whim of a junior partner in a coalition based on 23 words of his manifesto—23 words of the Liberal Democrat manifesto against a total, helpfully counted for me this morning, of 21,668. Of those 23, "House of Lords" is repeated twice. Once that is taken out, there is virtually no policy on the Lords in the Liberal Democrats' manifesto, yet they say that that is enough to change our constitution fundamentally. That is an absolute scandal. We have already had a referendum on their pet project of AV.

Of course, the Labour party is right in its manifesto: if we are to make the change, it can be made only if it is put to the British people. They have to be given a choice about that constitutional settlement, and we have to be realistic about the fact that it will completely change the relationship between the two Houses. It will mean a strong House of Lords that will exercise its power, and if one thinks that that is a good thing, one may wish to support Her Majesty's Government. However, those who want this House to remain primary must oppose the change. The Government's statement in their draft Bill that Lords will not interfere in our constituencies is fair old bunkum. Of course they will—they are politicians. It will give them a chance, in exactly the same way as we interfere in matters that rightly belong to the councils. I oppose the proposal as it stands.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. I will drop the time limit to five minutes. It would be helpful if hon. Members shaved a little off their speeches—there is a load of Members to get in.

8.36 pm

Dan Rogerson (North Cornwall) (LD): I welcome the debate. I have listened with interest and sometimes amusement to hon. Members' speeches. I support the principle of a second Chamber or upper House that is 100% elected. However, my response to those who argue that we should pull back from the proposal because it is not enough is that securing 80% elected Members of the second Chamber would represent great progress compared with what has been achieved in the previous 100 years.

As Labour Front Benchers pointed out, a change was made to remove hereditaries some time ago, but that merely meant that people who were appointed at the whim of their Executive were considered better than the descendants of those appointed by previous Executives. That does not represent anything like a significant change. Moving to an elected second Chamber would achieve that change, which many Members would like.

I welcome the sensible phasing of elections because it could overcome the point about both Houses being elected on the same day, which feeds into the debate about rival mandates.

Although cost is not fundamental to what we are debating today, it will undoubtedly be raised by the forces of reaction, who, as the hon. Member for Foyle (Mark Durkan) said, are present among us and very vocal today, as they were when electoral reform was debated here. It is therefore crucial that the proposal would reduce considerably the number of Members in the other place.

Case work and acquiring a new role in constituencies that would conflict with that of Members of the House of Commons have been raised. It would be useful to have a clear indication, as we have now when a Member of Parliament is expected not to take up case work from another Member. A similar principle could apply to Members of a second Chamber.

I find the idea that there is something different about people who do not face election, that they are somehow superior and that standing for election is a nasty, grubby business, utterly preposterous. I stumbled across an item on Radio 4 on Saturday, in which Baroness Bakewell said that it was much better not to have politicians in the House of Lords. It is ludicrous to claim that, just because people are not elected, they are not politicians. If they sit in Parliament and they legislate, they are politicians. They are merely unelected politicians. When I look at the House of Lords, I see parties in operation, Whips, Ministers and many of the things that we recognise in this House, but I do not see people who are elected by the people. That is what the draft Bill seeks to change.

I come from Cornwall, where there is strong tradition of independence in local government. There is a debate to be had on the role that Cross Benchers play in the other place. Their role is not superior. Cross Benchers often function and work together as a group—they are just as political as the party political groups—just like independent groups in local government.

As we proceed to debate this matter in more detail, and as the Joint Committee looks at it, I hope that we can come up with a solution that will deliver an elected second Chamber. I think that that is what the people want, even if it is not at the top of their agenda when they are looking for better employment opportunities, or to secure decent health care and a good education for their children. When asked, people will say that they believe in that change, and I hope that we can deliver it for them.

8.40 pm

Mrs Eleanor Laing (Epping Forest) (Con): I welcome the Government's publication of the draft Bill. As many hon. Members have said this evening, the House of Lords needs to be reformed. Much in the White Paper is very good. We need to reduce the number of Members of the other place; to introduce mechanisms for retirement and for dealing with peers who never attend; and, for those of us who are disestablishmentarians, we need to consider the role of the bishops—it is not fair that antidisestablishmentarians get to use the longest word in the English language. I managed to use it in my speech anyway—that was my challenge.

The Deputy Prime Minister is right to modernise, but he is not right to destroy the House of Lords. We do not need a copy of this House, and not just because of the cost, or because normal people out there are not paying attention to what we are debating. Nobody will be paying attention if Andy Murray is still playing. The rest of the country knows what is going on at Wimbledon; only those of us in the Chamber do not have a clue because we are concentrating on the debate—[HON. MEMBERS: "He's through!"] That is wonderful news! A Scotsman is on his way to winning Wimbledon—*[Interruption.]* I shall correct myself. A British player is on his way to winning Wimbledon. We need something different from this House not just because people will be appalled at the creation of a few hundred more full-time politicians—that is abhorrent to the man in the street—but because the value of a bicameral system is that the two Houses should be different from one another. They should be complementary, but not a mirror image.

The value of the House of Lords is its cumulative wisdom and experience. Most of its Members have unique value to bring to the House and to Parliament precisely because they are not elected, and not politicians seeking votes. That is their independence and strength. Make them stand for election, and they will become politicians, when they will lose their independence and their unique value.

Election is not the only route to democratic legitimacy. As my hon. Friend the Member for Camborne and Redruth (George Eustice) rightly said, many people are part of our working democracy, and in their valuable, well-held positions, through methods other than election. What matters is not democratic legitimacy, but democratic accountability. That does not come about because someone is elected for one long term, with no opportunity for re-election.

If the House of Lords is elected, the delicate balance between our two Houses will be destroyed. No amount of assurance or clauses in Bills or examination of the Parliament Act will change the reality of that. It matters not that the Deputy Prime Minister says that the balance will not be changed; we all know that it will. Changing the House of Lords changes Parliament as a whole, and we should be considering the future of Parliament as a whole.

In their 13 years, the previous Labour Government tinkered with the constitution for short-term political gain. I have every confidence that this coalition Government, when they consider the consequences, will not make the same mistake.

In his conclusion, the Deputy Prime Minister said that in a modern democracy people must choose their representatives. That is absolutely right. We in this House of Commons are those representatives. The House of Lords is not the representative of the people. The Members of the House of Lords are not the people's representatives: they are something different, and long may they remain so.

8.45 pm

James Wharton (Stockton South) (Con): I am broadly in favour of the Government's proposed reforms—at least, I was until the right hon. Member for South Shields (David Miliband) appeared also to be, at which point I wavered a little. I am coming back round as the debate goes on.

I have listened carefully to what hon. Members have had to say and we have heard strong arguments on both sides, which have served to highlight that this is a very difficult issue with which the House has been asked to grapple. However, that is not a reason for shying away from doing what I believe is—broadly speaking—the right thing. I agree with many of the Government's objectives—I agree that the other place grows too large and that it raises issues of accountability and balance in how people are appointed—and I have looked at the proposed reforms and read the White Paper. It contains some good ideas. Indeed, I support 15-year elected terms, on condition that Members cannot seek re-election and the House is elected by thirds. That is a positive step that will tackle many of the issues that have been raised today.

My support is still slightly tentative, however, because I have a very serious reservation about the method of election proposed for the other place. At the moment, the proposed method is the single transferable vote. If one believes in proportional representation—and let us set aside the merits or otherwise of PR itself—STV has some advantages. It is relatively proportional and it allows individual members of the public to rank the candidates whom they want within a party slate, and so diminishes the power of parties to influence directly who gets elected—in a way that the closed list system does not, for example. STV gives the public the power to choose, but in the context in which we are now talking it is fatally flawed.

If we are looking at electing 180 senators—or MLs, Lords, peers, whatever they will be called—we must be looking at huge electorates in each constituency. In order for STV to be proportional, constituencies of four or more members are necessary. The larger the constituency—in terms of the number of members representing it—the more proportional the outcome of an STV system. In Northern Ireland, when STV was introduced, there were constituency sizes of six elected members. There have been debates in Ireland about the best size of constituency, and indeed wherever STV or a version of it is used across the world that is a long-running topic of debate. STV, therefore, would deliver elected members representing upwards of 500,000 people—voters—each, in which the public would be expected to rank candidates of their choice based on their preference.

In the north-east region, we would have four, possibly five, members of this new Chamber. As well informed an electorate as we have in the north-east, people would struggle to pick between party candidates on an individual candidate basis, because candidates would have to appeal to an electorate of some 2.5 million. Studies have shown, therefore, that an STV system discriminates against people whose names, by accident of birth, place them towards the end of the alphabet. I declare an interest, having a surname that places me at the end of the alphabet. When people are asked to rank in an STV system, many of them vote by party, as we know. The good, right-thinking people of the north-east would look for the Conservative candidates and rank them 1, 2, 3 and 4 in the order in which they appeared on the ballot paper—*[Interruption.]* Opposition Members shout "Shame!", but those few people who may be confused and choose to vote for them would do the same. Therefore, this system discriminates almost directly against people

[James Wharton]

based on where their name appears in the alphabet, and I urge the Government to think very carefully about introducing it.

This discrimination is well observed and indeed the Electoral Commission, in a report on ballot paper design in 2003, observed it. When Professor Dunleavy gave evidence to the Political and Constitutional Reform Committee, he also raised this issue. If we are even to discuss STV, we need to find a way to state clearly that this problem would be tackled, so as not to introduce a biased system, on the basis that it was an improvement, that would discriminate against people based on their surname. For many of the reasons discussed today, I broadly support much of what has been said on both sides of the argument, but in my own mind I still fall more or less on the side of the Government and am likely to support their proposals. However, I will not support them if they contain STV in an unreformed form, so I hope that the Government will think carefully about the electoral system that they use.

8.50 pm

Martin Vickers (Cleethorpes) (Con): If my hon. Friend the Member for Stockton South (James Wharton) were to propose that names appear on the ballot paper in reverse order, I would happily support him, given that my surname begins with V.

When these proposals were first made, I used the same phrase as my hon. Friend—I said that I broadly supported them—and having examined them more closely, I endorse them almost without reservation. I have some reservations, however, which I will come to later. Like my hon. Friend the Member for Burton (Andrew Griffiths), I think I am right in saying that no one in my constituency has contacted me about this matter, either for or against, and despite my efforts, using my column in the *Grimsby Telegraph*, to bring attention to it, all I have succeeded in doing is to stir up apathy.

One of the strangest things to emerge in recent weeks, as this matter has been debated, has been the argument by those in the upper House who keep declaring that their role should continue to be one of scrutiny, but who then declare their total opposition to the Bill in principle, despite it appearing in the manifestos of each of the three main parties. Had I been a Member of the House in the late 1990s, I would probably have opposed the proposals that were made then, but life has moved on, and we now have a totally unacceptable situation in the upper House, which is completely reliant on patronage. I happen to believe that in a free country, representatives should be elected, and one of my objections is that the current proposals suggest that 20% remain unelected. I would prefer 100% elected, although I hold the rather idiosyncratic view that the bishops should remain. Even were they to remain without voting rights, they would offer spiritual guidance beneficial to our deliberations.

Those who argue that two elected Houses will lead to conflict and a power grab by the upper House—or Senate, as I hope it would be called—I would say that the lower House will retain control of money Bills, and of course the Parliament Acts will remain. Why should this country alone among nations with two elected Houses be unable to meet the challenge of those two Houses co-existing? The draft Bill acknowledges that the relationship between the two Houses is governed to a great extent by convention, and I am pleased that that will be retained. It would be a backward move were conflicts to be resolved by the judiciary.

On the question of expertise, it is interesting to note that, as has been said, expertise can be drawn on through the setting up of boards of inquiry and royal commissions, to which the great and the good can be appointed. The logic of saying that only experts should decide is that we pack our bags, go home and leave it all to the experts down the corridor.

On the 15-year term of office, it has been suggested that once elected, Members will be unaccountable. Governments with a working majority could be said to be unaccountable, although of course they constantly renew their mandate with support from this House. Those who come up for election to the upper House will stand or fall by the popularity of the Government, in the same way as MEPs and councillors are swept to one side if the Government happen to be unpopular. The same will happen in elections to the upper House.

Whatever electoral system is eventually settled on, I sincerely hope that it will not include a closed list. Closed lists are the complete negation of democracy, which is what we are trying to improve and encourage in this process. They give power to party officials, and, as someone who played a minor role as a party official, I speak from some experience. I have previously questioned the electoral districts, and the Minister knows my concerns about them. I hope that the districts will be as small as practicable to operate in a proportionate system. I support the proposal.

8.55 pm

Mr Andrew Turner (Isle of Wight) (Con): To start at the end of my speech—if there is time, I will move towards the beginning—the main problem with the House of Lords is not a lack of accountability, independence or democratic accountability, it is the sheer number of peers. Let us take the number of peers appointed since the last election as an example. The former Prime Minister appointed 58 new peers in his working peers and dissolution honours lists. In November, the current Prime Minister appointed another 54. This is not sustainable, but there is no reason in law why it cannot go on for ever.

We should set a limit on the number of peers by Act of Parliament. That would prevent a Prime Minister from overriding the limit without changing the law. I believe that the limit could be 850 or 450, but let us take 850 to see how such peers would emerge. If we start with the current figure of 828 peers and, for argument's sake, let us say that 20 peers die over the course of this Parliament, there would be 42 vacancies to fill in 2015. If the turnout at the next election was 60%, then 40% of voters would have chosen not to vote for any political party. Let the Prime Minister—or better, someone else—appoint that 40% of new peers from among people with no political affiliation. That means that 17 of the newly appointed peers would have no political affiliation, leaving 60%—or 25 seats—to fill with political appointees.

If the Conservative party won a majority of, say, 60% of seats in the House of Commons, the Conservative Prime Minister could appoint 60% of the remaining vacancies in the House of Lords—that is to say,

15 peers. The Leader of the Opposition, having won, say, 25% of the seats, could nominate that 25% of the remaining vacancies, or six peers, and so on. Therefore, the outcome in the House of Lords would be proportional to the number of seats in the House of Commons, thus representing the views of voters and those who did not vote. That would be a much more efficient way of achieving the Deputy Prime Minister's aim of creating an independent, accountable and democratic upper Chamber.

Let me turn to how the House of Lords can be more democratic. An elected upper Chamber would, in fact, confound our democracy. The Parliament Acts of 1911 and 1949 emphasise the supremacy of the House of Commons as the representative body of the people. However, if these reforms go ahead, that statement will no longer apply. The second Chamber, also elected by popular vote, will have as much of a democratic mandate as the House of Commons. It would quite justifiably claim to be a representative body of the people. As representatives of the people, those in the elected upper Chamber would have as much right to refuse to ratify legislation as we in the lower House do. That would cause a constitutional crisis of epic proportions. That would be the danger if the newly elected upper Chamber, with as much of a democratic mandate as the House of Commons, decided to amend statutory instruments. That would be the consequence of making an unelected House an elected House.

8.59 pm

Dr Thérèse Coffey (Suffolk Coastal) (Con): I thank hon. Members who will serve on the Joint Committee for listening to the contributions of other Members—particularly my hon. Friends the Members for Croydon Central (Gavin Barwell) and for Epping Forest (Mrs Laing), who I believe have listened to every contribution.

Unlike my hon. Friend the Member for Burton (Andrew Griffiths), I did have one constituent—a gentleman from Kelsale—bring up the issue of Lords reform when I was canvassing in the general election. As I told him then, although I had not had a thought about it and did not feel particularly strongly about it, I would listen to the debate—and that is what I am doing now and for the future.

I agree with several things in the Bill. If we are to reform the House of Lords, for example, I agree with capping the number. I agree with the idea of its Members not being for life, and I agree with the idea of the transition. I quite like option 1. My favourite is the option to move to a smaller Chamber straight away, and I firmly rule out option 2 in favour of aspects of option 3.

As my hon. Friends have already said, it seems peculiar to say that there is accountability when people are not re-elected. There is, however, an opportunity to include recall powers, perhaps if Members do not show up. That happens in councils: if people do not show up for a certain period of time, they are automatically disqualified.

I welcome the idea of having ministerial Members, but will the Minister clarify whether these would be voting Members? Otherwise, there is nothing in the draft Bill to stop the Government of the day packing the upper House with a huge number of Ministers who could then vote.

I am not so sure of the need for Lords Spiritual. As others have suggested, there could be a role for a chaplain and it would be possible for people to speak as non-voting Members. As for having appointed Members, although I respect people's expertise, there is as much of it in this House as in the upper House. So-called experts could be called as witnesses, although there is a risk of Buggins's turn. A large number of ex officio appointments seem to be made when people retire from certain roles. That is wrong. Today, the Secretary of State for Defence has ruled that out for elements of our military forces.

As for where I strongly disagree, in common with my hon. Friend the Member for Stockton South (James Wharton), I believe that having the single transferable vote is wrong in this context. I would go further and suggest to the Minister that if we are having the elections on the same date, why bother having two separate votes? Having two voting systems on one day is completely unnecessary. We could use the proportion of the national vote—or the vote within a region, if regions are insisted on—to determine the election of Members to the upper House.

On the issue of whether we need regions or electoral districts, I strongly support other Members' views on how, frankly, we do not want people floating around our constituencies, especially when they can say that they are also the representative in Westminster. I am not suggesting that our electorate is not intelligent enough to know the difference, but—how can I put it?—one election leaflet after another can sometimes be put across in a certain way. I will not go any further; I think hon. Members know what I mean.

Stephen Pound: Printed in yellow!

Dr Coffey: I could not possibly comment on that.

Let me move on to deal with the powers. I made this point when the Deputy Prime Minister originally raised the issue. I disagree with the right hon. Member for South Shields (David Miliband), as I think we should be careful before we say definitively what the powers are going to be. I sympathise with hon. Members who are worried that giving legitimacy to the House of Lords by making it elected will lead its Members automatically to accept the idea that that is their lot in life so they will not look for any more. The European Parliament used to be appointed, then it became elected and over time it has gradually grabbed more and more powers. Indeed, it has an insatiable desire for more power, which the hon. Member for Blackley and Broughton (Graham Stringer) mentioned earlier. During this Parliament, we have seen the Welsh Assembly gaining more power and the Scottish Parliament demanding more power.

People will be elected for 15 years on the basis of a common manifesto. As I may learn, perhaps to my downfall in future, manifestos change every five years. If someone were elected for one term of Parliament, they might not feel bound to support the Government later on in their time. That said, Members elected for 15 years will at least be able to say to the Whips, "This is what I was elected on; this is my credibility; I will vote as I choose." On that note, I support further discussion.

9.4 pm

Laura Sandys (South Thanet) (Con): It is a great honour to follow my hon. Friend the Member for Suffolk Coastal (Dr Coffey), and I agree with much of what she said.

Obviously Parliament is not just this House, but it appears that this House, the legitimate House, is the House that lacks confidence in itself. The big fear is that giving more legitimacy to the House of Lords will diminish powers here, but the reforms that we are discussing, which will mean greater legitimacy for the other place, give us an opportunity collectively to hold the Government to greater account: to examine, cajole, petition and more effectively, not less effectively, ensure that there is greater scrutiny of Government. We need to claim back more powers collectively, and with a legitimate other place we can add to Parliament's powers without any erosion of the powers in this Chamber.

It is not a zero sum game. If we have a stronger and more representative secondary Chamber, this place will not be diminished. Not only is it defeatist to think that we might be diminished, but such thinking does not reflect the history or tradition of Parliament. As my hon. Friend the Member for North East Somerset (Jacob Rees-Mogg) so eloquently observed, Parliament is here to take power away from the Executive. That is why it was created, and one of my ancestors spent a bit of time in the Tower of London as a result.

The proposed reform would also remedy a long-standing sore at the heart of our Parliament: the power of patronage. Since the inception of Parliament, the main thread linking generation to generation in this Chamber has been the fight against patronage. There is nothing more invidious than the patronage that accompanies the bestowal of membership of the House of Lords. It is much worse than the system of hereditary peers, it is much more open to questionable donations, and it allows Members of Parliament to be moved from this place to make way for high-fliers. In my view that system is not tolerable, and should have been reformed decades ago.

Nevertheless, I am not entirely uncritical of these proposals, but we need to think about the name that we give to the new version of the upper House. It must be defined as the junior Chamber: it must be seen not as upper or superior but as secondary, and, as many Members have suggested, the role of that secondary Chamber must be understood in relation to constituency MPs. We must decouple the issue of membership from that of honours. Sitting in a secondary Chamber is a job of work, not a fast track to aggrandisement.

There are two more fundamental issues with which the Committee's consultation must deal. If we are to strengthen Parliament, we need more, not less, scrutiny of long-term planning by Government. I think that 15 years is an excellent term during which to examine a Government's strategic policies, rather than examining their immediate legislation as we do. Most fundamentally, the secondary Chamber must not be able to initiate legislation. It should be able to petition Members of this House to introduce legislation, but it must not initiate it by means of private Members' Bills, ten-minute rule Bills or any other mechanism.

This is one Parliament with two Chambers, one of which has its hands tied behind its back. We need to release it from its lack of legitimacy. Let us worry less about powers moving between the two Chambers, and spend more time thinking about the overall power that both Houses of Parliament should wrest back from the Executive.

9.9 pm

Rory Stewart (Penrith and The Border) (Con): Why are we discussing constitutional matters in this way? Is this how we should talk about our constitution? Is this how we think such matters should be discussed? Have we forgotten what a constitution is? Do we really think that something which constitutes the rules of the game, and which is supposed to protect our citizens against us, is something that we can somehow arrange in darkened rooms on the basis of 22 words out of 20,000 and three-line-whip through on a rainy afternoon? If we are here for the purpose of democracy, let us deal with the issue in a democratic way.

All of us in this House believe that there is a crisis of accountability and democracy. Let us make not only the outcome democratic; let us make the process democratic too. Let us have the confidence to open it up. Let us accept that constitutional issues are not like other laws, and that we cannot push through constitutional change in the same way that we change the treatment of wild animals in circuses. There is a reason for that.

Constitutions have traditionally emerged either from revolutionary fervour or slow historical evolution, yet we now behave as though they can simply be downloaded from the internet and, with a single press of the "replace all" key, be adjusted to any nation. We are going around the world doing that to other people, and now we are going to do it to ourselves. We are sending out British consultants to lecture Kenyans on governance and Egyptians on democracy, and we are writing constitutions for Iraq and holding elections for Afghanistan, and we are about to do it for ourselves with the same lack of success, because we lack the same thing. In all these cases, we fail because we fail to engage with the nation—with its imagination and desires. Instead, we treat this as a technical exercise. All the issues that have been raised today—who should be in that other House, what that House should do, how its Members should be selected, why it should be changed—are important not just because they are technical details, but because they matter for our country. They matter for our citizens, and the citizens should be allowed to speak about them.

The question of who is to be in the other place is not about what we in this House think should be the balance between elected politicians and the people down the other end of the corridor; it is about what the people think. Do they agree with the shadow Minister that our debates are of a far higher quality and that our expertise can be ranged against that of the other place; or if they were to spend some time in both this House and the other place might they think that teachers, policemen, professors and scientists have something to contribute that matters to them—that is valuable and that they appreciate?

What are we trying to create? Who are these senators with their 15-year terms? What will people make of these monsters of pride, with all the disadvantages and all the unaccountability—they will never stand for election again—sitting on their red Benches, swathed in their ermine robes, without the expertise of others, and

able to claim a mandate from the people that conveys power without responsibility? Why are we doing this? We are doing it because the public is angry with us. Under the cloak of democracy and legitimacy, we are switching things around. It is as though our constituents had asked us to repair a leak in the school roof, and we have said, "Don't worry, we've repaired a leak in the church."

Please let us put our democratic principles into the process. Let us have a free vote at least. Ideally, two thirds of this House should vote for a constitutional change. The Labour party gave us a free vote, and I say to the shadow Ministers that they should stick to it. We should have a free vote on constitutional issues.

Finally, let us accept that if no crisis demands it, and if the public is indifferent and the other side is uninterested, then this reform is uncalled for. We should not let unfocused measures detached from urgent needs or our nation drive us towards a decision that will undermine trust, which is the only foundation of our legitimacy.

9.14 pm

Duncan Hames (Chippenham) (LD): It is a privilege to follow the hon. Member for Penrith and The Border (Rory Stewart), not least because I can hope that the reason for our disagreement is that he has not yet had the chance to hear my speech.

I do not trust Governments—not this Government, not the last Government, nor any I have known. I am, after all, a Liberal. If, in common with many of my constituents, one distrusts Governments, then one must think it important to have checks on their power that protect people from their tyranny, be that a tyranny of the majority or, as is often the case in this country, a minority—of the old left and the old right as the hon. Member for Gainsborough (Mr Leigh) described them earlier.

Chief among those checks on power in our country's proud history has been the strength of Parliament, and in this debate we hear much about the relative strength of each House of Parliament. I do not want to see an end to the primacy of the Commons, but it is more important to rebalance power between the Executive and Parliament as a whole and to do so in Parliament's favour, as argued by my neighbour, the hon. Member for North East Somerset (Jacob Rees-Mogg), and more strongly by the hon. Member for Foyle (Mark Durkan).

I, for one, appreciate the valuable work done by members of the House of Lords, and recognise that it is most unlikely, and in certain cases most undesirable, that those from some walks of life, whose wisdom or expertise is cherished there, would stand for election to a reformed second Chamber. For that reason, I can see how I could support the continued presence of a group of unelected members of a second Chamber, so that they could attend, advise, speak and no doubt persuade elected Members with the force of their argument. So powerful would these contributions be, however, that I see no reason why these unelected Members would need to cast a vote when the House divided.

The contribution of the House of Lords as a revising Chamber has been both welcome and necessary, but we cannot afford to leave it at that. I suspect its ability to be a revising Chamber is dependent on the powers with which it can persuade this Chamber to accept its revisions.

Parliament's second Chamber needs the political legitimacy confidently to act as a brake against the unfettered power of an Executive who wield a majority in the House of Commons that they dominate first by their presence and then by their patronage. The Public Administration Committee noted in its recent report the increasing size of the "payroll vote", as it is not entirely accurately called, to 141 MPs, which is already half the votes the Government have needed to win most of the Divisions in this Parliament. That dominance might grow further when the total number of MPs is reduced for the next Parliament.

It is an unwarranted concentration of power to have a second Chamber that is primarily appointed by the leaders of the political parties, at least one of whom will be at the head of the Government, as well as a Commons Chamber in which a quarter of MPs owe their roles in government to a similar process—and in which many more hope to. Such power is felt not just during Divisions in the Commons, but through programme motions that guillotine debate and through influence via the Committee of Selection in the appointment of Members to Public Bill Committees and those that decide on delegated legislation.

Some say that turkeys will not vote for Christmas and that that means we cannot hope to persuade the House of Lords to accept reform, but I say that for that same reason it is even less likely that this House will ever escape the dominance of the Executive. Our best hope of strengthening Parliament in the face of the Executive is to reform the Lords and to let the people decide who is to go there and vote on the laws of this land, a case that was made eloquently by the hon. Member for Carlisle (John Stevenson), my hon. Friend the Member for North Cornwall (Dan Rogerson) and the hon. Members for Cleethorpes (Martin Vickers) and for Crawley (Henry Smith). In this way, party leaders can be made to cede power to the voters and the second Chamber can grow confident in the use of its existing powers, with greater public acceptance. Parliament will again be able to stand tall before the Executive.

9.18 pm

Paul Maynard (Blackpool North and Cleveleys) (Con): I welcome these proposals but lament the fact that they do not go quite far enough. I am one of that die-hard band of Conservatives who believe in a 100% elected upper Chamber. I joined the party not because it was the Conservative party but because I wanted to be a member of a party of change—a party in favour of changing Britain for the better, rather than keeping what was wrong as it was.

I have listened carefully to the debate. Some clear themes have emerged and I found some common ground with my hon. Friends the Members for Epping Forest (Mrs Laing) and for North East Somerset (Jacob Rees-Mogg). I want to draw Members' attention to two important 18th-century individuals, Alexander Hamilton and James Madison, who wrote the federalist papers: 85 editions of pure intellectual dynamite that played an important role in the formation of the American constitution. They had great insight into human nature, how to balance competing interests and how to ensure that a constitution worked as a whole. If one mistake is being made today, it is our trying to consider the reform of the House of Lords in isolation from wider

[Paul Maynard]

constitutional change. Ten years ago, I would have had no truck with the idea of a written constitution, which was anathema to me, but such was the tinkering of the Labour party over the past 13 years, with a bit here and a bit there, that I am afraid we are left with no choice but to go back to the drawing board—to the famous blank sheet of paper that the leader of the Labour party constantly brandishes at us—and start to redraw our constitution.

The other key concern that I have heard today is the importance of maintaining the parity of this House with regard to the other House. I entirely accept that, and there must be no question of our becoming a subsidiary Chamber, but my fear is that the Government's proposals risk that very thing. My fear about using the single transferable vote to elect Members to the senate, or this other House, is that it will create the very debate about legitimacy and who has the greater mandate that we seek to avoid. However, there is a solution, which might appear perverse to many Members and will not please my Liberal Democrat colleagues. I think that the answer is to find an electoral system that is so manifestly unfair, disproportionate, unrepresentative and idiosyncratic that there could be no question whatever of any dispute about which is the pre-eminent Chamber.

Might I suggest that we go back to the federalist papers of Alexander and James and ask ourselves why it is that tiny Delaware has two Senators in the US Senate while mighty California also has two Senators? May I just fly a kite, as we do all the time in politics and hope not to get shot down, as I might be about to—who knows? Could we return to the counties of England, Wales, Scotland and Northern Ireland before the Local Government Act 1972? Perhaps we could have a senate with elections for the historic county of Lancashire, reuniting Barrow and bringing Liverpool and Manchester back in. Perhaps we could also recreate Rutland and have Surrey stretching into the Surrey docks as it once did. The system would be full of illogicalities, but surely that is the point, because to maintain the primacy of this Chamber and defend the principle of first past the post—which I will do to my dying day, I have now decided after that fiasco of a referendum—we have to ensure that we have an electoral system that retains the confidence of the people and starts to tie people more into their legislature. I can think of few things that would do that more than having senators for the historic counties.

I may be an MP, but I try not to have too big an ego, and I can cope somehow with having MEPs, county councillors, borough councillors, district councillors, parish councillors, Uncle Tom Cobleighs and all trampling over my local newspapers, talking about things that I have an interest in. I no doubt do the same to them. We can cope with having multiple elected representatives in the areas that we also represent. I think it is important that we support the Deputy Prime Minister as he re-enters the Chamber. These are bold and important proposals and we must back them.

9.23 pm

Andrew George (St Ives) (LD): It is a pleasure to follow the hon. Member for Blackpool North and Cleveleys (Paul Maynard) because he has expressed a view from the Conservative Benches that is probably discordant with the views of the majority on those Benches and I shall do the same from mine.

I welcome many of the reforms, such as the removal of hereditaries, the constraint on patronage and the limit on the term, which is probably a matter for debate, and the reduction in the number of peers, which should also be debated further. There are also the Government's intentions about the maintenance of function and power and about the primacy of the Commons over the other place. In addition, we have the right to retire, which will clearly be welcome, and a beefed-up Appointments Commission. The transitional arrangements have been debated elsewhere.

Unless the other place can do things that we in this Chamber cannot do, or bring into the legislative process something that we in this rather more tribal environment are unable to achieve, frankly we need to ask ourselves the unicameral question: why bother having a second Chamber at all? It would be far better for the country, particularly in these rather straitened times, to turn it into a museum and generate resources rather than for the nation's resources to be sapped by something that contributes nothing to the process itself.

I have a great passion for democracy, but we do not need to democratise everything that moves. What we are about is improving the primacy of this Chamber. The hon. Member for North East Somerset (Jacob Rees-Mogg), who is no longer in his place, rightly emphasised that properly to have a debate about the need for this Chamber to function effectively we need to establish a written constitution that empowers this Chamber in relation to the Executive. It is not necessary to create a mirror image Chamber at the other end of the Corridor that contributes nothing to the legislative process.

There is a debate that we have not properly had. We have leapfrogged over the question of what we want a second Chamber for to how people get into that Chamber. The risk in the Government's proposals is that we are welding the worst side of what we have in this place—its tribalism—into another place, rather than helping it to achieve the kind of objective that we want and the nation needs in order to balance what we do here with what is required in what should be a revising Chamber, a place for sober second thoughts, and not one that simply reflects the same kind of party tribalism that we have here. It will contribute nothing. We might as well not have it at all.

The potential risk of the seepage of power from this Chamber to the other is addressed in the draft Bill, but not sufficiently. It acknowledges on page 11 that the balance of power is established on the basis of statute to a certain extent, but also convention, and of course convention is changed by convention. One of the conventions that will be under a great deal of scrutiny and is at risk is that if there is no intention to codify the relationship between the two Chambers, powers will seep to another place. There will certainly be a challenge to take those powers to another place. Rather than go through the process of electing members to another Chamber, we should establish and work on a written constitution for this country.

9.28 pm

Simon Hart (Carmarthen West and South Pembrokeshire) (Con): As is pretty obvious to people who know me well, I am not an academic, a lawyer or a constitutional

expert, which puts me in a minority of probably one for the purposes of this evening. However, I am a pragmatist from west Wales, and in that spirit I want to offer something constructive to the Parliamentary Secretary, Cabinet Office, my hon. Friend the Member for Forest of Dean (Mr Harper), of whom I have grown rather fond during the past 14 months as we have discussed one constitutional matter after another. Some of my best friends are estate agents and car salesmen, and much as I know them well, like them and enjoy their company—indeed, I was one at one stage—it does not necessarily mean that at the end of the day I want to buy what they have on offer. I fear, and I hope my hon. Friend will forgive me for saying so, that this moment is no different.

Given the limited time that we have, I thought it would be helpful to summarise the debate. I have sat through 50-odd contributions and for the sake of something different to say, I jotted down what I thought the debate had shown. A snapshot of the views expressed across the Chamber reveals that this is not about Lords reform but about parliamentary reform, abolition of the Lords and the relationship between the Lords and this place, between us and the devolved Assemblies and between us and voters. Those are serious matters. This is not some throw-away matter that we can loosely describe to the press as a process of kicking out a few old duffers. This deserves to be taken more seriously.

Another point that has been raised is that there would be long-term effects. There are long-term questions that need to be answered and arguments that have not been properly addressed, and I hope that the Minister will have the opportunity to reply to them. What failure in the upper House are we seeking to remedy? How will elected Members succeed where unelected ones have apparently failed? What improvements are we hoping to achieve? We seem fixated on how the House of Lords, or whatever it will be called, will look, rather than what it should do. That is the nub of the matter, and I must say that this afternoon's debate has simply confirmed my fears in that respect.

On the other hand, the Government have attempted to make the case that the Lords "lacks sufficient democratic authority". Mind you, so do many other institutions in which the nation happily puts its trust. That is an absolutely fair accusation if that is what we seek. There have been enough contributions from around the Chamber and the other place to suggest that that is not what we seek, so we must be very careful not to justify these measures purely on the basis of that argument.

There appears to be no public appetite for this, and people have dismissed public appetite as somehow irrelevant. They say, "It may be boring, but it's important." Well, many things we do here are boring and important, and some are boring and unimportant, but this is actually boring and very important. I wonder what my friends in The Eagle in Narberth would say tonight if they flicked over from the tennis and saw me standing here. When they are trying to cling on to their public service jobs, or hold on to their house, or get an operation in their local hospital, they will think—I apologise for looking at the camera if this is the case—that this is yet another example of some self-indulgent activity that contributes to people's disinterest in and indifference to politicians of whatever nature, either elected in this House or unelected in the other.

There seems to be almost no parliamentary support for the proposals, judging by the statistics in the House of Lords and in this place. There appears to be some coalition interest, and we can only speculate why that might be. There are profound long-term constitutional consequences that need further examination. We are told that there would be significant costs, which one estimate puts in the region of £433 million. I hope that the Minister will reflect on the comments that have been made this afternoon and follow the recommendation that many Members have made, particularly my hon. Friend the Member for Bournemouth West (Conor Burns), which is to proceed with great caution, go for a free vote and remember that it was not long ago that we suggested to the Labour Government that there was a fine line between constitutional reform, which we all support, and constitutional vandalism, which we accused them of achieving. We should bear in mind the wonderful words of the Prime Minister, whom I also commend, who rightly said that this was a fourth-term issue.

Mr Speaker: I call Mr Jesse Norman, to speak until 9.36 pm.

9.33 pm

Jesse Norman (Hereford and South Herefordshire) (Con): I am delighted to follow my hon. Friend the Member for Carmarthen West and South Pembrokeshire (Simon Hart) and congratulate him on an excellent speech. This Government will be seen in time as one of the great reforming Administrations, but I must say that I am not an enthusiast for this legislation. I will focus on one argument that goes to the heart of the debate. It has been repeatedly claimed that an elected House of Lords is a commitment set out in all three main party manifestos and that the Government and the Opposition would therefore be justified in using the Whip and the Parliament Act to push it through. If we look at the manifestos, however, we can quickly see that this argument is mistaken. The Liberal Democrat manifesto includes just three references to the House of Lords and includes a commitment to "a fully-elected second chamber", so Liberal Democrat MPs who vote for an 80% elected Chamber will be voting against their manifesto.

The Labour manifesto does better, because it has five references to the Lords, but its commitment includes a referendum and the Bill does not, so Labour Members can hardly be whipped to vote for an elected Lords without the democratic legitimacy of a referendum.

What does the Conservative manifesto say? There is just one reference to an elected House of Lords, on page 67, and it is not deemed sufficiently important even to be included in the summary at the head of the chapter. It states:

> "We will work to build a consensus for a mainly-elected second chamber to replace the current House of Lords".

That is a commitment not to an elected House of Lords but to

> "work to build a consensus."

We have a White Paper and a draft Bill, so that commitment has been discharged, and on those grounds alone it would be quite wrong to use the Whip or the Parliament Act to force Members of this House to vote for this legislation. There must be a free vote.

[Jesse Norman]

The House of Lords is an imperfect institution, as even its own Members concede. Its powers, composition and legitimacy have all come in for severe criticism over the years from different parts of the spectrum, but I am at a loss as to why anyone should want a Lords that was more party political, less expert and more expensive than it currently is. There is widespread public distrust in elected politicians, but this measure serves only to aggravate that distrust when we should be doing everything that we can to restore it.

Several hon. Members *rose—*

Mr Speaker: Order. I call Mr Chris Bryant.

9.36 pm

Chris Bryant (Rhondda) (Lab): It is a delight to follow the hon. Member for Hereford and South Herefordshire (Jesse Norman), although that was the most casuistical argument based on party manifestos, and I completely disagree with him.

My central argument in favour of reform of the second Chamber is that the current system is unsustainable, in particular because of its effect on this House. At the moment, that House infantilises this House, because all too often Ministers stand up in this Chamber and refuse to give way or to agree to a perfectly sensible amendment, and then the Government go down the corridor and give way in another House.

Quite often, civil servants—whom we all love—say to their Minister, "What are you going to give away when you get down to the other end of the building?", and that means that we do not do a proper job of scrutiny in this House. We will never do a better job of scrutiny in this House until we reform the other House, and that is why it needs to be changed.

Jesse Norman: Will the hon. Gentleman give way?

Chris Bryant: I will not, if the hon. Gentleman does not mind, because he has only just spoken. Some 34 Back Benchers spoke, and I want to reply to as much of the debate as possible.

The current system is also unsustainable simply because of the numbers. There are already more than 800 Members down the other end, and if we do not make reforms towards an elected second Chamber, we will end up with another 269.

Dr Julian Lewis: Reduce the number!

Chris Bryant: I hear the hon. Gentleman say, in a rather Tudor way, "Let's just reduce the number." What? A kind of cull? Beheadings? We should have Acts of Attainder, perhaps, down this end just to get rid of particular named Members down the other. I am not sure that that is right, and I agree with my hon. Friend the Member for Clwyd South (Susan Elan Jones), who said that there are too many Members and we need to ensure that there are fewer. The proposals are right in that regard.

A system that is based on appointment always leads to patronage. It was ever thus, and surprise, surprise, whoever we get to appoint people, they end up appointing people who are rather like them. When Lord Home of the Hirsel announced that women were to be introduced to the House of Lords, he rather bizarrely said that

"taking women into a Parliamentary embrace would seem to be only a modest extension of the normal... privileges of a Peer."—[*Official Report, House of Lords,* 30 October 1957; Vol. 205, c. 590.]

People did not quite understand what he meant, but the following year, when the first four women peers were introduced, one was the wife of a viceroy, another was a daughter of a viceroy and a third was already a Dame of the British Empire.

It was exactly the same in 1997, when the Labour Government decided to ask somebody to draw up a new system of appointments. We asked Herman Ouseley to do so, and he came forward with the House of Lords Appointments Commission, which we now enjoy. Guess who was on the first list of people whom the commission appointed—Herman Ouseley, now Baron Ouseley. To recite an old Robin Cook joke, there is of course Elspeth Howe, who became a Lady when her husband became Sir Geoffrey Howe, a Lady when her husband became a Member of the House of Lords and was then, herself, made a people's peer, so she was "Once, twice, three times a lady"—*[Interruption.]* Sorry!

Appointment for life is also, in the end, reactionary. It often means that the wisdom and experience that goes into the House of Lords sits there for 20, 30 or 40 years and then becomes out of date and refers to a society of many years before. It was suggested earlier that the House of Lords should be a place of debate for an older generation. My hon. Friend the Member for Ealing North (Stephen Pound) said that that is effectively the Saga version of the House of Lords. We need a far better system to ensure that what it does reflects the will of the whole country. One of the other problems about appointment is that over the past few years the vast majority of appointments have come from London and the south-east of England. It is almost inevitable that those who end up doing the appointing end up appointing in their own likeness.

The system of by-elections for hereditaries is unsustainable, as is reflected by the elections that take place when one of them dies. As I am sure that all hon. Members know, earlier this year, on 11 May, there was a by-election following the death of the 11th Baron Monson. Fourteen hereditaries stood; seven got no votes at all; five—the Earl of Oxford and Asquith, the Earl of Shaftesbury, the Earl of Drogheda, Lord Cromwell and Viscount Colville of Culross—were eliminated because the single transferable vote is already used for the House of Lords; and the Earl of Lytton beat the Duke of Somerset by 15 votes to nine. I have to say that my favourite is still the 2005 by-election in which there were 28 electors, 26 stood, 19 got no votes at all, and in the sixth and final round Viscount Montgomery of Alamein defeated the Earl of Effingham—you couldn't make it up, could you?—by 11 votes to eight. It was pure "Blackadder". I am delighted, however, that in the other by-election that took place this May, a Labour candidate, the third Viscount Hanworth, stood against a Liberal Democrat, the Earl of Carlisle, and the Labour man got 233 votes while the Liberal Democrat got only 26. Interestingly, it is sometimes said that people will not stand for election to a second Chamber, but the Earl of Carlisle has not had much luck, as he also stood for the Commons in 1987 and 1992.

Incidentally, it is inappropriate that we still combine the peerage with the legislature. If the hon. Member for Gainsborough (Mr Leigh) wants to be a baron, a viscount, an earl or whatever, it would make far more sense for him to make his bid and start to get a bit less rebellious, because the Government will not be doling it out to him, and I am sure that Her Majesty will end up giving him a suitable honour.

Several hon. Members referred to experience and expertise. As the hon. Member for Carlisle (John Stevenson) has said, we should not undervalue the expertise and experience in this House. Many of us look to people such as the hon. Member for Beckenham (Bob Stewart), who have a degree of experience in certain fields, to bring that to this House. It is true that there are not many generals here, but there are majors and people who served in the ranks. One of the best speeches on the military covenant that I have read or heard in either House was made by a Member who has never been a member of the armed forces—my hon. Friend the Member for Bolton North East (Mr Crausby)—as I think that a lot of hon. Members who heard it would agree. As regards the NHS, we have GPs and a gynaecologist, who is in the Chamber now. We have teachers, people who have run their own businesses, people who have built their own businesses and people from the shop floor—we even have a vicar and a former Member of the House of Lords. We should not undervalue the experience that people like to see getting elected to this House.

On the bishops, it is inappropriate that they should represent only the people of England. For me, one of the great moments of the debate was hearing my right hon. Friend the Member for Torfaen (Paul Murphy), who is a well-known papal knight and a respected Roman Catholic, acknowledge that the bishops of the Church of England are actually bishops—so the job of the Reformation is done. I say to my hon. Friend the Member for Middlesbrough (Sir Stuart Bell), who served with distinction as one of the Church Commissioners, that the bishops were originally here because they were one of the major land tenants in the country, then because we took into Parliament the business of deciding on religious matters such as transubstantiation and now because people argue, as we have heard, that we need them for spiritual support.

In Scotland, Wales and Northern Ireland, neither the spirit of the land nor the Churches have collapsed because no bishops represent those areas in Parliament. Although some of my best friends are bishops, I honestly think that the time has come for them to depart the House of Lords. That would not signal the disestablishment of the Church of England, just as the fact that there are no representatives of the Church of Scotland in the House of Lords does not prevent it from being established. I say to my bishop friends that they can make a far more effective contribution to society by editing the *New Statesman*. If that has not helped Conservative Members join my cause to take bishops out of the House of Lords, I do not know what will. I hope that we will see an end to bishops in the House of Lords.

There are some problems with the legislation, as hon. Members have said. First, the powers of the House of Lords must be addressed. I do not think that clause 2 will stand the test. The Salisbury-Addison convention, to all intents and purposes, is now non-existent. It cannot hold water when there are more than two political parties in Parliament. It is frankly not worth the paper that it was not written on.

I think that 15 years is too long for somebody to be elected for. It is very difficult to see how somebody can be genuinely representative and accountable when they sit for fully 15 years. As the hon. Members for Crawley (Henry Smith) and for Suffolk Coastal (Dr Coffey) have said, it is important that we have a system of recall. If somebody is elected and hardly ever turns up, abuses their position or gets into some kind of trouble, there should be some system of recall, just as there should be for this House.

Many Members have said that this issue is not a priority and that we should not deal with it, but I profoundly disagree with them. In the end, it is about how we use power. All the other issues that my constituents of course talk far more about, such as jobs, unemployment, benefits, creating a successful economy, transport, teachers and hospitals, depend on whether we distribute power properly. That is why it is important to have change. Having just a system of appointments is reactionary. It means that we always reflect the past and do not offer a greater future, and it also creates the problem of patronage.

The hon. Member for Gainsborough hopes that the radical left and the radical right will combine to see off the proposals. I hope that everyone unites to improve the proposals, because they certainly need improvement. If the Government are too intractable, the measures will die. However, let us not lose sight of the unsustainability of the present arrangements. Surely, if one wants to tell other people how to live their lives, which is in essence what a Member of a legislature does, the least one can do is to put oneself up for election.

9.47 pm

The Parliamentary Secretary, Cabinet Office (Mr Mark Harper): I am very grateful for the hon. Gentleman's very positive winding-up speech. He clearly listens to the debate in this House, which is unlike that in the House of Lords. Perhaps unsurprisingly, in the House of Lords debate last week, there were 101 Back-Bench speakers, of whom 19 were in favour of a wholly or mainly elected House, at least in principle. I thought that was actually quite encouraging, given the turkeys and Christmas principle. It is worth noting that 68 of those speakers were former Members of this House, which gives the lie to the idea that all those who speak in the other place are disinterested experts; they are largely people who have been in politics and remain in politics. It seems to me that such people would have no problem standing for election.

Our debate was more balanced. Out of 34 Back-Bench speakers, I counted 15 who were broadly in favour of the proposals, 16 who were not in favour and three who were broadly in favour of reform, but had significant concerns about our proposals. It was a fairly balanced debate, which I think is why the Opposition Front Benchers became more enthusiastic about our proposals as the debate proceeded. The right hon. Member for Tooting (Sadiq Khan) started very positively by saying that he was committed to a 100% elected Chamber. However, I detected that there was a danger of his letting the best be the enemy of the good.

[Mr Mark Harper]

The right hon. Member for South Shields (David Miliband) gave a sensible counsel of action. He made it clear that he was in favour of a 100% elected Chamber, as is my right hon. Friend the Deputy Prime Minister. However, neither of them wants to let attempting perfection prevent any reform whatever, and both think that ending up with 80% of Members of the House of Lords being elected would be an improvement on the position that we have today. I hope that other Members will pay attention to that.

It is worth reminding everyone at the beginning of my remarks that we are considering a White Paper and a draft Bill. We are carrying out pre-legislative scrutiny, which we were urged to do on previous constitutional Bills. A Joint Committee has been set up, with 13 Members of this House and 13 Members of the other place of varying degrees of enthusiasm for reform. If we look at the Committee in the round, we see that it is broadly representative. I hope that it will consider the issues raised in the House of Lords last week and the House of Commons today. I know that a significant number of its Commons members were present today and listened to the debate either in full or in part.

Mark Durkan: Is the Joint Committee not really going to be just a theatre for screensaver politics, in which images are going to be projected, an impression of activity and movement generated and shapes thrown, but nothing real will actually be achieved?

Mr Harper: I very much hope that the hon. Gentleman is wrong. There are serious people on the Committee, and it is chaired by a very senior Member of the other place, the noble Lord Richard. It has the capacity to consider the matter seriously, examine our White Paper and our draft Bill and bring forward a serious report that we in this House and the other place will consider. It has that opportunity, and it is up to the Committee whether it decides to grasp it or to do what the hon. Gentleman says. From looking at the members of the Committee appointed from this House and the other place, I have confidence that it will take the matter seriously. The Government will listen to it if it engages seriously in the process, and I hope that it will.

A number of Members wondered why are introducing these proposals. The simplest answer is that those who make the laws should be elected. One Member of the other place, who will remain nameless, said last week that she did not believe there was a democratic deficit, or that elections were the only form of democracy. In response, the noble Lord Sharkey said:

> "She argued that the scale of the House's outreach and its collective wisdom constitute a kind of democratic system."

He continued, in a way that I thought was appropriate to the House of Lords, that that allowed

> "a much more flexible definition of democracy than is usual."—[*Official Report, House of Lords*, 21 June 2011; Vol. 728, c. 1233.]

I agree with him. Democracy is based on direct election to key institutions, and the House of Lords is a key institution that makes laws. It is a legislating body. Having been responsible for steering legislation through Parliament, I am not sure about the idea that the other place simply gives the Government advice, and it is entirely up to us, in a relaxed manner, whether we take it or leave it. I am afraid that was not my experience of trying to get legislation through the other place. It is part of this Parliament, so its Members should be elected.

A number of Members suggested today that they had concerns about primacy, including my hon. Friend the Member for Bournemouth West (Conor Burns), who was the first Back Bencher to speak, and my hon. Friend the Member for Bury St Edmunds (Mr Ruffley). We have not said in our proposals that there will be no changes if Members of the other place are elected. We have said that there will be an evolution of the relationship between the two Houses, but that ultimately the primacy of this House is guaranteed by the Parliament Acts. We control the supply of money, and ultimately we can pass legislation without the agreement of the other place. The relationship will change, as it has over the past century. It has changed since last year, with the advent of a coalition Government and the fact that the Salisbury-Addison convention does not operate in the same way, if at all. That change will continue, but ultimately this House is supreme, and that is guaranteed by law.

My hon. Friend the Member for South Thanet (Laura Sandys), supported by the hon. Member for Rhondda (Chris Bryant), made the point that this is not a zero-sum game. Improving the way in which the other place works could mean that our game is raised, and that collectively these Houses will do a better job of holding the Government to account. Many Members have referred to the role of the other place, which is to scrutinise and revise legislation, but also to hold the Government to account. Both Houses have a responsibility to do that, and both could do it better.

I say to those concerned about primacy that we considered carefully how to constitute the other place and examined ways of preventing it from being able to argue that it was more legitimate than this House. We proposed a different system of election, and elections by thirds, so that the House of Lords never has a more recent mandate than the House of Commons. We have said that Members should be legitimate by being elected, but we recognise that they will not be as accountable as us because they cannot be re-elected. They cannot therefore argue that they are more legitimate and usurp our powers.

Let us consider the point about talents and skills. Broadly 25% of the current House of Lords are Cross Benchers; the rest are already party political nominees appointed by the party leaders and the Executive. The idea that the other place is somehow free of politics or party politics is simply wrong. My hon. Friend the Member for North East Hertfordshire (Oliver Heald) explained that elections will be an improvement on patronage.

The hon. Member for Clwyd South (Susan Elan Jones) said that the House of Lords was larger than all Assemblies except China's National People's Congress, which has more than 3,000 Members. That was a particularly topical reference given Premier Wen's visit today. I will not pass on that news to the Prime Minister—he might think that 3,000 Members is a target for which to aim rather than something to be discouraged.

The serious point is that the other place has talented Members on the Cross Benches and the party political Benches, but I strongly agree with the hon. Member for Rhondda: so does this place. Someone mentioned a

national health service debate in the other place, in which Lord Howe of Aberavon referred to the number of experts there. We have them in this House, too. We have a practising dentist, a former GP, a former hospital doctor, former nurses, former members of the armed forces, former business people, former opticians—*[Interruption.]* I skipped over lawyers deliberately, but we have other talented people who can contribute to the House. We should not do ourselves down and pretend that Members of this House do not have a lot to offer.

I have been present for the entire debate and I have read *Hansard* for the two days of debate in the other place last week. Frankly, I must say that more fresh and considered ideas about improving the draft Bill came out of today's debate from elected Members of this House than emerged from the debate last week.

One or two hon. Members, including my hon. Friend the Member for Gainsborough (Mr Leigh), asked why we favoured proportional representation. The answer is simple. First, the Government should not have a majority in the other place. It should not be a carbon copy of this House, so the system should be different. We selected single transferable vote in the draft Bill. We recognise that there is a case for an open list. The STV system would reduce parties' control and allow Members to be more independent. People said that they liked that aspect of the existing House of Lords.

I agreed with the hon. Member for Luton South (Gavin Shuker) when he said that having first past the post in this House, which he and I supported in the recent referendum, and proportional representation in the House of Lords, forms a solid constitutional settlement. The two Chambers have a different role and should therefore have different electoral systems that play to those different roles.

For the future, we have a draft Bill, and both Houses have appointed a Joint Committee, which can start its work. Both Houses have given the Committee an "out" date—we want it to report by 29 February next year. If the Committee wants more time, it can come back to both Houses, as is usual. The Government will listen to what the Committee states in its report. We have listened carefully to the debate last week and today, and we will continue to listen to hon. Members' views. We will listen and adapt our proposals, and in the next Session we will introduce a Bill to reform the other place, with the first elections in 2015. I hope that we will get the support of as many Members as possible.

Question put and agreed to.

Resolved,

That this House has considered the matter of House of Lords reform.

Business without Debate

ESTIMATES

Motion made, and Question put forthwith (Standing Order No.145),

That this House agrees with the Report [22 June] of the Liaison Committee.—*(Mr Dunne.)*

ENVIRONMENT, FOOD AND RURAL AFFAIRS

Ordered,

That Bill Esterson be discharged from the Environment, Food and Rural Affairs Committee and Cathy Jamieson be added.—*(Mr Francois, on behalf of the Committee of Selection.)*

HEALTH

Ordered,

That Nadine Dorries be discharged from the Health Committee and Dr Daniel Poulter be added.—*(Mr Francois, on behalf of the Committee of Selection.)*

WELSH AFFAIRS

Ordered,

That Alun Cairns be discharged from the Welsh Affairs Committee and Mr Robin Walker be added.—*(Mr Francois, on behalf of the Committee of Selection.)*

WORK AND PENSIONS

Ordered,

That Alex Cunningham be discharged from the Work and Pensions Committee and Debbie Abrahams be added.—*(Mr Francois, on behalf of the Committee of Selection.)*

Community Orchards

Motion made, and Question proposed, That this House do now adjourn.—*(Mr Dunne.)*

10 pm

Paul Maynard (Blackpool North and Cleveleys) (Con): I am pleased, both as a Conservative Member of Parliament and as the Member for Blackpool North and Cleveleys, to speak about this important subject of community orchards. However, I am more pleased still, because I am also a russet, which is not merely a type of apple, but the name given to those who originate from the tiny village of Weaverham in the centre of Cheshire, which is where the Wareham russet was first invented. I am a true Wareham russet.

It is a pleasure to talk about community orchards. My home village of Weaverham was once awash with them. They grew both apples—Wareham russets—and our famous damsons, but in the immediate post-war period, they were all grubbed up to make way for council housing, to provide accommodation for those who went to work at the great Imperial Chemical Industries plant in Northwich.

We lost our community orchards, but sadly, we were not alone in our loss. Since 1945, we have lost 63% of our orchards one way or another. Indeed, in the traditional fruit-growing counties, such as Herefordshire, Kent and Worcestershire, the losses have been greater still.

However, things are stirring in the orchard world—a susurrus whistling through the bows, that some in the House have not yet quite heard. I should like to pay tribute to a very large number of organisations that I have contacted in the past week which have helped me to put my speech together. Common Ground, which is based in Shaftesbury in Dorset, is a particularly worthwhile organisation that has done much to promote apple day, which falls on 21 October, the same day as Trafalgar day. In fact, that gives added credence to the idea of making Trafalgar day our new bank holiday. We could perhaps call it apple day. Other groups, such as the Orchard Network and the Northern Fruit Group—the list is endless—do sterling work to protect heritage fruit species that I feel so passionate about. The People's Trust for Endangered Species has just completed the national orchard inventory as part of its work to protect the noble chafer beetle. That is an example of biodiversity in action, which encompasses much of what orchards stand for.

However, I am sure the Minister is wondering why I summoned him on a Monday night, to sit here at the end of the day to talk about community orchards. I am sure he is not overly amused, but let me explain why I have come here tonight. This debate is not just about orchards, but about the meaning of localism. There is a need to recognise the distinctiveness of our towns, villages and communities, and orchards are a wonderful way of doing that.

Many people, when they heard that I would have this debate, asked, "What is a community orchard?" and I had to explain that they are orchards that are in the community. Anyone can go in and enjoy them at any time, and those people can come together as a community. They can be the focal point for a village, an estate or even just a block of flats. The concern that animates our national debate on cloned town centres, with their identical chains of shops, is also behind community orchards. We need distinctiveness and difference.

Jesse Norman (Hereford and South Herefordshire) (Con): I absolutely applaud my hon. Friend in his call for more community orcharding. I come from the county of Herefordshire, which is thrilled to be the largest cider orchard county in the country. Does he share my view that we should not restrict cider and other orchards to rural areas, but encourage them within urban and suburban areas, where they can also give so much joy to local people?

Paul Maynard: Indeed, and I thank my hon. Friend for that intervention. My constituency has no green space apart from a golf course plonked in the middle of it, so I would welcome more green of any variety.

It is also important to recognise that the last Government—although no Labour Member is in their place now—did something to recognise that orchards were a habitat at risk, as they were added to the list of 15 biodiversity action plan habitats. However, as no inventory had been made, we were not sure of the starting point for the action plan. The work that has just been done by the traditional orchard inventory project, helped by Natural England, has allowed us to identify 17,000 hectares of orchards, many of them basic community orchards. One sad aspect of that work is that 45% are considered to be in poor condition, and that is where we start to get into the political remit of this issue.

The natural environment White Paper contained a sole, but welcome reference to community orchards, in relation to Tower Hamlets, which is a very urban area. The issue of protection for these orchards is paramount so, with the authority of many of the stakeholders for these orchards, I ask the Minister what more he can do to offer protection to the orchards. Many people have complained to me about the difficulty of obtaining tree protection orders. There is a failure to realise that many fruit trees grow for many hundreds of years. For example, I had no idea that a pear tree could still be maturing after some 300 years.

We also need to ensure that any fruit produced by these trees is not wasted. That means better liaison with the cider industry and within communities. I was pleased to see that the White Paper mentioned local nature partnerships and nature improvement areas, which could encompass community orchards. I hope the Minister will be able to confirm that organisations such as Common Ground and the Orchard Network will be able to start to bid for money to allow them to assist local groups to conserve their older orchards through small grants for insurance, fencing, stakes and gates—all those things that are needed to put the infrastructure together to help us to build a community.

I am sure that the Minister recognises the importance of these orchards to biodiversity. I recall them from my childhood days as being an edible hedgerow, with so many varieties of fruit on offer in the village, but they are also communal assets. Some of the concern stems from the need for more statutory presumption against the grubbing up of these smaller orchards for in-fill development. We often have debates in this Chamber about back-fill, in-fill and bungalows popping up everywhere. Orchards are very susceptible to this, and I hope that the Minister will be able to guarantee that he will give some consideration as to how they can be more protected.

I recognise that the Department for Environment, Food and Rural Affairs cannot do it all. Orchards have a great potential. Indeed, the Department's fruit and vegetables taskforce came up with a multitude of recommendations for cross-departmental working that will be very helpful. I am one of the few MPs who has managed to wade through the gargantuan Marmot review into healthy living, which is a 300-page leviathan of nanny-state prescriptions, but which made an important observation:

"Improving the good environment involves addressing issues concerning the accessibility of affordable and nutritious food that is sustainably produced, processed and delivered".

I have referred to the importance of not wasting the fruit that grows in community orchards. My constituency is the fourth most deprived constituency represented by a Conservative MP and includes a particularly poor estate called Grange Park. It was where the Conservative party held its social action project during the 2007 party conference. That is where the fruit trees in my constituency came from—planted by the party as part of that social action project.

The great lesson I took from that experiment was that for many children on the estate, fruit comes in a bag from Iceland. In this week of all weeks, with Wimbledon being played just down the road from here, the notion that fruit such as strawberries have a season would be incomprehensible to many of the children on that estate. The importance of orchards as educational tools should be considered as well.

Although the Slow Food movement is growing in popularity—I was in Ludlow, not too many weeks ago, enjoying a food festival there—it must not become the preserve of the upper middle classes, or something chichi or fashionable. It has to be something that my constituents can access as well. I am pleased, therefore, that at the recent civic trust awards in Blackpool, a fruit-growing project in Blackpool South, Grow Blackpool, won a civic award. I have many other examples from around Lancashire of people who have written to me about their small community orchards.

There is a recognition that fruits and community orchards have a role to play in our local communities, and that, more importantly, localism is not just about what we ask our councillors to do, and what decisions we allow councils to take; it is also about how we see our communities and about this very important idea of particularism. What makes this country special, in my view, is that we manage to cram so much diversity into such a small geographic area. It is that local distinctiveness that makes this country so special. We should never become estranged from the nature at the heart of our communities, and orchards, in the right places, cared for, nurtured and built up, link people with the place in which they live and the history of that place. It certainly linked me to the history of the village I come from, and I very much hope that the community orchard movement will strengthen and grow, with the Government's support and protection where appropriate. I look forward to hearing the Minister's thoughts.

10.11 pm

The Minister of State, Department for Environment, Food and Rural Affairs (Mr James Paice): I congratulate my hon. Friend the Member for Blackpool North and Cleveleys (Paul Maynard) on obtaining tonight's debate. He wisely commented on—perhaps foresaw—my initial reaction when I saw the subject of tonight's Adjournment debate on a non-voting night. However, having done the research that it is incumbent on me to do in order to reply—although I have some knowledge as well—I think that he has chosen a subject not only about which he clearly knows a lot, but which is of much greater importance than first sight might suggest.

I know that my hon. Friend has a close involvement with and interest in the subject, and I know that the Grow Blackpool project includes a community orchard and received a Blackpool environmental action award in January—I believe he was present. I also understand that two schools are involved in that activity, demonstrating some of the points to which he referred. He kindly furnished me with a list of some of the issues he was going to raise, so I have been able to prepare properly, I hope, for this debate. I will try to answer some, if not all, the points he made.

So many of the things that my hon. Friend described are encompassed by a phrase that will be close to his heart, as it is to mine—the big society. It is about bringing together a range of different benefits and community gains within the community. I am therefore pleased to have this opportunity to pick up his points. I am sure that he appreciates—he effectively said so—that DEFRA is committed to improving the natural environment and reconnecting people with nature and food. We also have wider responsibilities for Government policy on orchards and, as he and my hon. Friend the Member for Hereford and South Herefordshire (Jesse Norman) mentioned, on the cider industry. Community orchards can contribute to all those areas. Obviously, there is no formal record of community orchards but we believe that several hundred have been established throughout the country, largely due, as my hon. Friend the Member for Blackpool North and Cleveleys has rightly said, to the successful efforts of Common Ground and other organisations.

In the process of this research, I discovered that one of my predecessors in my office had been given a book written by Common Ground about orchards. I found the book fascinating and I thoroughly encourage my hon. Friend to read it if he has not done so. The main purpose of a community orchard is not just the production of fruit—although as my hon. Friend said, it should not be wasted—but to provide a valuable green space, a focal point for the community and the opportunity for relaxation. People of all ages and from all backgrounds are concerned about access to and the quality of local green spaces. Research has shown that they are frequently motivated to act together to develop and manage the spaces that they most care about, whether they be community orchards, parks, playgrounds, allotments or other places.

The recent "National Ecosystem Assessment", which my right hon. Friend the Secretary of State published a few weeks ago, put the value of access to open space at about £300 per person, which demonstrates its benefits. My hon. Friend referred to the Marmot review, which also demonstrated that there is a benefit to communities and individuals—and, perhaps in particular, the less well-off, the vulnerable and the disadvantaged, whom the Marmot review targeted—in having access to leisure opportunities such as those provided by a community orchard. The Government's programme makes a

[Mr James Paice]

commitment to protecting green areas of particular importance to local communities, something that also featured in the natural environment White Paper. My colleagues in the Department for Communities and Local Government are taking the lead role in encouraging communities to take over the ownership or management of significant community assets, including community orchards. Under the Localism Bill, residents will be able to play a bigger role in planning, designing, managing and maintaining community green spaces for food growing and other purposes.

The vital importance of green spaces—both through their benefits to local communities and as part of our ecological network—is highlighted in the natural environment White Paper. The role of community orchards is recognised in that. Although we do not use the term "community orchard"—the White Paper uses the term "urban orchard"—the nomenclature is designed to cover the same types of orchard. The White Paper showcases the excellent work of Tower Hamlets Homes in providing access to green space and supporting healthy eating through resident-led community food projects, allotments and urban orchards.

The White Paper includes the proposal to create new nature improvement areas. We want to see such areas wherever the opportunities or benefits are greatest, driven by local partnerships. DEFRA will launch a competition for funding to contribute to the first tranche of 12 improvement areas in July. Each application will be judged by a panel of experts chaired by Professor Sir John Lawton against criteria that will be made available on the Natural England website. Among other criteria, the panel will look at areas that restore and join up priority habitats, and areas where identifiable benefits to local communities can be demonstrated. There is therefore plenty of scope for community orchards to be part of a nature improvement area and included in applications for the competition.

Another key feature of the White Paper is the proposal to introduce local nature partnerships. These will be inclusive partnerships working on a landscape scale, using an ecosystems approach. That, too, will give the opportunity to highly valued community orchards to be included in a partnership.

My hon. Friend referred to the superb work done by the People's Trust for Endangered Species on behalf of Natural England in compiling an inventory of traditional orchards—not specifically community orchards—using aerial photographs. It will be used to target and restore sites, as he rightly said, and to monitor targets and inform local planning policies and development. The five-year project located 35,378 traditional orchards, which equates to just under 17,000 hectares of habitat. I was astonished at the scale of those figures, which demonstrate just how important community orchards are, especially as traditional orchards have declined considerably, as he said—they are believed to have declined by 63% since 1950. However, for the first time we now know their extent and location.

As my hon. Friend also said, traditional orchards are recognised biodiversity hot spots. It is recognised that, without proper protection and sensitive management, they can easily slip into decline. I can tell my hon. Friend that I have a community orchard in my own constituency; it is privately owned, but access is given to the community and the community has the fruit from it. These orchards embody all the things that we read about and see in picture books about a traditional old English apple orchard.

If we were to lose this habitat, we would also face losing rare English fruit varieties—another point to which my hon. Friend rightly referred. We would also lose the traditions, customs and knowledge in addition to the genetic diversity represented by the hundreds of species that are associated with traditional orchards. They are a haven for biodiversity. As I said, not all community orchards fall within the definition of a traditional orchard—indeed, many have been planted in more recent years—but they nevertheless have a very valuable habitat and biodiversity role.

My hon. Friend asked about protection and referred to tree protection orders. These are a matter for the local council, but he is right to say that some fruit trees, which are not normally the subject of tree preservation orders, can be very old and ancient trees that are worthy of protection in certain cases. As I say, it is a matter for local authorities.

Community orchards can also have a valuable place, as my hon. Friend said, in maintaining the cultivation of heritage varieties. I am not even going to try to repeat all the ones to which he referred, but there are many more. The book to which I referred earlier lists the origins of many varieties, explaining where they were first bred and listing the individuals who bred them.

Both my hon. Friends the Members for Blackpool North and Cleveleys and for Hereford and South Herefordshire referred to the cider industry. It is probably true to say that relatively few community orchards grow predominantly cider varieties, but they can still have an important role in supporting small-scale, often local, cider producers. Most local cider producers will make cider from any variety of apple, not just the specific cider ones. As many of us, especially members of the all-party cider group, know, there is a growing interest in artisan or craft-scale cider making, which is attracting increasing numbers of people from all over the UK who are keen to make some cider or perry—or indeed something else—from their local fruit.

My hon. Friend also referred to education, and he was right to do so. Community orchards can support and enhance the curriculum by helping children to understand where their food comes from and, as my hon. Friend so aptly said, its seasonality. I am sure he is right that it is not unique to the people of his constituency not to know that fruit is seasonal. I fear that, as with much of our food production, many people are not very aware of its origins or how it comes to be. Community orchards can offer great opportunities to see food growing, for people to experience producing food for themselves and to understand the links between food and sustainability. They are also places where children can learn how food plots support biodiversity, including the important role of bees, about which the House has heard so much in recent years. Orchards have helped to revive British apple varieties, so children can learn about varieties not usually seen in the supermarket.

One of the other goals of Government food policy is to encourage people to eat healthily and there is some evidence showing that children involved in growing fruit and vegetables move towards more healthy eating.

They have a greater understanding of the dietary composition of fruit and vegetables. As I mentioned earlier, there are also benefits from being outside and gardening—well known for both mental and physical health.

Finally, my hon. Friend will be aware of the Government's initiative in what we call the big tree plant, which was designed for community woodlands. To the best of my knowledge, there is no reason why it could not also be applied to growing fruit trees. We certainly do not lay down the species of trees that could be grown. There is some assistance available in that regard for communities who want to get involved.

Let me conclude by saying to my hon. Friend that I really congratulate him and I respect him for the amount of research that he has obviously done and for the way he presented his points. I do not hold it against him that he has held us here this evening. Frankly, so many of the objectives of DEFRA—local food, fresh air, community spirit, biodiversity—are provided by community orchards. They have the lot to offer. I congratulate my hon. Friend again on allowing us to raise the profile of community orchards this evening.

Question put and agreed to.

10.24 pm

House adjourned.

House of Commons

Tuesday 28 June 2011

The House met at half-past Two o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

JUSTICE

The Secretary of State was asked—

Immigration Tribunals

1. **Dr Thérèse Coffey** (Suffolk Coastal) (Con): What steps he is taking to reduce the sums spent from the public purse on repeated appeals in immigration tribunals. [62243]

11. **Gordon Henderson** (Sittingbourne and Sheppey) (Con): What steps he is taking to reduce the sums spent from the public purse on repeated appeals in immigration tribunals. [62255]

The Parliamentary Under-Secretary of State for Justice (Mr Jonathan Djanogly): As announced in our response to the consultation "Reform of Legal Aid in England and Wales", published on 21 June, we are removing most immigration cases, including appeals, from the scope of legal aid. We are also removing legal aid for certain repeat judicial reviews in immigration and asylum cases, subject to certain exceptions. We expect those measures to save more than £20 million a year. The Government have also consulted on introducing fees for appeals to the immigration and asylum chamber of the tribunal.

Dr Coffey: I thank my hon. Friend for that answer. Many of my constituents are becoming increasingly exasperated at the fact that some solicitors seem to exploit changes in circumstances and decisions, such as those on article 8 of the Human Rights Act 1998, simply to string out cases for as long as possible. What is he doing to ensure that legal aid is spent appropriately? What conversations has he had with the Immigration Minister on the reform of the immigration decision process?

Mr Djanogly: I can confirm that we are removing legal aid from most immigration cases. That will mean that the taxpayer is no longer funding those cases, which we think are relatively low priority. My hon. Friend has also spoken about cross-departmental co-operation, and we have had a number of discussions with the Home Office about our legal aid proposals, which go in the same direction as its proposals—for example, on making changes to the rules on how relatives of migrants are allowed to come into the UK. That close working will continue.

Gordon Henderson: Does my hon. Friend agree that the coalition Government inherited an immigration appeals process that is slow, unwieldy and routinely abused by applicants and their legal advisers? Does he further agree that the system needs a root-and-branch overhaul to make it fit for function?

Mr Djanogly: A number of the consultations did address this issue, including those with the judges, so we are acting to contain an avenue for abuse which my hon. Friend identifies. The Government intend to remove legal aid for immigration and asylum judicial reviews, where there has been an appeal or judicial review to a tribunal or court on the same issue or a substantially similar issue within a period of one year, as well as for judicial reviews challenging removal directions, subject to certain exceptions.

Kate Hoey (Vauxhall) (Lab): As we are talking about immigration appeals and judicial reviews, what message does it send out to the law-abiding member of the public when someone such as Phillip Machemedze, that appalling Zimbabwean who was responsible for torturing, killing and doing dreadful things in Zimbabwe, is told by a judge that he cannot be sent back because he might be tortured or his human rights might be affected? Surely immigration and asylum is about people who have behaved well and are running away from tyranny, and not about people who are part of that tyranny.

Mr Djanogly: Where human rights are concerned and where someone risks being terrorised in their country of origin—I am not saying that it is right or wrong that they should go back—it is right that they receive legal aid to defend their interests.

Foreign National Prisoners

2. **Mr John Spellar** (Warley) (Lab): What discussions he has had with the Secretary of State for the Home Department on steps to remove foreign national prisoners. [62244]

The Minister for Policing and Criminal Justice (Nick Herbert): Home Office and Ministry of Justice Ministers have frequently discussed the issue of foreign national prisoners, and our officials are in regular contact. The removal of foreign national prisoners and offenders awaiting deportation is a mutual priority.

Mr Spellar: The Department says that it wants to reduce the prison population. I am dealing with a case where a long prison sentence was rightly given, the tariff has been reached and the UK Border Agency is trying to deport the man, but the Minister is letting the Parole Board block this. What benefit is there to the British taxpayer or the safety of the British public in keeping him here? Can we have some joined-up government on this?

Nick Herbert: I can tell the right hon. Gentleman that this is the kind of thing we want to address, and I understand that it is being addressed in the Legal Aid,

Sentencing and Punishment of Offenders Bill. We wish to improve our performance on the removal of prisoners. I should point that out that more than 5,000 foreign national prisoners were removed last year. We intend to continue to take every possible step both to reduce the foreign national prisoner population and to remove prisoners from this country.

Dr Julian Lewis (New Forest East) (Con): One of the problems with removing convicted foreign prisoners is an interpretation put by the courts on their rights, such as their right to a family life—they are absolute, rather than conditional. What steps are the Government taking to recognise in law that people have rights which can be qualified by their own bad behaviour?

Nick Herbert: I am aware of my hon. Friend's concern and that of the House about this issue and about whether it is appropriate in such circumstances that the removal of offenders is being blocked. I hope that the commission we have announced on the Human Rights Act 1998 will pay the closest possible attention to the operation of the human rights legislation in such cases, because it is in the public interest that we remove foreign national prisoners who have forfeited their right to remain in this country.

Andrew Gwynne (Denton and Reddish) (Lab): Can the Minister say how many British nationals are held in foreign prisons, whether he expects them to be repatriated and, if so, what provision has been made in the prison estate to accommodate them?

Nick Herbert: I understand from my hon. Friend the prisons Minister that the number is about 2,000. The EU prisoner transfer agreement will come into force in December and will alleviate the position as regards the number of foreign national prisoners in our jails. The principle should be that if someone has committed a serious crime in this country, they cannot expect to remain at the end of their sentence. We seek the removal of prisoners in such circumstances.

Mr James Gray (North Wiltshire) (Con): It is laudable that the total number of foreign nationals in prison has gone down since Labour left office from 11,000 to 10,000, but does the Minister agree that that is 10,000 too many? Is it not time we sent the whole lot of them home?

Nick Herbert: I agree with my hon. Friend that we want to make greater progress and that is why we have set out provisions in the sentencing Bill on, for example, conditional cautions, which will be available as an alternative disposal to remove foreign national prisoners in some circumstances if they agree not to return for a period of time. The question of whether foreign national prisoners could serve their sentences abroad relies on the consent of other countries. We are attempting to negotiate more agreements, but even if we no longer need the consent of the offender, we cannot remove them without the consent of the country that receives them.

Reoffending

3. **Mr Philip Hollobone** (Kettering) (Con): If he will take steps to ensure that judges and magistrates are informed of incidents of reoffending of each offender they have sentenced. [62245]

The Lord Chancellor and Secretary of State for Justice (Mr Kenneth Clarke): We have begun work to improve access to local criminal justice statistics. For example, criminal justice and sentencing statistics are now broken down to court level and are available online. In terms of individuals, pre-sentence reports provide the court with details of a defendant's offending history and compliance with any previous sentences.

Mr Hollobone: That is not quite what I am after. Although it is important to have judicial independence, surely it is not beyond the wit of the Department that each judge and each magistrate should be given an annual report card on the effectiveness of their sentencing decisions. If they have given out a string of sentences and the convicts have reoffended regularly, that judge or magistrate will know that something is wrong with their approach.

Mr Clarke: As I said, we have begun work, and that is certainly an interesting suggestion. A massive amount of data would be involved in providing every judge and magistrate with full information about everybody they had ever sentenced, but I agree that we should consider the feasibility of doing so. I gather that someone in Seattle advocates that and has given interesting evidence to the Select Committee on Justice.

Alun Michael (Cardiff South and Penarth) (Lab/Co-op): There is considerable evidence that judges do not know enough about what happens once they sentence prisoners and those sentences have been disposed of. Will the Justice Secretary do what he can to increase the experience obtained by judges of those disposals and will he ask the Sentencing Council to advise, with a particular focus on what works in preventing offending and reoffending?

Mr Clarke: The Sentencing Council is already under a duty to provide information about the effectiveness of sentencing practice and I am sure that it supplements that advice and information in every possible way. As I have said to my hon. Friend the Member for Kettering (Mr Hollobone), we will certainly consider the feasibility of doing such a thing, as it would be valuable, but we are talking about a vast number of cases and not every judge will find it possible to find out exactly what happened in later years to everybody who appeared before him.

Violent Offences

4. **Andrew George** (St Ives) (LD): What steps he plans to take to protect the public from persons convicted of violent offences. [62246]

The Parliamentary Under-Secretary of State for Justice (Mr Crispin Blunt): We have made it clear that we are committed to retaining the statutory multi-agency public protection arrangements, known as MAPPA. Within MAPPA, the police, prison and probation services are required to work together to manage known violent and other dangerous offenders and so protect the public, including previous victims.

Andrew George: I hope that the Minister agrees that the primary purpose of custodial sentencing must be public protection. Does he accept that the greater use of

mandatory sentencing runs the risk of judges not being able to use their discretion to ensure that the public are protected in the long run?

Mr Blunt: The only element of mandatory sentencing we are contemplating relates to knife crime, so that it is absolutely clear that this House sends a very clear message on that. I am sure that right hon. and hon. Members will think it appropriate that people spend six months in prison when they threaten people with a knife.

Chief Coroner

5. **Mrs Madeleine Moon** (Bridgend) (Lab): What representations he has received on his proposals to transfer functions from the chief coroner. [62247]

12. **Chris Evans** (Islwyn) (Lab/Co-op): Which organisations his Department consulted on its decision not to establish the office of chief coroner. [62256]

The Parliamentary Under-Secretary of State for Justice (Mr Jonathan Djanogly): I have discussed our proposals with a number of interested parties, including peers, MPs and civil society groups such as Inquest and the Royal British Legion. We have, where possible, sought to take into account those discussions in developing the proposals announced on 14 June to transfer a number of the functions of the chief coroner while retaining the office on the statute book. We believe that represents the fastest and most efficient way of delivering reform of the coronial system, although we accept that some stakeholders would prefer us to proceed with full implementation of the office of the chief coroner.

Mrs Moon: I am still concerned about how, without the office of the chief coroner, we are going to ensure that there is greater consistency in the recording of verdicts, because having that consistency would mean that information was available that provided research capability and informed service development, so that we could prevent future deaths.

Mr Djanogly: I have had a number of discussions with the hon. Lady on a number of matters appertaining to coroners and chief coroners and I know that she takes a great interest in this area. The new arrangements we announced on 14 June, coupled with the draft charter for the coroner service, which we published for consultation on 19 May, will deliver proper oversight of the non-judicial aspects of the coroner system and will help to drive up standards of service across England and Wales. The national charter, with its uniform expectations of what those coming into contact with the system should expect, will be key in helping to ensure a greater level of consistency. At the same time, a new ministerial board will be able to consider national statistics gathered from across the coroner service and to consider what action could be taken to address any shortcomings.

Chris Evans: I wonder whether the Minister has spoken to Cardiac Risk in the Young, which believes that replacing the chief coroner's office with a ministerial board will not deliver the improvements necessary for the 21st century.

Mr Djanogly: I can assure the hon. Gentleman that the absolute priority as far as we were concerned was to put the reforms in the legislation into practice but in a way that was not going to incur the cost that I am afraid we cannot afford at the current time. That is what I believe our proposals will do.

Robert Flello (Stoke-on-Trent South) (Lab): Following the Secretary of State's most recent announcement in June, Chris Simpkins, director general of the Royal British Legion, has said:

"Ensuring there's a functioning Chief Coroner is the least we can do to honour the ultimate sacrifice made by our Armed Forces and to ease the pain those left behind will always feel."

Helen Shaw, co-director of Inquest, has said that instead of having a chief coroner,

"the government proposes to dismantle the office of the Chief Coroner and add yet another layer to the current, fragmented structure where lines of accountability are opaque and clear leadership is absent."

How many organisations that, unlike the ministerial team, actually know what they are talking about will the Secretary of State ignore? As he is in the mood to do U-turns, will he do the right thing and leave the chief coroner out of the Public Bodies Bill?

Mr Djanogly: If the hon. Gentleman looks at the RBL manifesto he will see that we are meeting most of its requests for reform without having a chief coroner. If we were simply leaving the office on the statute book and not implementing any changes, I would agree with that claim. However, regulations about training for coroners, including for service personnel cases, will be possible for the first time under our proposals. We will be implementing powers to transfer cases more easily within England and Wales—and for the first time to Scotland—when required for cases involving the deaths of service personnel abroad. Those are real and significant improvements to the system that will directly improve the experience of service personnel families who come into contact with the coroner system.

Mr Speaker: One of the difficulties with these long answers is that Ministers are reading out great screeds that have been written for them. On the whole, it is better to keep that for the long winter evenings.

Rehabilitation Revolution Green Paper

6. **Tony Baldry** (Banbury) (Con): What progress has been made on the proposals in his Department's rehabilitation revolution Green Paper. [62248]

The Lord Chancellor and Secretary of State for Justice (Mr Kenneth Clarke): The Government published our response to the Green Paper last week and I made a statement to the House about it. We have also introduced the Legal Aid, Sentencing and Punishment of Offenders Bill to give effect to proposals that require primary legislation. We will debate the Second Reading of that Bill tomorrow.

Tony Baldry: We need to encourage charities and social enterprises to invest in helping offenders and ex-offenders with their rehabilitation. In addition to payment by results, could my right hon. and learned Friend consider introducing Lord Chancellor's awards

for those charities, non-governmental organisations and social enterprises that are among the best at helping to support rehabilitation and prevent reoffending?

Mr Clarke: We all wish to give support to the many people who, through voluntary or charitable activity, try to help society as a whole by tackling the reoffending and rehabilitation problems of ex-offenders, so I shall certainly consider my hon. Friend's interesting suggestion. I would love to give Lord Chancellor's awards to a large number of worthy people, but unfortunately, the financial crisis that the Government have inherited does not enable me to give an instant response to his idea.

Helen Goodman (Bishop Auckland) (Lab): Surely the Secretary of State has gone backwards. He has done a U-turn on early guilty pleas; he is reviewing his review on indeterminate imprisonment for public protection; and he has made massive cuts to probation services. I have had letters from probation services, and in Gloucestershire the cut is 7.9%, in West Yorkshire, it is 9.8%, and in Kent, it is a staggering 13.6% this year. How can we have a rehabilitation revolution if there are no community resources?

Mr Clarke: As the hon. Lady knows, we are debating the Bill tomorrow, which is enormous—I apologise for that—and has huge implications, but we are having to reform fundamentally a criminal justice system that does not help society as it should, because it does not cut reoffending. We are having to reform on a very wide scale a legal aid and civil justice system that encourages unnecessary litigation and is not particularly user-friendly. We have taken over a mess, and we are going in for massive reform of it. We may have changed quite a lot of proposals in light of consultation, but the underlying need for a balanced package of radical reform is certainly there, and we will tackle it.

Philip Davies (Shipley) (Con): According to the Ministry of Justice, the number of people released from prison after serving an indeterminate sentence was 206 at the end of last year. The number who have reoffended since they were released is just 11—a reoffending rate of 5%. The Lord Chancellor says that what is most important to him in the criminal justice system is reoffending rates, so why on earth does he want to scrap the single part of the criminal justice system that is best at reducing reoffending?

Mr Clarke: About 200 people have been released, but 6,000 are in prison serving indeterminate sentences, and we are adding about 80 a month. They are released only when they can demonstrate to the Parole Board that they are a minimal risk to society—that is the present test—but in a prison cell they find it almost impossible to satisfy that test, so they are in a Catch-22 situation. We need long, determinate sentences for serious criminals; that is the way that the criminal justice system works. The experiment introduced by the previous Government has most undoubtedly failed; we will have one in 10 of the prison population serving indefinite sentences if we do not find a better alternative soon.

Keith Vaz (Leicester East) (Lab): May I welcome the thrust of the Green Paper, and ask the Lord Chancellor or his officials to meet User Voice, a group that consists of ex-offenders who are very keen to work with the Ministry of Justice, and to work with current offenders to stop them taking a path of crime?

Mr Clarke: I am sure that I can arrange for one of the team to have a meeting with that interesting organisation. A large number of ex-offenders—not too many, but some—do very valuable work in stopping other people making the mistakes that they made. The social impact bond financing the payment-by-results contract that we have with Peterborough prison is largely delivered by an organisation called St Giles Trust, which has an excellent record of using ex-offenders as mentors. Anything that we can do to encourage that, where there are suitable ex-offenders who really are able to give valuable advice, would certainly be welcomed.

Tom Brake (Carshalton and Wallington) (LD): A national inquiry, "Community or Custody?", commissioned by Make Justice Work, has highlighted the success that effective alternatives to custody can have in tackling reoffending and diverting petty criminals from a life of crime. Does the Secretary of State expect his proposals to lead to a reduction in the number of offenders serving short-term prison sentences for non-violent offences and a rise in the number of those involved in tough community sentence programmes?

Mr Clarke: We need the right sentence for the individual circumstances of each offender. I have never suggested that we get rid of all short-term sentences of imprisonment because sometimes magistrates and others have absolutely no alternative, but we are interested in strengthening community punishments and giving more confidence to magistrates and the public that those can have a genuine effect. We are proposing to strengthen the community payback scheme, which is unpaid work. Improving the extent to which tagging and curfews are available is one part of trying to make sure that, where they are likely to work, non-custodial community sentences are employed with some confidence by the courts concerned.

Civil Litigation Reform

7. **Yvonne Fovargue** (Makerfield) (Lab): What assessment he has made of the potential effect on group action litigation against multinational corporations of his proposals for reform to civil litigation. [62250]

The Parliamentary Under-Secretary of State for Justice (Mr Jonathan Djanogly): The Government introduced the Legal Aid, Sentencing and Punishment of Offenders Bill on 21 June. The Bill contains provisions to take forward a fundamental reform of no win, no fee conditional fee agreements, as recommended by Lord Justice Jackson. I believe that strong claims, including those against multinational corporations, could still be brought under conditional fee agreements, or CFAs. The Government are also proposing the use of damages-based agreements, or DBAs, in all civil litigation, which might be particularly suited to funding group action litigation.

Yvonne Fovargue: An array of human rights experts, including several non-governmental organisations, human rights lawyers and the UN special representative on business and human rights, have all criticised the Government's reforms of civil litigation. On what basis

can the Minister assure the House that his proposals to reform civil litigation will not impact negatively on access to justice for victims of human rights abuse?

Mr Djanogly: I have been in correspondence with many of the people whom the hon. Lady mentions, and I repeat that the Government believe that it will still be possible to bring claims against multinational companies once our reforms are implemented.

Compensation Claims

8. **John Howell** (Henley) (Con): What steps he is taking to change incentives for claiming compensation. [62251]

The Parliamentary Under-Secretary of State for Justice (Mr Jonathan Djanogly): The Government introduced the Legal Aid, Sentencing and Punishment of Offenders Bill on 21 June. The Bill contains provisions to take forward a fundamental reform of no win, no fee conditional fee agreements, as recommended by Lord Justice Jackson. These changes will encourage claimants to take an interest in the costs being incurred on their behalf, and will deter frivolous or unmeritorious claims from progressing to court.

John Howell: Does the Minister believe that implementing Lord Justice Jackson's proposals will clamp down on bloated compensation payments, given that in the past some solicitors have profited from cherry-picking claims and are claiming high success fees from defendants, particularly public authorities?

Mr Djanogly: My hon. Friend is right to raise the position of public-funded authorities such as the NHS Litigation Authority and local councils, which currently have to pay substantial additional legal costs to conditional fee agreement claimants. We believe that our proposals will ameliorate that position.

Mr Jack Straw (Blackburn) (Lab): But will the Minister acknowledge that what is in the Bill that comes before the House tomorrow implements only part of Lord Justice Jackson's recommendations; that, critically, the Minister has failed in that legislation to tackle at all the scandal of referral fees paid all the way along the chain, from the informant who passes on individuals' details up the line to insurance companies, where it is then also paid by the insurance companies; and that this scandal will continue, notwithstanding any changes to be introduced in the structure of ownership of solicitors firms, until he and his colleagues implement in full Lord Justice Jackson's recommendations, which are to abandon and outlaw referral fees altogether?

Mr Djanogly: It was Labour who brought in the ability to recover success fees and ATE—after the event—insurance premiums in 1999. This became the key mechanism of the rotten compensation culture, of which referral fees are a symptom. Claimant costs represented 56% of damages in 1999, but by 2010 they represented 142% of damages—and yes, we are looking at referral fees in the context of the reforms as a whole.

Sir Alan Beith (Berwick-upon-Tweed) (LD): Why does the Minister not merely look at referral fees, but give us a clear commitment that that outrage will be removed under the Bill?

Mr Djanogly: The Legal Services Board reported on that only a matter of weeks ago. We are looking at its recommendations, which go much further than a ban and, in particular, deal with transparency, which was what the Select Committee on Transport focused on. We will look carefully at all these issues.

Legal Aid (Domestic Violence)

9. **Caroline Nokes** (Romsey and Southampton North) (Con): What consideration he has given to those responses to his Department's consultation on legal aid that raised concerns about his Department's definition of domestic violence. [62252]

13. **Alun Cairns** (Vale of Glamorgan) (Con): What his policy is on the provision of legal aid support for victims of domestic violence. [62257]

The Parliamentary Under-Secretary of State for Justice (Mr Jonathan Djanogly): We published the Government's response to the consultation on 21 June. Legal aid will remain available for applications for protective injunctions, as at present. However, for disputes about children or finance following the breakdown of a relationship, legal aid will be available for victims of domestic violence where there is objective evidence of the need for protection.

Caroline Nokes: Will the Minister give an assurance that, in cases where domestic violence has been a factor in family breakdown, all other associated costs incurred in bringing about a resolution will be covered by legal aid?

Mr Djanogly: For family matters, including disputes about finance or children arising from the breakdown of a relationship, legal aid will be available for victims of domestic violence where there is evidence of a need for protection. Of course, we will also provide civil legal aid for victims of domestic violence to apply for protective injunctions, such as non-molestation orders.

Alun Cairns: It is reassuring that victims of domestic violence will remain eligible for legal aid under the changes, but the evidence is not always clear, because many victims will not report domestic violence to the police. What sort of evidence is the Minister expecting to see in order for people to qualify for legal aid?

Mr Djanogly: We listened to the concerns expressed in the consultation that our criteria for evidence of domestic violence were too narrow and we have expanded them. The key issue is that the triggers must be objective.

Ian Paisley (North Antrim) (DUP): In the light of the ongoing debate on this matter, does the Minister share the concerns expressed by the Westminster Public Accounts Committee about the dilution of the quality of Crown representation in all these cases, or does he take the view of the Northern Ireland Audit Office, which states that there is a lack of transparency in how the fees are calculated for taking on such cases?

Mr Djanogly: We are certainly concerned about the transparency of fees and how they are calculated. We are looking at this very carefully as part of our overall reform of legal aid, particularly for the Legal Services Commission.

Mr Andy Slaughter (Hammersmith) (Lab): Women are often at risk of domestic violence when relationships break down, even when there is no previous history of it. According to the Association of Chief Police Officers, attempts to end a relationship are strongly linked to partner homicide and a higher risk of physical violence and sexual assault. Now no legal aid is proposed for divorce or child custody cases, and the definition of domestic violence is still very narrow and requires a history of complaints. How will the Minister ensure the safety of women now that they have to negotiate face to face with potentially violent partners?

Mr Djanogly: I think the hon. Gentleman misunderstands the present system. At the moment, perpetrators rarely receive legal aid; it is the victims of domestic violence who receive it. That means that in the current system the victims face the perpetrators of the crime. The reality is that on a day-to-day basis the judiciary are having to deal with this and have set procedures that they go through to make the process as good as possible for the victims.

Compensation Agreements

10. **Lindsay Roy** (Glenrothes) (Lab): What the reason is for the time taken to implement agreements on the compensation of victims of terrorism overseas. [62253]

The Parliamentary Under-Secretary of State for Justice (Mr Crispin Blunt): We are examining this issue in tandem with the domestic criminal injuries scheme and will publish our proposals on victims in the coming weeks.

Lindsay Roy: I thank the Minister for his response. Has he made an assessment of how other countries, such as France and Australia, have been able to implement promptly the agreements on compensation for such victims outwith their natural boundaries?

Mr Blunt: As the hon. Gentleman will know, the House decided when we passed the Crime and Security Act 2010 that it was likely that the forward-looking scheme would relate to the criminal injuries compensation scheme. We are coming forward with proposals on the criminal injuries compensation scheme and are taking these things in tandem.

Miss Anne McIntosh (Thirsk and Malton) (Con): Will the Minister give the House an assurance that any such ex gratia payments will regard Foreign Office advice as having been followed at the time of the terrorism incident?

Mr Blunt: My hon. Friend is correct to say that that was a factor alluded to during the passage of the 2010 Act. For the precise details of the scheme she is talking about, which would apply retrospectively, I am afraid that she will have to wait until we come forward with our proposals in due course.

Mr David Hanson (Delyn) (Lab): Can the Minister confirm that, whatever scheme he brings forward, it will operate from January 2010, as proposed by the Act that I took through the House on behalf of the Ministry of Justice and the Home Office 18 months ago?

Mr Blunt: What is in the Act is that date, as I understand it, and the forward-looking scheme will operate from there. If it is not on the face of the Act, it was the clear statement of the Government at the time, and the policy of the then Opposition was to support it, so I can confirm that it would be our intention for any forward-looking scheme to deal with victims from that time.

Remand in Custody

14. **Mark Tami** (Alyn and Deeside) (Lab): Which organisations his Department has consulted on future procedures for remanding defendants in custody. [62258]

The Parliamentary Under-Secretary of State for Justice (Mr Crispin Blunt): More than 1,200 individuals and organisations contributed to the consultation on the Green Paper, "Breaking the Cycle: Effective Punishment, Rehabilitation and Sentencing of Offenders". Numerous criminal justice organisations commented on the remand proposals in the Green Paper, both in relation to restricting the availability of remand in custody and to new arrangements for defendants under 18. The latter were also discussed in a series of consultation events that the Youth Justice Board undertook following publication.

Mark Tami: What does the Minister say to the senior judges who rightly point out that it is wrong to link decisions on remand with the eventual sentence received?

Mr Blunt: What the hon. Gentleman has to understand is that in magistrates courts 10,098 people were remanded into custody, a very substantial number of whom did not receive a custodial sentence, so we have to deal with that reality.

Sadiq Khan (Tooting) (Lab): We believe that victims and witnesses should be at the heart of our justice system, and that they are crucial to its effective functioning. Victims groups have expressed alarm about the proposals in clause 73 of the Legal Aid, Sentencing and Punishment of Offenders Bill, and there is a concern that judges will be forced to prejudge cases prematurely, which could lead to the remanding on bail of people—offenders—who might interfere with witnesses, and could reoffend or fail to attend court. The Commissioner for Victims and Witnesses is against the plans as well. Does the Minister understand that the proposal could deter witnesses and victims from coming forward?

Mr Blunt: No. What the shadow Secretary of State needs to understand is that if there is any doubt about the issue, it will be up to the judge or the magistrate to make the appropriate decision on remand. The only factor that will be considered is whether imprisonment is at all likely in a particular case. If those other factors are in play, they will come into effect. We have listened during the consultation, and even if those other factors are not present, it will still be possible to remand in custody people in domestic violence cases.

Sadiq Khan: It is not just the shadow Justice Secretary who does not understand the proposals: the Council of Her Majesty's Circuit Judges is "wholly opposed" to them, and the Sentencing Guidelines Council, the Magistrates' Association, the senior presiding judge of England and Wales and the vice-president of the Queen's bench division have all responded to the consultation and are against them. The Minister has given no evidence to the House to justify the change other than the cost savings, involving 1,400 prison places and £40 million, so will he take this opportunity to explain why he is limiting judges' and magistrates' discretion?

Mr Blunt: Because we need to restrict the availability of custodial sentences on remand when there is no real prospect of the defendant being sentenced to imprisonment if convicted—*[Interruption.]* Thousands of people who are remanded in custody and then convicted do not receive a custodial sentence—and in the case of those whom magistrates remand, the numbers are very significant indeed.

Parliamentary Privilege

15. **Stephen Phillips** (Sleaford and North Hykeham) (Con): What recent representations he has received on the breach of court orders by those entitled to assert parliamentary privilege. [62259]

The Lord Chancellor and Secretary of State for Justice (Mr Kenneth Clarke): We have received correspondence from a number of hon. Members on behalf of their constituents, raising issues relating to privacy and the use of anonymity injunctions and super-injunctions. In some instances this has included reference to statements made in Parliament concerning the identity of individuals who have obtained injunctions.

Stephen Phillips: I am grateful to the Lord Chancellor for that answer. He will share my concerns, and those expressed by the Lord Chief Justice, at the recent breaches of court orders by Members of this House, and indeed Members of the other place. The rule of law and the separation of powers require that we observe the self-denying ordinances to which we are subject, so may I ask whether my right hon. and learned Friend intends to have any discussions with the Speakers of both Houses on the subject, and if so, what the nature of those discussions will be?

Mr Clarke: This is obviously a point of concern. I agree that essentially it should be a matter for both Houses of Parliament, and Members of both Houses, to address themselves. As a parliamentarian as well as a member of the Government, I defend absolutely the rules of parliamentary privilege, but we have to consider whether it is a proper use of parliamentary privilege to defy court orders. I hope that the matter will be urgently addressed, as we all have to come to some conclusions on it.

Sentencing Proposals

16. **Bob Stewart** (Beckenham) (Con): What recent representations he has received on his proposal to reduce sentences for certain offences for offenders who enter an early guilty plea. [62260]

The Lord Chancellor and Secretary of State for Justice (Mr Kenneth Clarke): The proposal to increase to 50% the maximum sentence discount for a guilty plea at the first opportunity produced numerous responses when it was canvassed in the Green Paper "Breaking the Cycle". The majority of those who commented were not in favour, including the judiciary, whose opposition was especially influential in persuading me that we should not proceed.

Bob Stewart: Can the Secretary of State assure the House that when a defendant pleads guilty at the last minute because he has been presented with overwhelming evidence against him, judges will still have discretion not to give him the maximum statutory sentencing discount of 33%?

Mr Clarke: I am glad to say that the guidelines have always said that, and it was never my intention to propose any change. The guidance on sentence reductions for guilty pleas recommends that a last-minute plea should attract no more than a 10% discount. It also says that where the prosecution case is overwhelming, even an early plea should receive less than the maximum, and recommends 20%. That is obviously a sensible rule. There is some discount because we are still saving the victim and witnesses the ordeal of going into the witness box, but the current one third, let alone 50%, is obviously far too generous for someone caught red-handed.

Steve McCabe (Birmingham, Selly Oak) (Lab): If the Justice Secretary's aim is to spare the victim, why does he not turn things round and insist on an additional sentence for offenders who waste court time in the face of overwhelming evidence and subject victims to further hurt by their behaviour in court?

Mr Clarke: It is simply a result of the culture of the last 50 years, at least, that this has always been described as a "discount" for a guilty plea. Most of the general public do not appreciate that a discount applies. If members of the public are asked whether a discount on the sentence should be given for someone who pleads guilty early, they say no. But if they are asked, "Should someone who puts the victim through the ordeal of the witness box get a longer sentence than someone who pleads guilty?" they answer yes. Because we could not find a resolution to the risk of some of the more serious offences attracting too short a period in custody, and judicial discretion could not be devised to cover that, we have now decided to stick with the long-standing process whereby a one-third discount is available for an early guilty plea.

Reoffending

17. **John Glen** (Salisbury) (Con): What steps he plans to take to reduce rates of reoffending. [62261]

The Minister for Policing and Criminal Justice (Nick Herbert): The Government set out their radical plans to reduce reoffending in response to the "Breaking the Cycle" consultation. We will pay by results to incentivise rehabilitation programmes that successfully prevent offenders from returning to a life of crime.

John Glen: I thank the Minister for that helpful reply. As a serving JP, one of the things I find particularly frustrating when considering sentencing is the several pages of antecedents involving multiple short sentences and failed attempts at drug rehabilitation. What work is being done to improve the effectiveness of drug rehabilitation, which is so crucial in stopping reoffending?

Nick Herbert: I welcome my hon. Friend's comments. The good news is that in April this year the Department of Health assumed responsibility for funding all drug treatments in prison and in the community. That joint commissioning of services by the health and criminal justice agencies will facilitate a more co-ordinated approach. We must move to programmes that ensure that we are dealing with the problem properly and getting people off drugs, not simply maintaining them, as has too often been the case in the past.

Compensation (Overseas Terrorism)

18. **Chris Williamson** (Derby North) (Lab): Which organisations his Department has consulted on reforms to the Criminal Injuries Compensation Authority and the scheme for compensating victims of overseas terrorism. [62263]

The Parliamentary Under-Secretary of State for Justice (Mr Crispin Blunt): In the coming weeks we intend to launch a public consultation on victims services, which will include the criminal injuries consultation scheme. We will not make up our minds about any changes until we have carefully considered responses from the public and other interested parties. We will make an announcement about compensation for victims of terrorism overseas at the same time as we launch our consultation.

Chris Williamson: The Justice Secretary's party signed up to the provisions of the Crime and Security Act 2010 that granted compensation to victims of overseas terrorism. He will know that victims fought hard for those provisions, including the backdating of compensation for those severely injured in atrocities such as the Bali and Mumbai attacks. I do not understand why he has snubbed those victims, who were led to believe that the compensation scheme would come on stream last September. How much longer will victims of overseas terrorism be expected to wait while he and his Ministers dither over this important and just scheme?

Mr Blunt: I am afraid that there was a certain amount of confusion under the previous Administration, when for some reason the Department for Culture, Media and Sport had responsibility for overseas terrorism issues. These issues have now been brought together, and we will bring forward our proposals on victims of overseas terrorism in tandem with our proposals on criminal injuries compensation.

Topical Questions

T1. [62269] **Mr Dominic Raab** (Esher and Walton) (Con): If he will make a statement on his departmental responsibilities.

The Lord Chancellor and Secretary of State for Justice (Mr Kenneth Clarke): On Thursday the Government signalled their intention to lead by example by launching a new dispute resolution commitment. From now on, Government Departments and agencies are committed to using better, quicker and more efficient ways of resolving legal disputes, and to seeking alternatives to court action wherever possible. The commitment will save time, money and stress for those involved, and will reduce the number of cases unnecessarily clogging up the courts. This is an important part of our commitment to make the justice system radically more user-friendly and to cut down on the amount of expensive, painful and confrontational litigation in our society.

Mr Raab: I thank the Justice Secretary for that reply. Getting offenders clean of drugs is one of the best ways to get them to go straight on release. What progress has the Justice Secretary made in reducing the previous Government's excessive reliance on methadone prescriptions, and increasing abstinence-based drug rehabilitation in our prisons?

The Parliamentary Under-Secretary of State for Justice (Mr Crispin Blunt): As my hon. Friend heard from the previous answer of the Minister for Policing and Criminal Justice on the centrality of rehabilitation, clinical interventions are the responsibility of the Department of Health. It is important that we work with clinical services to ensure that there is a proper path towards detoxification and abstinence, not only in prison but during the transfer between prison and the community. We are working hard with our colleagues in the Department of Health to deliver that.

Sadiq Khan (Tooting) (Lab): Last week the Prime Minister announced the Justice Secretary's new law on self-defence. However, there is no mention of it in the Green Paper, the Government response or the 119-page Bill. Is the Justice Secretary aware that the Director of Public Prosecutions is on record as saying that the current guidelines, which permit people to use reasonable force to protect their property, work well? Will he spell out how his proposal differs from the current law?

Mr Kenneth Clarke: We intend to clarify the law on self-defence by amending the Bill at the earliest possible stage. We are finalising the drafting of that. Essentially, we are clarifying the law. It will still be based on a person's undoubted right to use reasonable force when they choose to defend themselves or their home against any threat from an offender.

T2. [62270] **Mr Marcus Jones** (Nuneaton) (Con): Although I welcome my right hon. and learned Friend's policy to create drug-free wings in our prisons, does he agree with me, and my constituents, that the whole of our prison estate should be completely free of illegal drugs? Will he explain to my constituents how that can be achieved?

Mr Clarke: I would love to announce just such a policy. My hon. Friend probably shares my comparative amazement that drugs are so readily available in our prisons. The fact is that that is so endemic in the system that we have to start from where we are. We have a definite programme to introduce drug-free wings. As soon as we establish those successfully, a prime objective

of the Government is to eliminate the presence of drugs and to establish proper rehabilitation of offenders that does not depend simply on maintenance and methadone.

T5. [62273] **Chris Williamson** (Derby North) (Lab): To return to the point made by my right hon. Friend the Member for Tooting (Sadiq Khan), the Prime Minister said that there would be provisions on self-defence included in the Legal Aid, Sentencing and Punishment of Offenders Bill, but the Bill as it stands is silent on the issue. Michael Wolkind QC, who represented Tony Martin, says that allowing householders to use any force that is not grossly disproportionate would amount to "state-sponsored revenge". Can the Justice Secretary clarify how his legislation will differ from what is currently in place?

Mr Clarke: The Prime Minister was not advocating state-sponsored revenge, nor is anybody else. What we are doing is clarifying in statute the basis upon which people can use reasonable force to defend themselves in their property. *[Interruption.]* I am not quite sure what aspect of that Labour Members seek to oppose, but I think they will be reassured when they see the amendments that we propose to introduce.

T4. [62272] **Graham Evans** (Weaver Vale) (Con): What steps is my right hon. and learned Friend going to take to ensure that the Government send out the strongest possible message on knife crime?

Mr Clarke: We are going to create a new offence of aggravated possession of a knife, which means carrying a knife and threatening with it, to make the clearest possible statement that we are not prepared to tolerate knife crime in this country.

T7. [62275] **Jim Dobbin** (Heywood and Middleton) (Lab/Co-op): The Youth Justice Board has support right across the political spectrum. Indeed, the House of Lords voted to retain it. I cannot understand why a Government who pride themselves on listening to the people cannot do a U-turn that, on this occasion, would be popular.

Mr Blunt: There is a clear case for bringing the responsibilities of the Youth Justice Board within the Ministry of Justice, and for making Ministers directly accountable for youth justice. We are going to reintroduce that case to the House, and I am sure that it will command the House's support.

T6. [62274] **Karen Lumley** (Redditch) (Con): Last week I visited HMP Hewell in Worcestershire, where I met the restorative justice manager Clifford Grimason. He showed me the excellent work that has been done there with prisoners. Will the Secretary of State join me in commending HMP Hewell, and Cliff and his team, who have been working together with Conservative-controlled Redditch borough council on innovative schemes to help get prisoners ready to go out into the world of work?

Mr Kenneth Clarke: I am sure that my hon. Friend's description of that work is correct, and I readily commend the work that is being done there and in other places. The main feature of the reforms that I am introducing is the concentration on cutting reoffending, which means rehabilitating offenders. I try to avoid giving the impression that nobody is doing that already, but instead of looking to particular spectacular examples, I want to see that running through the whole system. To reduce crime we have to reduce the number of criminals who are going to offend again as soon as they are out of prison, which is an objective of reform that has been missed for many years.

T9. [62277] **Julie Elliott** (Sunderland Central) (Lab): In the light of the Ministry of Justice's own impact assessment, which says that increased criminality, less social cohesion and increased costs are all likely to result from the Legal Aid, Sentencing and Punishment of Offenders Bill, which is currently going through Parliament, have the costs to other Government Departments been considered and costed? If so, what are they?

The Parliamentary Under-Secretary of State for Justice (Mr Jonathan Djanogly): We have worked closely with other Departments to examine the impact of our proposals, and that is ongoing.

T8. [62276] **Mr Robert Buckland** (South Swindon) (Con): I welcome my right hon. and learned Friend the Secretary of State's commitment to reducing reoffending rates. Does he agree that increasing the scope of judicial discretion, as outlined in the Bill, will go a long way to help to achieve that?

Mr Kenneth Clarke: I do, and I can reinforce my hon. Friend's point with a remarkable statistic showing how the last Government were falling down in that respect. Some 29% of all sentences for indictable offences in 2010 were given to offenders with 15 or more previous convictions or cautions—up from 17% in 2000. We need a more intelligent and sensible system of sentencing, and I agree that a proper degree of judicial discretion is an important part of the system.

Paul Goggins (Wythenshawe and Sale East) (Lab): The Minister will be aware that in October last year, Citizens Advice in Manchester signed a three-year contract with the Legal Services Commission for the provision of community legal services, which involves four new advice centres, one of which is in my constituency. On the strength of that, Citizens Advice entered into a series of leasing and employment obligations. Will he cut through the increasing uncertainty and confirm this afternoon that that contract will be honoured in full?

Mr Djanogly: That is, of course, a matter for the Legal Services Commission, with which the contract was agreed—but about 50% of CABs have legal aid contracts, which last for different periods. The proposals will work through over the period of the contracts.

Elizabeth Truss (South West Norfolk) (Con): Given the costs of delay when court papers do not turn up on time, what are the Government doing to expand the use of e-mail to deliver court judgments and papers?

The Minister for Policing and Criminal Justice (Nick Herbert): I am happy to tell my hon. Friend that the Government think that it is time the criminal justice system caught up with the rest of the world. Our plan is

that information documents will be sent by secure e-mail between all agencies in the system by April next year, so that we can eliminate that wasteful paperwork and drive efficiency in the system.

Dr William McCrea (South Antrim) (DUP): Can the Minister update the House as to what discussions he has had with the Minister of Justice in the devolved Administration concerning proposed changes to the legal aid system?

Mr Djanogly: I can confirm that I have had discussions, correspondence and a meeting with the devolved Administration to discuss the implications for legal aid and to ensure that we are all moving in the same direction.

Esther McVey (Wirral West) (Con): Following the Milly Dowler trial, does the Secretary of State agree that measures need to be taken to protect the families of the victims of crime from intensive questioning in court? If a footballer can be afforded privacy from the public arena, cannot the father of a murdered child?

Mr Kenneth Clarke: It is obvious that members of the public generally were appalled by the experience through which that family were put as a result of that criminal trial going ahead and the nature of the defence. Such cases are exceedingly difficult, because any defendant has the right to put forward a defence, however distasteful or distressing that may be to the victims. That sometimes happens. The straightforward process of calling the victim a liar can be extremely offensive to someone who has suffered grievously at the hands of the accused.

The judge has a discretion to cut out all irrelevant and unnecessary lines of questioning. I have no reason to doubt that the judge considered his discretion in that case. The Crown Prosecution Service actually applied for an order to ban the reporting of the relevant pieces of the cross-examination. I respect the decision of the judge, who decided that the principle of open justice should prevail. It was therefore all reported. The newspapers made their own judgments on the extent to which they reported those incidents.

In that case, which was exceedingly distressing, there was never a question of an early guilty plea, but it is useful to remind ourselves of just what an ordeal it can be when victims and witnesses have to go to a court to face someone who is denying the crime.

Mr Speaker: Order. It is not an ordeal to listen to the Secretary of State—indeed, one might almost call it a leisure pursuit—but unfortunately, we have not the time on this occasion to do so uninterrupted.

Paul Flynn (Newport West) (Lab): Does the Government's U-turn on shorter sentences, which could have led to a reduction in the prison population, mean that in future under the coalition, any Minister caught in possession of an intelligent idea is likely to be doomed to a brief unhappy ministerial career?

Mr Clarke: I made a few slightly light-hearted remarks about U-turns last time—but the Government have a process of consultation, and this is another Catch-22 situation. If we modify our proposals we are accused of making a U-turn, and if we proceed with our proposals we are accused of being deaf.

We explored every possibility of encouraging more early guilty pleas. We still intend to make such proposals, and some of the legal aid reforms are designed to encourage early guilty pleas. Anything that can be done to get early guilty pleas saves a lot of people distress, and also saves a lot of wasted time and cost for the police, the CPS, the courts and the prisons.

Mr Stewart Jackson (Peterborough) (Con): What message is sent to potential offenders and police officers—one of whom is my own brother—by the guidance of Sir Paul Stephenson, the Metropolitan Police Commissioner, that even the most offensive language used against a police officer will not now result in an offence under public order provisions.

Nick Herbert: I share my hon. Friend's concern. We should all agree that it is wholly unacceptable for people to swear at police officers. Whatever the merits of that guidance or the legal position, we should stand by our police officers in the job that they do. They should not have to expect that kind of treatment.

Mr David Crausby (Bolton North East) (Lab): Last December the Justice Secretary promised me that he would consider reviewing the maximum sentence for dangerous driving, which currently stands at two years regardless of the severity of the injury caused, short of death. It might well be against his liberal instincts to increase tariffs, but what progress has he made?

Mr Blunt: The hon. Gentleman may know that his hon. Friend the Member for Kingston upon Hull East (Karl Turner) secured an Adjournment debate on that subject. We are considering it, and will look at ways of doing it without having to legislate, if possible. We are considering what sanctions are available to us, and I am in discussion with the Solicitor-General and the Attorney-General to see how we can deliver the objective that we both share.

Margot James (Stourbridge) (Con): Following on from the question asked by my hon. Friend the Member for Peterborough (Mr Jackson) about people not being convicted of abusive language and behaviour towards the police, does my right hon. Friend agree that it is even more ridiculous that some of the people concerned are then compensated for wrongful arrest? Will he please review this as a matter of urgency?

Nick Herbert: Again, I share my hon. Friend's dismay. It is precisely to avoid such a situation that the Metropolitan police issued the guidance on the existing position. I repeat that it is not acceptable for police officers to be sworn at, and nor are we happy about the suggestion that it is. We wish to consider this issue because we need a system that ensures that we stand by our police officers when they are executing their duties.

Kevin Brennan (Cardiff West) (Lab): I want to ask about the drug-free wings that the Justice Secretary is introducing in prisons. Will prisoners be able to choose whether they enter a drug-free wing or a wing where drugs are rife?

Mr Kenneth Clarke: It might cost more to send a prisoner to prison than it does to put him in a room in the Ritz hotel, but there are limits to how much choice we give prisoners over the suitability of their

accommodation. There will be a process of careful assessment. We wish to spread the provision of drug-free wings and eliminate drug dealing in prisons as rapidly as is practicable.

Tom Brake (Carshalton and Wallington) (LD): Will the Secretary of State consider, within a year of the legal aid proposals being implemented, assessing the ability of those on low incomes to access the courts, the availability of appropriately qualified lawyers prepared to undertake publicly funded work, and the sustainability of legal services provided by bodies such as Citizens Advice?

Mr Djanogly: We have just commissioned research on those topics, and there will also be a post-impact assessment within three years.

John Cryer (Leyton and Wanstead) (Lab): Further to Question 7, will the changes to civil litigation make it easier or more difficult to take action against multinational companies? The consensus among non-governmental organisations is that it will be more difficult.

Mr Djanogly: People will still be able to be assessed by solicitors to decide whether they are prepared to represent them in multinational actions.

School Closures (Thursday)

3.33 pm

Andy Burnham (Leigh) (Lab) *(Urgent Question)*: To ask the Secretary of State for Education to make a statement about the school closures on Thursday and advice to parents worried about the situation.

The Secretary of State for Education (Michael Gove): The Government are currently in discussion with trade unions representing public sector workers to reach a fair deal on pension reform. Our proposals draw on the widely praised report from Lord Hutton, who was Secretary of State for Work and Pensions under the previous Government. The state of the economy that we inherited and major demographic changes mean that reform is vital. We want to ensure that all public sector workers enjoy pensions that are among the best available, but we need to balance that with fairness to other taxpayers. Talks between the Treasury and the TUC yesterday made real progress, which is why it is so regrettable that two of the classroom unions are planning industrial action this Thursday. This action is unnecessary while talks are still going on, will cause massive inconvenience to hard-working families and will hit working women particularly hard.

In order to minimise the impact of the strike on working parents, I wrote last week to all local authorities, as the employers of teachers, and to all schools, emphasising their duty to keep schools open wherever possible. In response to requests from governors, I also laid out the flexibilities at the disposal of schools to ensure that they stay open. Schools can vary staff-pupil ratios, they can depart from the national curriculum and they can draw on voluntary support from the wider community, with those who have been checked by the Criminal Records Bureau able to provide particular help. Nothing can replace the great teaching offered by gifted professionals, but I would far rather see schools staying open and offering a restricted curriculum than see hard-working families having to lose a day's pay or paying for ad hoc and expensive last-minute child care.

When I wrote last week, I also asked local authorities and academy heads to let me know which schools they knew would be closing. We collated data from them last Friday, and these data were updated yesterday. At that stage, 118 out of 152 local authorities, and 379 out of 707 academies had replied. The initial returns suggested that 2,206 local authority schools would be partially open and that 3,206 would be closed, while the situation with a further 10,872 was not known at that stage. The figures showed that of the 707 academies, 158 would be fully open, 128 partially open and 84 closed. Nine were still uncertain and 328 had not yet responded. I asked last week that those figures be updated as of 3 pm today, and that exercise is ongoing. Once the provisional data are examined, we will provide updates tomorrow and on Thursday.

It is the responsibility of individual schools to inform parents if they are closed, but the ability of individual heads to determine if and when a teacher has decided to strike—and therefore their ability to make contingency plans—is governed by the employment law that we inherited. Individual teachers have no obligation to tell their school or employer of the intention to strike in advance. Of course, we always keep the law under review.

I remain committed to discussing pension reform with all the teacher unions openly, honestly and constructively. The current generation of teachers in our schools is the best ever, and I want to see them properly supported; but this strike, at this time, will not help our schools, as those unions that are not striking this Thursday know. This action is unnecessary, premature and disruptive. I hope that all parts of the House will join me in working constructively to support those hard-working families who are the victims of this action.

Andy Burnham: Let me start by making one thing clear: on Thursday, children should be in school and their parents at work. Opposition Members have said consistently that these strikes are a mistake. We support reforms to make public sector pensions sustainable, and it is wrong for action to be taken now, while talks are ongoing. However, the Government cannot evade their share of responsibility for the disruption that millions of families will suffer on Thursday. We are worried that the Secretary of State has once again not properly thought through the consequences of his statements and has left parents in the dark, because it is we who have brought him here today. For the first time, Members have some information about the likely scale of disruption. Will he give us a commitment that he will keep Members in all parts of the House regularly updated from here on in?

Secondly, what reassurance can the Secretary of State give to parents today that where schools are open, children will be properly looked after, and remain safe and secure at all times? His letter to head teachers urged them to keep schools open, but was silent about children's safety. We want schools to stay open, but will he say more about what roles he considers it acceptable for parents to perform? What is a safe balance between trained and untrained staff? Are advanced checks advisable or necessary? He has said today that those with CRB checks may be able to do particular jobs, but will he spell out exactly what those roles are? This is not an area where he can afford to look like he is making it up as he goes along, so I would be grateful if he could answer those specific points.

Thirdly and most importantly, what steps are the Secretary of State and the Government taking over the coming hours to try to avert the strike? His letter acknowledged the

"very strong feelings in the teaching profession about teachers' pensions".

Does he not accept that those feelings have been inflamed by the Government's reckless and provocative handling of the issue from start to finish? In retrospect, does he believe that it was wise or fair to pre-empt the Hutton report by slapping a 3% surcharge on pensions, costing some teachers an extra £100 a month, or for the Chief Secretary to the Treasury to announce a raising of the retirement age at a crucial moment in the negotiations? Does the Secretary of State recall saying this to the Association of Teachers and Lecturers' conference while in opposition?

"I...think that, for people who've been in the profession, we shouldn't alter the terms on which they entered. I think that's part of the sort of broad contract that you expect."

Is not that exactly the point? Pensions are a contract, and they should not be changed unilaterally in this high-handed way.

During the Labour Government, the number of days lost through industrial action fell to its lowest level ever. Will not parents take a dim view if this Government return us to the 1980s so that the Secretary of State and his friends can rerun the battles of their youth? Do not those parents want a Government who play fair with the professionals who teach their children, rather than one who play politics with people's pensions?

Michael Gove: I was grateful to the right hon. Gentleman for the constructive way in which he began his response, but I think that, on reflection, he will consider the way in which he concluded it to be irresponsible at this time. The whole House wants to see people keeping level heads and maintaining an even temper at this time, and the fact that he chose to ratchet up the rhetoric in that way was not appropriate.

I am grateful to him for supporting the direction of Lord Hutton's reforms and for his initial words about the responsibility of all local authorities and heads to keep schools open in order to ensure that we do everything possible to minimise disruption. Because teachers are employed by local authorities and individual heads, individual local authorities and heads have to depend on teachers telling them whether they will be on strike before making contingency arrangements. That is a direct consequence of the labour laws that we inherited from the right hon. Gentleman's Government. If he believes that those laws should change, and that we should reform trade union laws, I should like to know about it.

The right hon. Gentleman asked us to update Members of the House with data, and we will do so. At the first available opportunity when the data are reliable, we will share them with hon. Members, with local authorities and with individual parents. He also asked us to do everything possible to keep children safe and secure. The safety of children is always my first concern, and that is why I want to see schools remain open, and why I have written to local authorities and outlined the flexibilities that they have. It is also why I have drawn their attention to the statutory guidance that covers health and safety and child protection.

The right hon. Gentleman referred to the 3% surcharge that is being placed on pensions. As a former Chief Secretary to the Treasury, he should be aware that every aspect of the pension reform that we are bringing forward is a direct result of the dire mess in which he and his colleagues left our economy. If people want to know why our pensions have to be reformed, they need only look at the financial mess that was made—*[Interruption.]* I am afraid that the intemperate response coming from the Opposition Benches reinforces the guilty consciences on that side of the House.

The right hon. Gentleman also quoted from a speech that I gave to the Association of Teachers and Lecturers. It is important that he not mislead the House or anyone listening—[Hon. Members: "Oh!"] I am sure that he would never do so intentionally, which is why I hope that he will stress that the proposals that we are putting forward respect the accrued rights of all those who have been in state pension schemes up until this moment—[Hon. Members: "Withdraw."] I know that he would wish to make that clear.

The right hon. Gentleman also said that, in the last year of the Labour Government, we had the lowest number ever of days lost to strike action. The truth is that, in the past year under this coalition Government, we have lost even fewer days to strike action. If we are to maintain that record, we need calm on both sides of the House, and not the pandering to the union gallery that we heard at the end of the right hon. Gentleman's comments.

Mr Graham Stuart (Beverley and Holderness) (Con): Does the Secretary of State agree that it is irresponsible for union leaders in the teaching unions who are on six-figure salaries to lead teachers out on strike when two thirds of their members did not even vote in the ballot? Does he also agree that this action will undermine and damage the education of children and the status of the teaching profession?

Michael Gove: We all listen with respect to the Select Committee, and its Chairman is quite right. The general secretaries of those trade unions have, throughout their careers, shown a commitment to improving state education. I therefore believe that their motives are right in most circumstances. On this occasion, however, they have made a mistake and they should acknowledge it.

Mrs Jenny Chapman (Darlington) (Lab): I went to school in Darlington in the '80s and I remember being sent home from school because not all the teachers had informed the head that they were going on strike. I was sent home and sat on the front door step before a neighbour came to fetch me. What guarantees can the right hon. Gentleman give about the fact that, although schools might be open, some teachers unexpectedly might not be present? The most important consideration here is the welfare of children. What is the right hon. Gentleman going to do to ensure that we do not see a return to strike after strike after strike under this Tory Government just like we did in the '80s?

Michael Gove: I am grateful to the hon. Lady for making her point, but as the right hon. Member for Leigh (Andy Burnham) made clear from the Opposition Front Bench, this strike is unjustified at this time, and the responsibility rests on those general secretaries and trade union members who are going on strike. They are causing inconvenience to hard-working parents and they should not be going on strike: that is the united position of both Front-Bench teams, and I am sorry that the hon. Lady does not share it.

Tracey Crouch (Chatham and Aylesford) (Con): I have a huge amount of respect for the hard work that teachers do, but share the disappointment of many parents in my constituency that Thursday's strikes will cause massive disruption to their children's learning. Will the Secretary of State advise how people such as myself and other colleagues who have a CRB certificate can help schools to stay open on Thursday?

Michael Gove: One of the things I would stress is that all of us can play our part in helping to ensure that children are kept safe and have a fruitful and constructive time in school on Thursday. Any Member—and, indeed, any member of the public—who is CRB checked can volunteer to help in their local school. I am sure that the

[Michael Gove]

head and the chair of governors would welcome that level of support. I have already received a number of letters from head teachers who have asked me if they can ensure that those who are CRB checked can help. They can help in many ways, by providing cover, by supporting trained teachers and by ensuring that children spend a fruitful and constructive time in school.

Mr Tom Watson (West Bromwich East) (Lab): To those people who follow industrial relations it is remarkable to see a union like the ATL vote for a strike for the first time ever. I understand the Secretary of State's desire to keep schools open, but in view of that, is it not better that he leave the Chamber now, phone those general secretaries, invite them in and spend the next 24 hours trying to secure a solution for these strikes? It is not too late.

Michael Gove: I am grateful to the hon. Gentleman who, as we all know, was a union negotiator before he came to the House and therefore has some expertise in these matters. As an expert union negotiator, he will know that it is unwise for anyone to call the dispute in the middle of talks. Talks are ongoing: we had talks yesterday with the TUC; I have arranged telephone calls with the individual general secretaries of trade unions for later today—and I took the precaution of doing so before coming to this House. *[Interruption.]* I have already talked to all the general secretaries in person and explained to them the lack of wisdom in what they are doing. The question for the hon. Gentleman and for other Labour Members is: what are they doing to keep our schools open? Are they doing everything possible to encourage the unions to lower the temperature or are they, sadly, once again engaging in the sort of opportunism that has given their party a bad name?

Dan Rogerson (North Cornwall) (LD): I regret, as the Secretary of State clearly does, the decision by two unions to cause the strike this week, and I am pleased to hear that the right hon. Gentleman is engaging in a constructive way. Will he set out what will be happening over the coming weeks to further the talks, to allay the concerns of teachers, perhaps by going against the message sent to them by the people at the top of their unions?

Michael Gove: My hon. Friend makes a very good point. There has been misinformation and propaganda about this dispute, and it is important that the facts are known—and that they are known by every Member. It will be the case at the end of this process that all public sector pensions will be among the best available. In particular, teachers' pensions will remain strong because we recognise the importance of ensuring that those who work in our classrooms are well protected. Because discussions are ongoing and because they are based on Lord Hutton's report, I think it quite wrong to prejudice those discussions by pre-empting them and stating what an end-point should be. By their very definition, discussions allow for both sides to make constructive suggestions, which is why it is such a pity that the trade unions have deliberately chosen to pre-empt that process.

Jeremy Corbyn (Islington North) (Lab): Does the Secretary of State understand the degree of anger and frustration among so many teachers who have given years to their profession and feel that they have been forced into taking strike action, thus losing a day's pay, in order to try to protect the pension for themselves and for a future generation of teachers? Instead of trying to work out cockamamie schemes to keep schools open, why does he not deal with the issue, retain the pension and support the teaching profession?

Michael Gove: I understand that there will be anger and frustration on Thursday: anger from parents whose child care arrangements have been disrupted, and frustration about the fact that schools remain closed. The question for all of us is: why is this reform necessary? I am afraid that the answer is: because of the dire economic situation that we inherited from the Labour Government. We are pledged to negotiate openly, honestly and constructively, but that negotiation has been pre-empted by the unions, and the hon. Gentleman's responsibility is to ensure that schools in his constituency stay open.

Mr Rob Wilson (Reading East) (Con): I can inform my right hon. Friend that 35% of schools in the borough of Wokingham and well over 50% in the borough of Reading will close. Will he join me in thanking teachers at schools that are staying open, such as E P Collier and Reading girls' school in my constituency, where staff have put the needs of children and parents before the pre-emptive action of their unions?

Michael Gove: As I said in my statement, not every teaching union has chosen to go on strike this Thursday. While I am well aware of the strong feelings that exist about the future of teachers' pensions, I know that many people who will be taking industrial action feel understandably concerned about what will happen when schools close, and I think it important for all of us to recognise that people who are working hard to keep schools open are operating in a public-spirited fashion and deserve our support.

Mr David Winnick (Walsall North) (Lab): Are the Secretary of State and other members of the Cabinet aware that many public sector workers, including teachers, believe that a war has been declared against them over their standard of living and their pensions? They are sick and tired of a Cabinet, consisting of a fair number of multi-millionaires, which takes such a hostile attitude to people who want to work for the community—as teachers do—but whose standard of living is constantly being undermined.

Michael Gove: I have a lot of respect for the hon. Gentleman, who has been in the House for many years and has stood up for many unpopular and noble causes, but I think that he is quite wrong in this instance. We are not declaring war on anyone. We want to ensure that our public finances can be restored to balance after what happened under the last Government, and we also want to ensure that public sector workers have the best pensions available. It is critical for us to ensure that our reforms proceed. The right hon. Member for Leigh made it clear that we need to work constructively on the basis of Lord Hutton's proposals. I hope that the hon. Gentleman will reflect on his rhetoric, and recognise that it is not helpful to parents or to his own community.

Stephen Phillips (Sleaford and North Hykeham) (Con): The shadow Secretary of State, the right hon. Member for Leigh (Andy Burnham), said that the Government

could not evade their share of the responsibility for what is happening. Earlier, he said that the Government must accept their share of the blame for causing disruption to millions of families. Can my right hon. Friend reassure me, and the whole House, that he will not consider taking an ounce of blame for the strikes until the Labour party apologises for the dreadful financial legacy that he and the Government inherited?

Michael Gove: My hon. and learned Friend has made a good point, but notwithstanding the dreadful financial situation that we inherited, teachers, and all public sector workers, will retain a defined-benefit pension scheme. Defined-benefit pension schemes were the norm in 1979, and indeed in 1997, but I am afraid that after what happened with the Labour Government, they became a rarity in the private sector. That is why we are so anxious to ensure that they are reformed in the public sector so that they can be secure for the future.

Pat Glass (North West Durham) (Lab): The Secretary of State asked what Labour Members were doing to help to resolve the strike. Unfortunately I am not the Secretary of State, but if I were, I would be ringing those general secretaries, bringing them together, and trying to resolve matters before Thursday. What is the Secretary of State going to do between now and Thursday to prevent the strike and the disruption to children's education?

Michael Gove: I have met, and enjoy meeting, the general secretaries of all the trade unions, and I am glad that I enjoy cordial relations with them. As I told the hon. Member for West Bromwich East (Mr Watson) earlier, I am talking to all the general secretaries of all the trade unions later this afternoon. I made sure that yesterday's negotiations and discussions were concluded so that the general secretaries had a chance to reflect on them before I contacted them today. I think that that is the wise and moderate way in which to proceed, and I am sorry that there are Labour Members who believe at this stage that anything else is appropriate.

Lorraine Fullbrook (South Ribble) (Con): I received an e-mail from a teacher in Eccleston in my constituency who was concerned about the proposed strike action on Thursday. My constituent is concerned that, despite being a member of the ATL, he did not receive a ballot paper. Does my right hon. Friend agree with my constituent and me that, if members of the ATL are being disfranchised in this way, the legality of the strike is in question?

Michael Gove: I am grateful for my hon. Friend's question. I am sure that the ATL will want to investigate any irregularity in the ballot. As has been pointed out, it was not the case that a majority of those who were members of the union voted in favour, but a majority of those who did cast their ballot clearly voted in favour of the strike, so we have to respect that democratic vote, even though I strongly believe, like the right hon. Member for Leigh, that the unions are mistaken to go on strike.

Mr Dennis Skinner (Bolsover) (Lab): Does the Secretary of State agree that it takes two sides to create any conflict and this smug, arrogant Government have revelled in the part they have played in this dispute? In the real world, trade unionists have to fight for every penny and every pension, but the bankers just wait for the Government to give in and to line their pockets. That is the real contrast.

Michael Gove: I respect the passion of the hon. Gentleman, and I know that he has a distinguished record as a trade unionist. Members of trade unions have an absolute right to take industrial action in defence of their interests if people believe it is right, but trade union leaders should decide whether it is wise to strike at any given moment. I do not believe that it is wise to strike at this point.

On the specific question of bankers, I have to say that they are paying more in tax under this coalition Government than they ever did under a Labour Government.

Craig Whittaker (Calder Valley) (Con): Six years ago a lot of blue-chip companies closed their final salary schemes to new employees and within the past three years they have closed them full stop. Does my right hon. Friend the Secretary of State agree that now is the right time to reform public sector pensions to make sure that they, too, are sustainable going forward?

Michael Gove: My hon. Friend makes a good point. We have to be fair to all taxpayers. Of course it is important that we make sure public sector workers have a decent pension, but we must also make sure that others in the private sector who are paying for those pensions have their position respected. Given what happened to private sector pensions under the previous Government, Labour Members are in no position to lecture anyone about the integrity of benefits in retirement.

Helen Jones (Warrington North) (Lab): Does the Secretary of State accept that it is no use his calling for calm from the Dispatch Box when the words of the Chief Secretary to the Treasury and the implied threats that he has made today to review the laws on strike ballots simply serve to inflame the situation? Why does he not stop posturing, get the employers and the teachers around the table and find a way of avoiding this strike conflict?

Michael Gove: My right hon. Friend the Chief Secretary has a duty to ensure that our finances are back in balance after the terrible situation that we inherited. The speech that he made just over a week ago outlined proposals for discussion. It was not an end position; it was an opening position. The hon. Lady should have the responsibility to recognise that.

As for keeping the law under review, it is my duty to do so. It has nothing to do with strike ballots and everything to do with making sure that heads and local authorities are informed so that parents can be protected. I would have thought that the hon. Lady was on the side of parents and would support any review that might enhance protection for them.

Andrew Percy (Brigg and Goole) (Con): I declare an interest as a member of the teaching union Voice, the cardinal rule of which is that teachers will not strike in any circumstances because of the impact on young people. Today, so many children are brought up by just one caregiver and in many families both parents work. Rather than looking at thresholds, is it not time to

[Andrew Percy]

consider requiring teachers, in the interests of young people and school pupils up and down the country, at least to inform their school that they plan to go on strike? Too many schools in my constituency will be closed this Thursday because head teachers do not know whether teachers will be arriving to teach or not.

Michael Gove: My hon. Friend, as ever, makes an informed and constructive point. I think that workers should retain the right to call for a strike and to take part in industrial action—absolutely. But we also have to recognise that public sector professionals have a wider responsibility. One of the questions that my hon. Friend puts is whether we should require individuals to inform their workplace that they intend to take industrial action and give appropriate notice. It is a matter for review and one that we will have to review after Thursday when we have seen the effect on schools and parents.

Clive Efford (Eltham) (Lab): Teachers up and down the country will be appalled at the attitude that the Secretary of State has taken, implying that the people going on strike do not care about the children they educate. When did the Government change the law on portable Criminal Records Bureau checks in order to allow these parents into the schools? Unless they are CRB checked for these particular schools, those CRB checks are not appropriate. When did he change the law?

Michael Gove: The hon. Gentleman will be aware that it is already the case that there are parents who have been appropriately CRB checked and can support the work of schools. It is also the case that parents can support the work of schools without a CRB check. Of course parents have to be supervised by an appropriate member of staff, but it is perfectly possible, as we all know from the example of parents who have helped with school trips and journeys, for any parents to support them.

Gavin Barwell (Croydon Central) (Con): Does my right hon. Friend agree that it is perfectly possible to understand the anger that teachers and other public servants feel at being asked to pay the price for the economic mess we inherited from the previous Government, but also to believe that it cannot be fair to ask those in the private sector to work longer and pay more to pay for pensions that they themselves can never hope to receive?

Michael Gove: My hon. Friend makes a very good point. Obviously, all of us who are parents want to ensure that teachers receive good pensions in the future and appropriate reward for the hard work that they do. However, we also have to recognise that the average level of pension enjoyed by people in the private sector is significantly lower, so we have to ensure fairness across sectors.

Mr Jim Cunningham (Coventry South) (Lab): I can recall when, during the last Conservative Government, a Secretary of State was booed at a teachers' conference. May I advise the Secretary of State to cut out the rhetoric and get his friends on the Government Benches to calm down? Let us instead have some negotiations that can resolve the problem before Thursday.

Michael Gove: I am grateful to the hon. Gentleman, as I know he takes a strong interest in educational matters, but, as I have said, negotiations are ongoing. The reason why both the Labour Front-Bench team and the Government believe that these strikes are wrong is because they pre-empt the conclusion of negotiations.

Mrs Anne Main (St Albans) (Con): Can my right hon. Friend give me some advice, because I am very concerned that this strike will not only affect young people's education, but will have a negative impact on businesses, particularly small businesses? On Thursday, many small businesses may find themselves without a significant number of staff, as they may have to look after their children. What advice can he give to businesses that are going to be hit by this, especially if the strikes are ongoing or repetitive?

Michael Gove: I absolutely sympathise with the points made by my hon. Friend and I recognise that there will be an economic cost as a result of the disruption caused by this strike. We will, of course, do everything we can to ensure that schools remain open so that the economic and social impact is lessened.

Tony Lloyd (Manchester Central) (Lab): If the Secretary of State really is sincere about wanting to bring this to a resolution, will he go back to the teachers' leaders and negotiate on the basis that the 3% Treasury tax on pensions will now be subject to review—will he get rid of that, because if he does not do so, he is not negotiating in good faith?

Michael Gove: I am grateful to the hon. Gentleman for the point he makes. The truth is that the specific increase in contributions applies not only to teachers, but to public sector workers across the piece—it is one of the issues that affects all public sector unions. The public sector unions affected, apart from the teachers' unions and the Public and Commercial Services Union, are not going on strike on Thursday. We can thus infer that there are other unions that, whatever their views on the requirement to increase contributions, believe it is important to conclude the conversation and dialogue about the state of public sector pensions overall before taking any decision about action.

Richard Fuller (Bedford) (Con): The fair but difficult changes to teachers' pensions and the pre-emptive call for a strike by the trade unions will leave many teachers this week wrestling between their loyalty to their union and their concern about the impact of this on the esteem of the profession. On Friday, I welcomed Taiwanese students to St Thomas More school in my town. Teachers in Taiwan are not able to strike and, as my right hon. Friend knows, Confucian tradition reveres teachers. What advice does he have for teachers who are wrestling with the concerns about the impact of this strike on the teaching profession in our country?

Michael Gove: My hon. Friend makes a very good point. One of my concerns—*[Interruption.]* I am grateful to the hon. Member for Garston and Halewood (Maria Eagle) for the attention that she pays to this very important question. One of the things that this Government have been seeking to do over the past 15 months is to raise the prestige of the teaching profession. We have sought

to work on changes that were instituted under the previous Government and under preceding Governments. I said in my initial response to the right hon. Member for Leigh that we were lucky to have the best generation of teachers ever in our schools, and that is in no small part due to the efforts made across parties to ensure that. I am delighted to take this opportunity to underline that, but I did say on Sunday, and I will say again, that the reputation of teachers risks being affected by action on Thursday. I hope that, whatever action is taken, all of us recognise that we need to operate responsibly on Thursday, because it would be a grave shame if the respect in which teachers are held is, in any way, undermined.

Catherine McKinnell (Newcastle upon Tyne North) (Lab): Will the Secretary of State clarify whether he claimed earlier that the shadow Secretary of State misled the House? Yes or no?

Michael Gove: I said that he would never wish to mislead the House and I hope that he will take the opportunity, in this House or elsewhere, to make it clear that our proposals respect the accrued rights of all public sector workers. My concern is that the right hon. Member for Leigh (Andy Burnham), in his understandable anxiety to make a political point, will fail to make entirely clear to every teacher the reality of the position that the coalition Government are proposing.

Christopher Pincher (Tamworth) (Con): Last Friday, I met all the head teachers of primary schools in Tamworth and they told me that many of their staff have no intention of following their highly paid union leaders out on strike because they want to stay in their schools and teach. Will my right hon. Friend commend the attitude of those teachers and of the teacher at Rawlett high school who sent a message to me only this morning saying that the strikes will serve the interests only of the unions and not of children?

Michael Gove: The point has been made—and has been made well by the Leader of the Opposition—that no one benefits from this precipitate action. It is entirely right that all the teachers reflect on those points. Of course we respect the decision of any individual to take industrial action, but we all agree that the position of teachers will be stronger and public support for them greater if they do not take such action this Thursday.

Bill Esterson (Sefton Central) (Lab): The Secretary of State is a staunch trade unionist and I know he has experience of going on strike, so he will understand the difficult decision that many teachers face this week. Will he clear something up for me? Is the pension decision to do with long-term demographic change, as discussed in the Hutton report, or is it to do with cutting the deficit, as he implied earlier? Either way, will he sit down with teachers' leaders before Thursday and sort out the problem rather than provoking strikes through his macho posturing?

Michael Gove: I am grateful to the hon. Gentleman, who makes two fair points. On the first, yes, I went out on strike and indeed I lost my job as a result of taking industrial action. One of the reasons I am therefore so opposed to industrial action this Thursday is that I recognise that strikes do not solve problems. Any one of us, on either side of the House, who has taken industrial action and lived with the consequences recognises that strikes do not solve deep-rooted problems. On the broader question of the way in which pension reform is designed to deal with the problems we have inherited, as I mentioned in my statement we are seeking to deal both with the terrible state in which our public finances were left by the previous Government and with the demographic challenges that force us to conclude that there is a case for reform.

Jane Ellison (Battersea) (Con): In my constituency, the impact of Thursday's strikes will be felt not by the bankers who live there but, most acutely, by lower paid people, lone parents and, especially, women who rely on fragile networks to provide child care, based on education, family and so on. Does he not share my astonishment that that point does not seem to be fully understood by those on the Opposition Benches?

Michael Gove: One of the critical points my hon. Friend makes is that the Opposition seem to be curious in their desire to make political points rather than seeking to work constructively with local authorities and others to keep schools open. As the right hon. Member for Leigh (Andy Burnham) made clear in his response to my statement, it is wrong for strike action to be taken at this point when discussions are still going on. The victims will be working women who will lose out as a direct result of the disruption to family life.

Several hon. Members *rose—*

Mr Speaker: Order. We must now move on. I have taken 25 Back-Bench contributions, but we have an important statement to follow and considerable pressure as regards progress on the Finance Bill. The Secretary of State has shown his willingness and desire to keep the House regularly updated and that is, I am sure, appreciated.

Higher Education White Paper

4.9 pm

The Minister for Universities and Science (Mr David Willetts): With permission, Mr Speaker, I should like to make a statement on the higher education White Paper, which sets out how our reforms will build on the changes to student support announced last year. We will put higher education back on to a sustainable financial footing. We will put students at the heart of the system and improve the academic experience, with universities and colleges being more accountable to their students than ever before. We will also take steps to improve social mobility without compromising academic excellence or institutional autonomy.

We inherited an enormous deficit, which has required difficult decisions. We could have reduced student numbers or spending per student, or we could have provided less help with living costs, but those options would have been unfair to students, to universities and to the country. Instead, we are introducing a pay-as-you-earn system that provides more support for students, that does not require reductions in student numbers and that increases the cash flowing into higher education. We estimate that there could be a cash increase in funding for higher education of around 10% by 2014-15.

Our reforms ensure that no first-time undergraduate will have to pay fees up front and that they will be asked to contribute to the cost of their education only when they are earning more than £21,000. That increase in the repayment threshold—up from £15,000 under the current system—means that graduates will benefit from smaller monthly repayments than under the current system. For example, someone earning £20,000, which is the median starting salary for graduates, repays £38 a month under the system we inherited from the previous Government; in future they would pay nothing. At the moment, a graduate earning £36,000, which is the median salary for all graduates, pays £158 a month; under our scheme that would fall to £113 a month.

Our reforms also recognise that for many people higher education does not mean a full-time, residential degree. Some students want to work or take care of their family while studying. To support them, many part-time students and distance learners will become entitled to loans to cover their full tuition costs for the first time. Also, I can announce today that my right hon. Friend the Secretary of State for Health and I have agreed that for undergraduate medical and dentistry students starting their course in autumn 2012, the NHS bursary will be increased in years 5 and 6 to cover the full costs of tuition. For graduate entrants starting in autumn 2012, access to student loans will be made available so that there are no additional up-front tuition costs. We will consider arrangements for subsequent years; more information is being placed in the Libraries of both Houses.

These changes to higher education funding enable us to put financial power in the hands of learners, but to make that effective we need to liberalise the system of quotas we inherited from the previous Government so that more students can go to universities that offer a good-quality, good-value student experience. The White Paper therefore proposes unconstrained recruitment of the roughly 65,000 high-achieving students, scoring the equivalent of AAB grades or above at A-level. Quotas for those students will be abolished and funding will go to whichever university offers them a place they accept. In addition, we will create a flexible margin of about 20,000 places to reward universities and colleges that combine good quality with value for money and with average tuition charges, after waivers, at or below £7,500 per year. That adds up to around 85,000 student places—roughly one in four places for new entrants contestable between institutions in 2012-13. We aim to expand this further year after year.

We will also extend the scope for employers and charities to offer sponsorship of extra places, provided that they do not create a cost liability for the Government, and provided, of course, that there is fair access for all applicants, regardless of ability to pay, and no sacrifice of academic standards.

The reforms put students in the driving seat, but if they are to use that power to best effect, more than a liberalising of the quotas regime will be needed. Prospective students also need to know far more about the academic experience on offer. We will therefore transform the information available to them about individual courses at individual institutions. Each institution will make available key items of information, such as contact hours and job prospects. Information will also be available to outside bodies, such as Which?, so that they can produce their own comparisons. That will lead universities to match their excellence in research with a high-quality academic experience.

We also want our universities to work with business to improve the job prospects of their graduates by providing the knowledge and skills employers value. The sandwich course, giving students practical experience of work, declined under the Labour Government; we want to reverse that. We have therefore asked Professor Sir Tim Wilson, who made the university of Hertfordshire one of our most business-friendly universities, to review how we can make England the best place in the world for university-industry collaboration. We want our universities to work with business across their teaching and research activities to promote better teaching, employer sponsorship, innovation and enterprise.

Student choice will be more real if we liberalise quotas and transform information, and if there is a greater diversity of institutions to choose from. We will therefore remove the barriers to more provision from the Open university, further education colleges and private providers. We will simplify the regime for obtaining degree-awarding powers. We will also review the artificial barriers to smaller higher education institutions taking the title "university".

We want students from a wide range of backgrounds to benefit from the reforms. We are increasing maintenance grants and loans for nearly all students, introducing a national scholarship scheme, and strengthening the Office for Fair Access to make sure that institutions fulfil their outreach and retention obligations to people from disadvantaged groups. That will not be at the expense of institutional autonomy; the director of fair access will continue to have a duty to protect academic freedom, including institutions' right to decide whom to admit, and on what terms.

So that universities and academics can focus on educating their students, we will strip back the burden of excessive regulation and form-filling. We will explore whether it is

possible to reduce costs associated with corporation tax returns. Her Majesty's Revenue and Customs has today announced a consultation on the possibility of introducing a relief to remove some of the VAT barriers that currently deter institutions from sharing costs. We will reduce burdens that result from information collection. We will give students power to trigger quality reviews where there are grounds for concern, but will cut back the burden of automatic review for high-performing institutions. The Higher Education Funding Council for England will be the lead regulator, taking on a new role as consumer champion for students and promoter of a competitive system.

We are now inviting people to comment on our proposals as part of a broad consultation. Subject to the availability of parliamentary time, that will be followed by a higher education Bill next year, to make the necessary legislative changes to deliver the reforms.

The White Paper offers universities the prospect of more funding, provided that they attract students. At the same time, it saves the Exchequer money by asking graduates to pay back more as their earnings increase. Our universities already transform people's life chances; we expect them to do even more. We will protect their autonomy and reduce their regulatory burdens. Above all, our proposals benefit students by driving universities to focus on the student experience. They will have real choice, better information, and a wider range of institutions to choose from. I commend the White Paper to the House.

Mr Gareth Thomas (Harrow West) (Lab/Co-op): I am grateful to the Minister for advance sight of his statement. Is it not true that as higher education teaching has been cut by 80%, far more universities are charging £9,000 than the Government planned, causing huge political embarrassment for the Government and creating a funding crisis with the Treasury? Is not the real substance of the White Paper a desperate drive to cut fees, no matter what the effect on quality?

Is not the truth that this is another example of the Government's failure to think things through, their disregard for the consequences, and the wrong choices being made for the country's future? Is it not true that the Minister has slipped out on his Department's website today a report on the impact on exports to this country of the proposal on tuition fees and of visa changes, suggesting that the total impact is some £8 billion of revenue lost to the UK?

It is

"difficult to recall a worse example of public policy making…wishful thinking has followed the apparent failure to do any serious modelling…the whole thing is a mess, and getting messier"—

not my words, but those of Sir Peter Scott, one of Britain's leading experts on higher education and the former vice-chancellor of the Secretary of State's local university. Is not the real truth that any expansion in university places is set to come on the cheap, with the Government cutting student places at the majority of universities—so much for student choice now—in order to fund the race to the bottom; an auction of places—who can charge the lowest?

The Prime Minister promised that universities charging the maximum would be the exception, yet is not the truth that two thirds of universities will charge the full £9,000? Is not that a devastating example of the neglect and incompetence that the Prime Minister routinely shows to the hopes and dreams of the next generation? The Secretary of State threatened to cut student places even more or university funding even further. Guaranteed places have been floated for those who want to buy their way in, and last-minute cut-price degrees. Almost 24,000 student places are already axed or are going. The Minister is in secret talks with the banks to help him out.

Forests, the national health service, prison sentences, universities today—it is "Carry on up the Khyber" in Whitehall, the Minister the latest to do the Hattie Jacques role. I am all for vigorous competition, but on for-profit higher education corporations, has he not been warned by both the Higher Education Funding Council and the Higher Education Policy Institute? Too many examples of the worst quality higher education, not for every student, but shocking drop-out rates, appalling degree completion rates, and aggressive recruitment practices that make pensions selling seem a walk in the park, are too often their norm.

The market has not protected against poor quality there. We need to be able to spot and stop students and their families being taken for a ride. Should not new providers have to prove themselves more rigorously, more regularly? How will making it easier to get university title and degree-awarding powers improve quality or the reputation and value of particular degrees, or boost the employability of those studying for such degrees? Nobody could be against the principle of an increase in places at high quality universities, but does it sit with the Secretary of State's promises on social mobility when 50% of those getting AAB grades are from selective or independent schools? Will contextual data be truly embedded in university admissions or has he caved in to the Tory right?

How will the Secretary of State prevent, as the Institute of Physics has warned, students being deterred from studying the sciences or maths? Student charters and better information will be little compensation for trebling fees. I accept that there have to be safeguards, but will students be able to move courses with their loan intact if they realise that their course is not suitable or if their complaints are not taken seriously? Who will be the consumer champion—the representative of students and their families—at the new providers? Why should not students paying vastly increased fees know if their university has financial problems that might affect the quality of their teaching?

I welcome the end to at least one area of uncertainty today—the NHS bursary increasing for 2012-13—but what about future years? Why no certainty on that now? On research quality, why no mention that the rest of the world is increasing its science spending, yet here in the UK British researchers are having to cope with cuts of 40% or more in the funding to invest in world-class research facilities at our universities? Because of the bungled visa changes, universities face even more intense challenges to recruit the brightest and best research students and their lecturers to work with our brightest and best. No mention of cuts in funding for postgraduate courses or the impact on postgraduate recruitment of graduates leaving university with £40,000 worth of debt. Will we see as a result of his complacency a new divide opening up between those who have a postgraduate qualification and those who do not?

[Mr Gareth Thomas]

On the day it was revealed that 80 graduates are chasing every graduate job, which is double the figure for last year, all we got on university and business collaboration is a review. Where is the financial plan to incentivise universities to do more to stimulate new jobs in the industries of the future? Regional development agency funding has gone, HEFCE funding has been reduced and Technology Strategy Board funding has been squeezed, so this is yet another example of opportunities for economic growth being spurned, and of Ministers fiddling while Rome burns.

It could have been so different. Why were university cuts not in line with other public service cuts? Tuition fees would have been far lower, with no black hole, and chaos and confusion would have been avoided. Universities would have concentrated on getting their research and skills into businesses to drive jobs and new growth and there would have been a rigorous drive to ensure that every student gained employable skills. The Government did not need to leave the next generation of engineers, police officers and nurses having to pay so much more for so much longer. The Minister did not need—

Mr Speaker: Order. I should explain to the shadow Minister that his response should be no longer than half the expected length of a ministerial statement of 10 minutes, so I think that he is on his last sentence.

Mr Thomas: I am extremely close to it, Mr Speaker. Is it not true that the Minister did not need to axe Aimhigher and—

Mr Speaker: Order. I was being gentle about it. This is the hon. Gentleman's last sentence, and it needs to be a short one.

Mr Thomas: I am grateful, Mr Speaker. The Government may think that lower quality, poorer standards and a race to the bottom are a price worth paying for their incompetence, but we do not.

Mr Willetts: I have to tell the shadow Minister that I am informed that Hattie Jacques was not even in "Carry on up the Khyber", and many of his other statements were no more reliable. There were no questions, only a set of random scares that bear little relation to what we are proposing in the White Paper. Let me make it absolutely clear that there are no number controls on overseas students. We continue to welcome to this country overseas students who have the ability to benefit from studying at our universities.

The hon. Gentleman seems typically confused. One moment he complained about fees of £9,000, and the next he complained about our measures for providing a clear incentive to charge £7,500 or less. Our proposal for 20,000 places to be awarded on that basis is intended to ensure that students face a range of fees as they choose a university, which we think is the right thing to do.

I should also make it clear to the hon. Gentleman that we are reducing the burdens on universities, supporting them and liberating them from some of the impositions placed on them by the previous Government. It was his Government who introduced quotas and fines of £4,500 per student for universities that infringed their quotas. We are liberating 85,000 places from such a quota regime.

I make no apology for the measures that we are taking on access. It was under Labour, despite their claims to care about social mobility and opportunity, that—to quote Sir Martin Harris' report—the

"most advantaged 20 per cent of young people were six times more likely than the most disadvantaged 40 per cent to enter these institutions in the mid-1990s. This ratio has risen to seven times more likely by the mid-2000s".

That refers to Russell group universities. Those figures are scandalous. Under Labour's watch, the ratio got worse. We are committed to equality of opportunity, which is why we have set out in the White Paper proposals for strengthening the Office for Fair Access.

Not only were there no sensible questions from the hon. Gentleman, but there was no indication whatsoever about what Labour would do. Are they advocates of a graduate tax, as the leader of the Labour party is, or do they accept the need to increase fees, as Lord Mandelson did? We are none the wiser after the hon. Gentleman's random rant.

Several hon. Members *rose*—

Mr Speaker: Order. There is extensive interest in this statement, and I am keen to accommodate that interest, but I must appeal for brevity from Back Benchers and Front Benchers alike.

Mr Mark Field (Cities of London and Westminster) (Con): I have spent the past six years on the advisory board of the London School of Commerce, a private higher education provider, and I wholeheartedly support the Minister's proposals to provide diversity and innovation in the sector, but does he share my bemusement at the Opposition's stance, given that the biggest beneficiaries of such a policy will surely be students from less well-off backgrounds?

Mr Willetts: My hon. Friend is absolutely right. We believe that a more diverse sector with a greater range of institutions offers the greatest opportunity for students with a range of requirements to find the form of higher education that best suits them.

Mr Adrian Bailey (West Bromwich West) (Lab/Co-op): This White Paper was originally scheduled for January. I understand that one reason for the six-month delay was No. 10's concern to ensure that it did not herald a repeat of the NHS reform fiasco. What guarantees can the Minister provide that in "widening participation" and bringing in more of the private sector, we do not have a repeat of the any-willing-provider fiasco?

Mr Willetts: OFFA is considering proposals from universities to improve access to their institutions, which is what they will have to do if they wish to charge fees above £6,000. The conclusions will be announced in the next fortnight, and I very much hope and am confident that they will show how it is possible to deliver wider access while maintaining high academic standards.

Simon Hughes (Bermondsey and Old Southwark) (LD): I welcome the White Paper and, particularly, the additional money announced for those dental and medical

students who will start their courses next year. May I assume that Ministers are clear that the White Paper's two key effects will be increased access at decreased costs for students and, particularly, that students will have the power to influence their courses and the quality of their teaching? It would be helpful if the Minister were to explain how they will be able to do so, and that there will be plenty of time for students and universities to respond to the White Paper before the announcements are finalised in policy.

Mr Willetts: I pay tribute to the right hon. Gentleman for his very constructive engagement in this very important area. At the university of Loughborough, I sat in on a fascinating meeting in which students gave their feedback on their academic programme that year, raising with the academic staff issues such as the right balance between essays and lab work and the extent to which there should be continuous assessment during the year and final exams. We want to see more of that; we want universities to provide such information on their websites; and, yes, we believe that if students are concerned about the quality of academic standards and work at a university, they should have the opportunity to raise that with the Quality Assurance Agency.

Mr David Blunkett (Sheffield, Brightside and Hillsborough) (Lab): In responding, my hon. Friend the Member for Harrow West (Mr Thomas) referred to the assessment of the impact on university income and on the local and national economy of discouraging students from across the world from coming to Britain, and of the shambolic visa changes, which were clearly not put together by the two Departments responsible. How can the Minister come here this afternoon and say that we want to be the best in the world while discouraging the best in the world from coming to Britain?

Mr Willetts: The changes in the visa regime were very carefully worked out by the Home Office and BIS working together, and they tackle the problem of bogus colleges and students who wish to come to a university but do not have the academic qualifications that would enable them to benefit from a university course. The changes absolutely keep open, however, the opportunity for legitimate students who have achieved the necessary academic standards to come to this country, with no quota or limits on the number that should be able to do so.

Mr James Clappison (Hertsmere) (Con): I welcome what my right hon. Friend has said today on the Floor of the House and, especially, what he has said on institutional autonomy over admissions. Will he say a little about how that is to be guaranteed? Does he agree that it is academics who should determine admissions to university, not politicians?

Mr Willetts: In that respect, I hope that we will be able to maintain a cross-party consensus, because the previous legislation that the previous Government introduced provided a clear protection for universities, making it clear that ultimately they determined their own admissions. We will keep that legal protection.

Mr David Lammy (Tottenham) (Lab): I look forward to studying the White Paper in detail. It is surprising, however, that in his announcement the Minister made no reference at all to postgraduate study. Does he appreciate that the trebling of debt means that British students are being put off going on to taught masters courses, with only 23% of students taking such courses? If we are to compete with India and China, must he not now come to the Dispatch Box and say what he is going to do to ensure that British students can go on to postgraduate study?

Mr Willetts: I recognise the expertise of the right hon. Gentleman, who was previously a higher education Minister, and I accept the need to monitor very carefully what happens with postgraduates. We have asked Sir Adrian Smith—I think that the right hon. Gentleman originally asked him to do this—to investigate the whole issue of postgraduate education. We want him to reopen his inquiry and keep the matter under close review, and we will of course watch very carefully what happens.

James Morris (Halesowen and Rowley Regis) (Con): I regularly meet the three principals of the FE colleges that serve my constituency, who are keen to deliver innovative degree-level courses. Does the Minister agree that we should be looking at a model whereby institutions of further education can deliver innovative higher degrees?

Mr Willetts: I absolutely agree with my hon. Friend; he is right. This is one of the main ways in which we can improve access to higher education. Perhaps one of the biggest beneficiaries of the 20,000 places that will be more flexible will be higher education delivered in further education colleges. We are all working together as Ministers in BIS—I pay tribute to my right hon. Friend the Secretary of State and to my hon. Friend the Minister for Further Education, Skills and Lifelong Learning—and we are committed to ensuring that that opportunity is available to young people.

Frank Dobson (Holborn and St Pancras) (Lab): Does the Minister not recognise that in marketising the whole system of higher education he is creating several markets, with a sort of Harrods at the top that gains prestige from charging the highest fees and a sort of Poundland at the other end that has to cut its costs and cut corners in order to attract the worst-off and most impoverished students?

Mr Willetts: I have to break this gently to the right hon. Gentleman: Government Members believe in choice and in empowering students. We believe that there should be a wider range of institutions and a wider range of fees, and that is what these reforms are all about.

Mr David Evennett (Bexleyheath and Crayford) (Con): I welcome many aspects of my right hon. Friend's White Paper, particularly the better information about contact hours, job prospects and quality of teaching experience. Does he agree that there is a real need for more part-time courses so that more people can get the opportunity to study and work at the same time?

Mr Willetts: I absolutely agree with my hon. Friend, and I respect his expertise as a former FE college lecturer. One of the reasons we are extending loans for fees to part-time students is to address that long-standing injustice.

Nic Dakin (Scunthorpe) (Lab): Will the Secretary of State guarantee that these proposals do not allow charitable private schools to buy places at university?

Mr Willetts: That is not the purpose of these reforms.

Mr Rob Wilson (Reading East) (Con): I welcome the broad thrust of my right hon. Friend's statement, particularly the increased competition and supply-side reforms, which will lead to a much more dynamic HE sector. I hope to respond separately to the consultation on OFFA. In the White Paper, what lessons have been taken from the community college system in the United States, where business plays a part not only in designing but in funding courses?

Mr Willetts: Again, my hon. Friend has a long-standing commitment to this. He describes exactly the type of innovation we hope to see as we liberalise the system. We very much wish to encourage the American model of two-plus-two courses, whereby someone may do two years at a community college and then move on to do one or two years on an honours degree at a university.

Jon Ashworth (Leicester South) (Lab): Does the Minister agree that higher education should be one of our greatest exports? Over many years, thousands of students have come over to study at the two universities in Leicester, yet with his comments on contact hours, the mess over student visas and the cuts to the teaching budget, more and more international students will choose institutions in Australia, Singapore and the USA instead of the UK. Is he not concerned about that?

Mr Willetts: There certainly is growing international competition for students. Higher education is becoming more of a global market. I am confident that British universities, with high standards and no limit on the number of legitimate overseas students, will continue to attract many overseas students.

Duncan Hames (Chippenham) (LD): Fourteen years ago, the Dearing report identified employers, alongside students and the state, as stakeholders in higher education. What measures will the Minister use to facilitate the contribution of employers to the costs of the higher education that they require of the graduates they recruit?

Mr Willetts: This goes back to an earlier question. Let me make it absolutely clear that one of the proposals in the White Paper is to make it easier for employers and charities to sponsor additional places at university. That is an additional flexibility in the system. Already, 6,000 university places are sponsored by employers in that way. However, it is not our intention that these proposals be abused by people to purchase places at university that they could not achieve on academic merit.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): The Minister knows that this is the day of the launch of the higher education commission. All of us who care about higher education want to digest the White Paper, hope that it has green edges, and will see whether we can improve it. The Minister constantly talks about the student being in the driver's seat, and about consumer satisfaction and student satisfaction. Our universities are made of other materials. Their values and principles come from their academic staff and long traditions. Getting the balance right is a difficult task. Please do not let us go just down the consumerist route.

Mr Willetts: There is a real dilemma here and I respect the hon. Gentleman's raising it in the House. I believe that putting more power in the hands of students, introducing the choice that we put forward in the White Paper and recognising that the student is in many respects a consumer will not destroy the traditional values of higher education, but strengthen them. I think that the proposals will bring traditional, high-quality teaching and close academic engagement with students back to centre stage. We should not fear these forces. Respecting the autonomy of universities is the best single mechanism we have to drive the traditional high academic standards that we believe in.

Jason McCartney (Colne Valley) (Con): I had an enjoyable night last Monday at the students' union awards at Huddersfield university, where many students are enjoying their student experience. When students are exercising their choice and picking their university and course, what additional information does the Minister envisage being made available to them?

Mr Willetts: There is a lot of important information that we think prospective students should have, ranging from the contact hours through to the employment prospects at the end of a course. We think that such information should be widely available. Which? has given a clear indication that it will deploy the information and help prospective students to assess it.

Bill Esterson (Sefton Central) (Lab): According to the House of Commons Library, there is a funding gap of between £600 million and £1 billion as a result of the mistakes the Minister has made. Are the Government not going too far and too fast on higher education, as on so much else? Is it not true that quality will suffer from his attempts to deal with the funding gap, as we have heard from my hon. Friends? To use his own words, that will be "unfair to students, to universities and to the country."

Mr Willetts: There is no such funding gap, we are not going too far and too fast, and there is no threat to quality.

Andrew Percy (Brigg and Goole) (Con): When I voted against the rise in tuition fees, I did so because of the impact I thought it would have on some of our more vulnerable young people. I welcome much that is in the White Paper, particularly the increase in choice. However, the problem with increasing choice is that it can increase confusion. Many young people can access advice from their financially literate and educated parents, but for vulnerable children choice can result in confusion. What work will the Minister do with schools and colleges to ensure that proper support mechanisms are in place to support vulnerable young people?

Mr Willetts: This is about the importance of information, advice and guidance in our schools and colleges. Again, I pay tribute to the right hon. Member for Bermondsey and Old Southwark (Simon Hughes) for his work in examining the matter carefully. I urge Members of all

parties to take every opportunity to visit schools and colleges and get past some of the misinformation, and be absolutely clear to young people that no young person or their family will have to pay up front for the opportunity of going into higher education. I regret the anxiety about the matter, but it is misplaced and all Members, whatever their political views, have a shared responsibility to tackle it.

Paul Blomfield (Sheffield Central) (Lab): There is concern on both sides of the House about the expansion of the for-profit sector in higher education. Will the Minister not learn from the experience of the United States, where the for-profit sector has a higher failure rate than other universities and is currently being investigated for misrepresentation to prospective students? Will he listen to the concerns of HEFCE, which says that the expansion of the for-profit sector here will damage the reputation of our university system?

Mr Willetts: We are not Americanising our higher education system. There are important differences between the system that we are proposing and the American one, not least of which is universal access to Exchequer-financed loans, which is not possible in the US. Also, there is a robust quality assurance system, the Quality Assurance Agency for Higher Education, which we are keeping. We are not Americanising the system.

I noted that in what the shadow Minister said there was no recognition of the fact that under the previous Labour Government, five private providers were awarded degree-awarding powers. That seems to me an indication that even the previous Government were not opposed to the private provision of higher education. I very much hope that Labour is not abandoning that position.

Dr Julian Lewis (New Forest East) (Con): When all sorts of universities were obliged to charge the same, a student from a modest economic background had only to consider how well he or she would do in examinations and interviews in order to get a place at the best universities. Now, that potential student will have to consider how much he or she will be paying to go to a good university compared with the lesser amount required for a lesser university. Is that a step forward for meritocracy or a step backwards?

Mr Willetts: My hon. Friend talks about how much they will be paying, but we should remember that no student will pay up front. What will be crucial in determining their repayments is their earnings, and because we have raised the threshold, their monthly repayments, regardless of the university fee, will actually be lower under our proposed system than under the system we inherited from the Labour Government.

Gavin Shuker (Luton South) (Lab/Co-op): I noted the Minister's answer to the question about the funding gap, but I have to say that I found it quite inadequate. Will he tell the House by how much he will have underestimated the cost to the UK taxpayer should universities choose to charge an average of, say, £8,000?

Mr Willetts: I will happily share with the House the arithmetic on which we have made an estimate, although nobody can know the exact figure. *[Interruption.]* I can tell the shadow Secretary of State exactly how it is done. We start by assuming that 350,000 students will apply to English universities in October 2012. We assume that 90% of them will take out a student loan, which is actually a rather higher proportion than do so at the moment—who knows whether it will be more or less than that? We assume an average loan, which is not the same as the fee—people may borrow less than the fee—of £7,500. Multiplying all that, we get approximately £2.4 billion of student loans. We are in an uncertain world, but if the hon. Gentleman is claiming, as the hon. Member for Sefton Central (Bill Esterson) did, that there will be £3.4 billion of student loans, I have to tell him that that is very, very unlikely.

Robert Halfon (Harlow) (Con): Is my right hon. Friend aware that Anglia Ruskin university is opening a university campus in Harlow later this year, which will be the first time in the history of the town that we have had a university? I noted that he said in his statement that the Government would extend the scope for employers and charities to offer sponsorship, and talked about the national scholarship programme. Will he explain what that means in practice, so that disadvantaged students in Harlow can benefit from our new university?

Mr Willetts: I do not fully understand my hon. Friend's proposition, but we are committed to access for students in the circumstances that he describes. Perhaps we can meet to go through his proposition more carefully, but it sounds interesting and imaginative.

Helen Jones (Warrington North) (Lab): Will not the real effect of the Minister's White Paper be to allow private institutions to cherry-pick those courses that are easiest to deliver, and to drive down costs by driving down quality? What modelling has his Department done of how many courses will cease to exist, and how many existing universities will be non-viable as a result?

Mr Willetts: The hon. Lady and the Labour party must decide whether they are to approach the future of higher education assuming that the private sector is the enemy. If they decide to take that approach, which, as I have said, is different from the one they took in government, they will be making a serious mistake. Students do not think about the exact legal status of the institution they study at; they want to focus on the quality of the education they will receive. We will ensure that any institutions for which students can receive student loans are properly audited, regulated and monitored. That is the right way forward.

Iain Stewart (Milton Keynes South) (Con): I very much welcome the plans to increase the role of business in higher education. Four out of five FTSE 100 companies have sponsored their staff through courses at the Open university in my constituency. Will the Minister say a little more about how he plans to incentivise businesses in that respect, for part-time as well as full-time courses?

Mr Willetts: I pay tribute to my hon. Friend's strong commitment to the Open university and his close involvement with it. The OU could be one of the main beneficiaries of the new flexibility with the 20,000 extra places, and we very much expect that it will be able to

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offer its degree for delivery at a range of local FE colleges and other providers. Our proposals make the funding available for that.

Diana Johnson (Kingston upon Hull North) (Lab): The Minister has talked a lot about what will happen to the top university institutions and those that were formerly polytechnics, but I am interested in my local university. Hull university is a good, local university, but under the proposals in the White Paper, it will be part of the squeezed middle and will lose places. What is the future for institutions such as Hull university?

Mr Willetts: The future is one in which, year after year, we try to increase the flexibility in the system. We have had to strike a very fine balance in the first year. We wanted a significant shift to more openness and flexibility, but we fully recognise that there is a limit to how much change the system could take in that first year. I do not know the exact intake of the university of Hull, but I very much hope that in future, it, too, can participate in the types of flexibility that we have set out today.

Mary Macleod (Brentford and Isleworth) (Con): I welcome today's statement. Does my right hon. Friend envisage an enhanced role for colleges such as West Thames college in my constituency in delivering better outcomes in higher education?

Mr Willetts: West Thames college can put in a bid to HEFCE under the 20,000 places scheme that we have launched today. I very much believe that some further education colleges that offer higher education can take advantage of the new flexibility that we have launched.

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab): I very much trust that as a result of the Minister's White Paper, excellent colleges such as Newman college, in Bartley Green in Birmingham, can call themselves universities. However, may I take him back to the question from my hon. Friend the Member for Warrington North (Helen Jones)? The Minister must have made an assessment that some institutions will no longer be viable. How many will there be, and what provision has he made for the students who will be caught halfway through their courses if their institution becomes non-viable?

Mr Willetts: Successive Governments have never given a guarantee that every institution will carry on. However, it is unlikely that the changes we have launched today will of themselves make any institution unviable—I do not know that, but it is unlikely. Of course, it is also clear that there would be a commitment that any student should be able to complete their studies.

On the hon. Lady's first point, I very much hope that it will be possible for institutions that have a clear focus on higher education to take the title "university" when they were previously prevented from doing so because they had fewer than 4,000 students. We have said that that should be reviewed, because some excellent higher education institutions would like to take the name "university". I am sure that any such proposal will be very carefully considered.

Julian Smith (Skipton and Ripon) (Con): I welcome the furthering of links between business and universities. Which developing and emerging economies does the Minister think we have most to learn from, and when will Sir Tim Wilson produce his report?

Mr Willetts: I hope that it will be possible for Professor Sir Tim Wilson to report to us by the autumn on his observations. Having visited our main trading partners, encouraging legitimate overseas students to study in the UK and building education contacts, I think there are opportunities for us to learn from them, but equally there remains a great desire among them to learn from us. Some of our vocational qualifications are well respected, especially traditional, well-established qualifications such as City and Guilds, HNCs, HNDs and BTECs. I want to see those expanded, as do the Secretary of State and the Minister for Further Education, Skills and Lifelong Learning. Indeed, one of the new flexibilities will be to have a BTECU. It will be possible to take BTECs beyond A-level, so we could imagine a level 4 or 5 qualification—it might not be a full-blown honours degree, but it could be called a BTEC even though the organisation offering BTECs is not a teaching institution. That is the type of new flexibility that we are going to make possible so that higher-level vocational qualifications can be properly studied in our country.

John Woodcock (Barrow and Furness) (Lab/Co-op): I have met the Minister to discuss the difficulties faced by the university of Cumbria in recent years. That institution is trying the difficult process of turning itself around, but does he not accept that the chaotic package of reforms he is suggesting today could increase the risks faced by this university and others like it, which are critical to the economic success of the areas in which they are situated?

Mr Willetts: We on the Government Benches believe in openness, flexibility and innovation, but every time we propose it, Labour Members call it chaos. We are not going to have a central plan, and we are not going to say exactly what the quota is for each individual university—and rightly so. We believe in openness and diversity, and the hon. Gentleman ought to be able to recognise that moving away from a centrally planned system, which of course will mean less central control, does not mean chaos; it means students getting the higher education they want.

Mr Speaker: Order. As I said to the Justice Secretary the other day, Ministers at the Dispatch Box should not operate like rotating cruise ships, constantly turning round to their own side. It is entirely understandable, but we want to see the right hon. Gentleman.

Graham Evans (Weaver Vale) (Con): I very much welcome the White Paper, particularly the provisions for part-time students. Will my right hon. Friend give me more details about his idea for student charters?

Mr Willetts: We invited the outgoing president of the National Union of Students and a vice-chancellor to work together, and they have produced a useful pro forma, which we refer to in the White Paper, and which gives an example of what universities are entitled to expect by way of student behaviour, and what students are entitled to expect by way of respect for them from their higher education institutions.

Kevin Brennan (Cardiff West) (Lab): I want to ask about the Minister's private providers. My right hon. Friend the Member for Holborn and St Pancras (Frank Dobson) mentioned Poundland. Has the Minister thought about approaching BrightHouse? First, BrightHouse university is a great name, and secondly it is expert at loading heavy debt on to people who cannot afford to repay it.

Mr Willetts: If Labour is going to take this approach to private provision, it is making a serious mistake. We are focused, quite simply, on the quality of the student experience, and this kind of snobbery—that some kinds of provision are okay and others are wrong—is out of place in modern Britain. The hon. Gentleman should remember that all universities are, strictly speaking, private institutions; they are not public sector bodies. Government Members believe in maintaining their autonomy. We wish to see a greater range of universities but all sharing the same feature—that they are not part of the public sector.

Mark Pawsey (Rugby) (Con): When the previous Government increased fees, students started to ask about the value for money provided by their courses. What steps is the Minister taking to ensure that in future students get better teaching and a better overall experience at university?

Mr Willetts: Universities will have to provide far more information about that than they have in the past. We hope that they will provide the kind of information that local authorities now provide to council tax payers—that is, about how the money that students have paid in fees is being used. The more information, the better.

Clive Efford (Eltham) (Lab): The Minister has made much of wanting to introduce equality into the system, but one thing that infuriates many students, particularly from my constituency, is having to watch those who go to so-called charitable private schools easily obtaining places in the best universities. I did not hear the Minister say no in answer to the question from my hon. Friend the Member for Scunthorpe (Nic Dakin), so will he now say whether those students will be able to purchase places? If they will, they could get into the best universities not on merit but on their ability to pay.

Mr Willetts: No, they will not be able to do that.

Mr Robin Walker (Worcester) (Con): I welcome my right hon. Friend's statement. Like many Government Members, I particularly welcome the support for universities working with business. Will he ensure that Professor Wilson's review does not just cover sandwich courses, but covers the support that they can provide their graduates, such as that provided by the very good paid graduate intern scheme supported by the university of Worcester?

Mr Willetts: I am aware of that scheme at the university of Worcester, which was very imaginative. My hon. Friend is right that the review will go beyond sandwich courses. Again, because we will expect universities to publish information about the employment outcomes for their graduates, this will give them a much stronger incentive to make more efforts to ensure that their graduates are indeed employable.

Neil Carmichael (Stroud) (Con): I welcome this excellent statement because it paves the way for more quality and better choice. How will we encourage businesses to co-operate with universities to encourage research and development?

Mr Willetts: There are some barriers here. One of our frustrations—I am sure that we have all come across examples of this—is that small and medium-sized enterprises might like the use of a piece of equipment that they could not afford to buy themselves, or they might like some technical advice on a project, but they do not realise that there is a university in the area that might have that piece of equipment or those technical experts. The SME does not necessarily ever step foot inside the university, and does not know what is available. We want to break down those barriers, and that is what we are looking to Professor Tim Wilson's review to tackle.

Elizabeth Truss (South West Norfolk) (Con): Although I support relaxing the Stalinist quotas that we have had in our universities, I am concerned that a flat AAB hurdle may disincentivise people from taking subjects such as science and maths, which state school students are already half as likely to take as their independent school counterparts. What can the Minister do to address that?

Mr Willetts: In a letter that the Secretary of State and I have sent to HEFCE today we make clear our continuing commitment to strategically important and vulnerable subjects. We will of course monitor the effects of the change in the first year, but we wish to take it further, so that gradually more and more A-level grades are included in the system.

Christopher Pincher (Tamworth) (Con): Will my right hon. Friend work with the Secretary of State for Education to introduce a system of post-A-level university applications? The current system, whereby many students are offered places based on their predicted grades, is bureaucratic and inefficient, and undermines the opportunity of many of our most disadvantaged students to get places, because their grades are routinely under-predicted. Will my right hon. Friend consider this long overdue reform?

Mr Willetts: I have a lot of sympathy with my hon. Friend's points, which are important. The current system is exceptionally complicated, with a large amount of interaction between the prospective student and the university. We have asked UCAS to look into the situation, and we will await its proposals. The idea would take some time to implement—I suspect that successive Governments have wrestled with this challenge—but it is also one that we put forward in the White Paper.

Mr Philip Hollobone (Kettering) (Con): Does the Minister believe that these proposals, together with the Government's previously announced reforms, will lead to more two-year degrees, as opposed to three-year degrees, and is that something that he would wish to encourage?

Mr Willetts: I agree with my hon. Friend. That is exactly the kind of flexibility that we wish to see in the new system.

Mr Marcus Jones (Nuneaton) (Con): Will the White Paper strengthen the link between universities and employers, so that we can get even more of our graduates into employment, post-university?

Mr Willetts: The White Paper is absolutely committed to that, and there are many different ways of doing it. For example, we could do it by encouraging the revival of the sandwich course, or by ensuring that university courses were kitemarked as ones that employers valued. And yes, it might indeed be the case, as we have seen with KPMG, that employers wish to sponsor students at university. If there were no Exchequer costs involved, that could provide extra places, so there are lots of different ways we could achieve what my hon. Friend quite rightly wants.

Point of Order

5.5 pm

Vernon Coaker (Gedling) (Lab): On a point of order, Mr Speaker. Yesterday, the case of Mr Raed Salah was raised in the House. Today, we have learned from the media that that man was banned from entering the UK on the ground of extremism. Apparently, however, he has just strolled through the border past border control, and we now learn from the papers that the Home Secretary has ordered the police to track him down and arrest him. Do you not think, Mr Speaker, that rather than briefing the papers on this matter, the Home Secretary should be briefing the House on what has happened and how this incompetence has arisen? She promised tougher border controls, but there is no evidence of that in this case. There is just chaos and confusion. Mr Speaker, have you the power to ask the Home Secretary to come to the House and explain exactly how a banned extremist has apparently just walked into this country with no one able or willing to stop him?

Mr Speaker: I thank the hon. Gentleman for his point of order. I am not aware of any intention on the part of the Home Secretary or other Ministers to make a statement to the House on that matter, but his point of order will have been heard by those on the Treasury Bench. Such a statement might of course be forthcoming, but, as the hon. Gentleman knows, there is a range of means by which the presence of Ministers can be secured. I hope that that is helpful to him and to the House.

Bail (Amendment)

Motion for leave to bring in a Bill (Standing Order No. 23)

5.7 pm

Andrew Stephenson (Pendle) (Con): I beg to move,

That leave be given to bring in a Bill to confer upon the prosecution a right of appeal against judges' decisions to grant bail; and for connected purposes.

The prosecution's right of appeal in bail cases currently applies only to bail granted by a magistrates court. I present this Bill in response to the murder of my constituent, Jane Clough. Jane was murdered on 25 July last year by her ex-partner Jonathan Vass, who was out on bail at the time despite a series of charges having been brought against him. Jane Clough, a 25-year-old accident and emergency nurse, was murdered by Jonathan Vass in the car park of Blackpool Victoria hospital just before she was due to start her shift at work. On 14 October last year, Jonathan Vass was sentenced to a minimum of 30 years in jail, but the failure of the justice system before that trial is the reason that I am bringing forward the Bill today.

Jane's murder occurred while Jonathan Vass was on bail following a series of charges for previous crimes that he had committed against Jane. He had been charged with nine counts of rape, and with four counts of common assault and sexual assault against her. By murdering Jane, Jonathan Vass ensured that the only witness to his crimes could not testify against him. Jane had displayed great bravery in going to the authorities to report the abuse that Jonathan Vass was subjecting her to while she was pregnant with their child. Like many victims of domestic violence, she put her faith in our legal system, but our legal system failed to protect her. Before granting Jonathan Vass bail, Judge Simon Newell was advised by the police and the Crown Prosecution Service that he should not grant bail due to the severity of the crimes with which Jonathan Vass had been charged. However, Judge Newell failed to provide Jane with the necessary protection from a man who posed a real danger to her.

In a statement made by the Judicial Communications Office following Jane's murder, it was said that Judge Newell was acting within the bounds of the Bail Act 1976, working under the general assumption that bail should be granted in all cases except in specific circumstances. The statement went on to say that the judge was not told of any of Jane's concerns and that no evidence was presented to make him aware that Jonathan Vass would go on to commit further crime, having been seen as a paramedic with previous good character—a statement that Jane's parents and the Crown Prosecution Service would strongly contest.

The law needs to be changed to allow the prosecution a right of appeal, so that in such a case the CPS or the Attorney-General could have challenged Judge Newell's verdict. We need to rebalance the legal standing of bail verdicts. At the moment, the system is unfairly weighted towards the defendant. Even if Jonathan Vass had been denied bail, he would have been able to appeal that decision almost indefinitely, whereas the prosecution currently has no right of appeal to judge-made bail decisions. Even if my right hon. and learned Friend the Attorney-General wanted to appeal the granting of bail to Jonathan Vass, he could not have done so.

We can all see from the murder of Jane that the warnings given to the judge by the police and the CPS should have been heeded. Jonathan Vass's history of offences towards Jane should have persuaded Judge Newell that he posed a serious threat to her, which would only escalate once she had reported him to the authorities. The bail conditions applied to Jonathan Vass provided Jane with little protection from any retaliation. In her diary, Jane wrote of her fear that Jonathan Vass would break bail and come for her and her daughter, that he would do something to hurt her and that nothing would stop him once he was released. While Jonathan Vass was free, Jane became a prisoner in her own home: the doors were always locked; she was afraid to go anywhere alone. Jane was scared for her own and her daughter's safety from the moment she heard that Jonathan Vass had been released. Effectively, the wrong person had been locked up.

It is my opinion that the Bail Act 1976 should be amended to provide more protection for victims of crime such as Jane Clough. If Jonathan Vass had not been granted bail on the 13 charges against him, he would have been able to appeal the decision—a luxury not currently afforded to the prosecution. The amendment I propose would not only give the right of appeal to the prosecution, but give victims and their families more influence over the legal process.

I imagine that many of us here today know of many other legal proceedings where victims and families of victims have felt they had little knowledge or influence over what was being decided. We need to give victims of crime, and particularly of domestic violence, the reassurance that their voices will be heard and that their abusers will not be able to intimidate or hurt them.

The problem appears to be widespread in our legal system. The most recent figures I have been able to find were released in 2009 under the Freedom of Information Act and show that in excess of 30,000 crimes were committed by suspects who were on bail at the time. Most disturbingly, at least 27 murders were among those statistics. Although bail decisions will never be easy to make, surely those figures are a cause for alarm.

At the time that those figures were released, my right hon. and learned Friend was quoted in *The Daily Telegraph*, making the point that the legal system is set up in such a way that bail is too readily given and too weakly enforced. He went on to say that it was shocking that so many serious crimes were committed by people awaiting trial and that the Government must put public protection first. I hope that as Attorney-General he is still committed to that, as my Bill would empower him or the CPS to challenge bail decisions that are clearly wrong.

By allowing the prosecution to appeal against bail decisions, we will make sure that judges can be held accountable for the decisions they make. Even the best judge will not get every decision right and surely there should be a safeguard for when a decision is made that clearly looks ill-advised or incomprehensible. Making such a change would also protect the rights and freedoms of victims of crime and their families. As I previously mentioned, Jane became a prisoner in her own home. It strikes me as totally unacceptable that Jonathan Vass was allowed to roam free, while Jane lived under the constant shadow of her tormentor and rapist. I have received support from across the House from more than

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50 MPs who want to see this issue addressed. We must ensure that victims of crime are protected from further punishment.

The murder of Jane Clough has highlighted several issues in our legal system that need to be addressed. The case raises questions relating to the accountability of judges, the granting of bail, the treatment of victims of rape, and sentencing policy. I pay tribute to John and Penny Clough, who are in the Public Gallery today, to their friends and family, and to all who are working with them to ensure that there is justice for Jane. They have shown tremendous courage in fighting not just for their daughter but, as they would put it, for all the other Janè Cloughs out there.

I commend the Bill to the House.

Question put and agreed to.

Ordered,

That Andrew Stephenson, Esther McVey, Heather Wheeler, Robert Flello, Mrs Madeleine Moon, Bob Russell, Lorraine Fullbrook, Paul Maynard, Hugh Bayley, Tracey Crouch, Jackie Doyle Price and Lorely Burt present the Bill.

Andrew Stephenson accordingly presented the Bill.

Bill read the First time; to be read a Second time on 20 January 2012 and to be printed (Bill 210).

Finance Bill

Consideration of Bill, as amended in the Committee and the Public Bill Committee

New Clause 1

MEDICAL INSURANCE (PENSIONER TAX RELIEF)

'(1) This section applies where—

(a) on or after 6 April 2012 an individual makes a payment in respect of a premium under a contract of private medical insurance (whenever issued),

(b) the contract meets the requirement in subsection (2) below as to the person or persons insured,

(c) at the time the payment is made the contract is an eligible contract,

(d) the individual making the payment does not make it out of resources provided by another person for the purpose of enabling it to be made, and

(e) the individual making the payment is not entitled to claim any relief or deduction in respect of it under any other provision of the Tax Acts.

(2) The requirement mentioned in subsection (1)(b) above is that the contract insures—

(a) an individual who at the time the payment is made is aged 65 or over and resident in the United Kingdom,

(b) individuals each of whom at that time is aged 65 or over and resident in the United Kingdom, or

(c) two individuals who are married to each other at that time, at least one of whom is aged 65 or over at that time, and each of whom is resident in the United Kingdom at that time.

(3) If the payment is made by an individual who at the time it is made is resident in the United Kingdom (whether or not he is the individual or one of the individuals insured by the contract) it shall be deducted from or set off against his income for the year of assessment in which it is made; but relief under this subsection shall be given only on a claim made for the purpose, except where subsections (4) to (6) below apply.

(4) In such cases and subject to such conditions as the Commissioners of Her Majesty's Revenue and Customs ("the Commissioners") may specify in regulations, relief under subsection (3) above shall be given in accordance with subsections (5) and (6) below.

(5) An individual who is entitled to such relief in respect of a payment may deduct and retain out of it an amount equal to income tax on it at the basic rate for the year of assessment in which it is made.

(6) The person to whom the payment is made—

(a) shall accept the amount paid after deduction in discharge of the individual's liability to the same extent as if the deduction had not been made, and

(b) may, on making a claim, recover from the Commissioners an amount equal to the amount deducted.

(7) The Treasury may make regulations providing that in circumstances prescribed in the regulations—

(a) an individual who has made a payment in respect of a premium under a contract of private medical insurance shall cease to be and be treated as not having been entitled to relief under subsection (3) above; and

(b) he or the person to whom the payment was made (depending on the terms of the regulations) shall account to the Commissioners for tax from which relief has been given on the basis that the individual was so entitled.

(8) Regulations under subsection (7) above may include provision adapting or modifying the effect of any enactment relating to income tax in order to secure the performance of any obligation imposed under paragraph (b) of that subsection.

(9) In this section references to a premium, in relation to a contract of insurance, are to any amount payable under the contract to the insurer.'.—*(Sir Paul Beresford.)*

Brought up, and read the First time.

5.16 pm

Sir Paul Beresford (Mole Valley) (Con): I beg to move, That the clause be read a Second time.

Mr Deputy Speaker (Mr Lindsay Hoyle): With this it will be convenient to discuss the following:

New clause 2—*Eligible medical insurance contracts*—

'(1) This section has effect to determine whether a contract is at a particular time (the relevant time) an eligible contract for the purposes of section [Medical insurance (pensioner tax relief)].

(2) A contract is an eligible contract at the relevant time if—

(a) it was entered into by an insurer who at the time it was entered into was a qualifying insurer and was approved by the Commissioners for the purposes of this section,

(b) the period of insurance under the contract does not exceed one year (commencing with the date it was entered into),

(c) the contract is not connected with any other contract at the relevant time and has not been connected with any other contract at any time since it was entered into,

(d) no benefit has been provided by virtue of the contract other than an approved benefit, and

(e) the contract meets one or more of the three conditions set out below.

(3) The first condition is that the contract is certified by the Commissioners under section [Certification of contracts] at the relevant time.

(4) The second condition is that, at the time the contract was entered into, it conformed with a standard form certified by the Commissioners as a standard form of eligible contract.

(5) The third condition is that, at the time the contract was entered into, it conformed with a form varying from a standard form so certified in no other respect than by making additions—

(a) which were (at the time the contract was entered into) certified by the Commissioners as compatible with an eligible contract when made to standard form, and

(b) which (at that time) satisfied any conditions subject to which the additions were so certified.

(6) Where a contract is varied, and the relevant time falls after the time the variation takes effect, subsections (1) to (5) above shall have effect as if "entered into" read "varied" in each place where it occurs in subsections (4) and (5) above.

(7) For the purposes of this section a contract is connected with another contract at any time if—

(a) they are simultaneously in force at that time,

(b) either of them was entered into with reference to the other, or with a view to enabling the other to be entered into on particular terms, or with a view to facilitating the other being entered into on particular terms, and

(c) the terms on which either of them was entered into would have been significantly less favourable to the insured if the other had not been entered into.

(8) For the purposes of this section each of the following is a qualifying insurer—

(a) an insurer lawfully carrying on in the United Kingdom business relating to insurance;

(b) an insurer not carrying on business in the United Kingdom but carrying on business in another member State and being either a national of a member State or a company or partnership formed under the law of any part of the United Kingdom or another member State and having its registered office, central administration or principal place of business in a member State.

(9) For the purposes of this section a benefit is an approved benefit if it is provided in pursuance of a right of a description mentioned in section [Certification of contracts] (3)(a).'.

New clause 3—*Certification of contracts*—

'(1) The Commissioners shall certify a contract under this section if it satisfies the conditions set out in subsection (3) below; and the certification shall be expressed to take effect from the time the conditions are satisfied, and shall take effect accordingly.

(2) The Commissioners shall revoke a certification of a contract under this section if it comes to their notice that the contract has ceased to satisfy the conditions set out in subsection (3) below; and the revocation shall be expressed to take effect from the time the conditions ceased to be satisfied, and shall take effect accordingly.

(3) The conditions referred to above are that—

(a) the contract either provides indemnity in respect of all or any of the costs of all or any of the treatments, medical services and other matters for the time being specified in regulations made by the Treasury, or in addition to providing indemnity of that description provides cash benefits falling within rules for the time being so specified,

(b) the contract does not confer any right other than such a right as is mentioned in paragraph (a) above or is for the time being specified in regulations made by the Treasury,

(c) the premium under the contract is in the Commissioners' opinion reasonable, and

(d) the contract satisfies such other requirements as are for the time being specified in regulations made by the Treasury.

(4) The certification of a contract by the Commissioners under this section shall cease to have effect if the contract is varied; but this is without prejudice to the application of the preceding provisions of this section to the contract as varied.

(5) Where the Commissioners refuse to certify a contract under this section, or they revoke a certification, an appeal may be made to the relevant Tribunal by—

(a) the insurer, or

(b) any person who (if the policy were certified) would be entitled to relief under section 1 above.

(6) Where a contract is certified under this section, or a certification is revoked or otherwise ceases to have effect, any adjustments resulting from the certification or from its revocation or ceasing to have effect shall be made.

(7) Subsection (6) above applies where a certification or revocation takes place on appeal as it applies in the case of any other certification or revocation.

(8) In this section the reference to a premium, in relation to a contract of insurance, is to any amount payable under the contract to the insurer.'.

New clause 4—*Medical insurance: supplementary*—

'(1) The Commissioners may by regulations—

(a) provide that a claim under section [Medical insurance (pensioner tax relief)] (3) or (6)(b) shall be made in such form and manner, shall be made at such time, and shall be accompanied by such documents, as may be prescribed;

(b) make provision, in relation to payments in respect of which a person is entitled to relief under section [Medical insurance (pensioner tax relief)], for the

giving by insurers in such circumstances as may be prescribed of certificates of payment in such form as may be prescribed to such persons as may be prescribed;

(c) provide that a person who provides (or has at any time provided) insurance under contracts of private medical insurance shall comply with any notice which is served on him by the Commissioners and which requires him within a prescribed period to make available for the Commissioners inspection documents (of a prescribed kind) relating to such contracts;

(d) provide that persons of such a description as may be prescribed shall, within a prescribed period of being required to do so by the Commissioners, furnish to the Commissioners information (of a prescribed kind) about contracts of private medical insurance;

(e) make provision with respect to the approval of insurers for the purposes of section [Eligible medical insurance contracts] and the withdrawal of approval for the purposes of that section;

(f) make provision for and with respect to appeals against decisions of the Commissioners with respect to the giving or withdrawal of approval of insurers for the purposes of section [Eligible medical insurance contracts];

(g) make provision with resepect to the certification by the Commissioners of standard forms of eligible contract and variations from standard forms of eligible contract certified by them;

(h) make provision for and with respect to appeals against decisions of the Commissioners with respect to the certification of standard forms of eligible contract or variations from standard forms of eligible contract certified by them;

(i) provide that certification, or the revocation of a certification, under section [Certification of contracts] shall be carried out in such form and manner as may be prescribed;

(j) make provision with respect to appeals against decisions of the Commissioners with respect to certification or the revocation of certification under section [Certification of contracts];

(k) make provision generally as to administration in connection with sections [Medical insurance (pensioner tax relief)] to [Certification of contracts].

(2) In subsection (1) above—

"eligible contract" has the meaning given by section [Eligible medical insurance contracts], and

"prescribed" means prescribed by or, in relation to form, under the regulations.'.

Sir Paul Beresford: The new clauses would provide tax relief on medical insurance premiums for people above a certain age. "Pensioners" might be a better description of them. As a very part-time dentist, I must declare a potential interest, but I had better declare a further potential interest, as birthdays keep relentlessly coming upon me—and the rest of us.

As in much of the south-east, life expectancy in Surrey is somewhat higher than the England mean. The average life expectancy in England is about 78 for males and 82 for females, while in Surrey the figures are about 82 and 86 respectively. Moreover, the proportion of those aged 65 and over in my constituency is about one in five, or 20%. It is obvious to me, as one with a professional interest in health and as an observer of my constituents' health, that that longevity brings with it a higher demand for health care and imposes large demands on health services, especially cardiac, carcinoma and orthopaedic services. A planeload of Surrey Saga tourists would really set the airport metal detectors buzzing as the hip and knee replacements proceeded towards take-off.

The Mole Valley constituency is served by three good national health service hospitals: East Surrey hospital, Royal Surrey County hospital at Guildford, and Epsom hospital. Those hospitals have expanded in certain health areas to meet the increasing demand for treatment from the elderly, the best example being Epsom, which has a special orthopaedic unit where more than 3,000 hip and knee replacement operations are carried out annually, almost entirely on elderly people from surrounding areas such as Mole Valley. As a result of those medical problems there has been a call for an enhanced and enlarged cardiac unit at Epsom as part of the retention and refurbishment of that much-loved hospital. I have given those two examples to illustrate the increasing demand for national health service care from, predominantly, those aged over 65. That increasing demand is not specific to Mole Valley or even Surrey, but is, to a greater or lesser degree, nationwide among that age group.

My older constituents are also served by private hospital services. Some are relatively local and some are in London, but there is choice for patients. Approximately 12.5% of the United Kingdom population are currently covered by private health insurance, and about 70% of that cover is corporate while about 30% is individual. On retirement, many may wish to take over their corporate private health insurance, but the personal cost becomes a heavy factor. Additionally, many of those who fund their health insurance personally may not feel able to do so when a regular personal income is just a pension or savings. That means that, just as their need for health care is likely to increase, those individuals turn to the national health service and absorb facilities and costs that they would not use if they could be persuaded to retain or take out private health insurance and use the private sector.

Before March 1997, when tax relief was available to those over 60, it was estimated that tax relief was paid in respect of 400,000 contracts to cover about 600,000 individuals.

Mr Edward Leigh (Gainsborough) (Con): I warmly congratulate my hon. Friend on his new clause. Is he aware that a ComRes poll of 150 Members of Parliament found that 66% of Conservative MPs supported the return of tax relief on private insurance for pensioners? That is hardly surprising when even the Major Government gave that elementary service to our elderly people.

Sir Paul Beresford: I thank my hon. Friend. One of the delightful things about his intervention is the increase in my education.

Over seven years from 1990, tax relief for the over-60s cost £560 million. However, that included a period when the relief was across all taxpayer rates. In 1994, that was reduced to apply to the basic rate of tax only. Unlike in my proposal, the relief started then at 60, not at 65, so my proposal would reduce the cost to the Revenue in real terms compared to pre-1997.

In 1997 the Labour Government cancelled the tax relief for pensioners, and Western Provident Association estimated that 40% of pensioners would discontinue their private health service. *Which?* magazine reported in 2002 that private health insurance coverage was lowest in the 65-plus age group. Those who choose to have personally funded private health insurance pay

twice for their health—premiums and tax. It would be safe to assume that nigh on 100% of those aged 65 and above are personally funding their health insurance. It is their choice, and for many it may mean sacrificing other choices that may affect their lifestyle.

Mr John Redwood (Wokingham) (Con): Can my hon. Friend also give us some idea of the saving in NHS expenses that results from people taking out cover and going privately?

Sir Paul Beresford: I would love to, but I am numerically dyslexic and English is my second language so I have some difficulty. I am sure that the next time I raise this possibility, I can bring those facts forward.

Oliver Heald (North East Hertfordshire) (Con): I am grateful to my hon. Friend for giving way and proud to support the new clause. Does he agree that there is real concern about the cost to the NHS as estimates of longevity rise, and that his measure is likely to carve out a portion of that and protect the position for the over-65s, who will be an ever larger group?

Sir Paul Beresford: I agree with my hon. Friend. Not only that, it would allow spaces for the NHS to provide choice and opportunity.

The new clauses would allow basic tax relief at 65-plus and rising, and the age would rise as the pensionable age increased. It would encourage people either to keep or take out health insurance just as they reached the period of life in which demand can be expected to increase. If they do not have or cease to have insurance, they will add to the call on the NHS. This approach in no way degrades my or, indeed, their respect for the NHS, but it is intended to take some of the load of numbers and cost off our tax-paid national health service.

As UK life expectancy increases, as my hon. Friend the Member for North East Hertfordshire (Oliver Heald) just mentioned, and as the wonders of medical research improve, our pensioners' life expectancy and well-being will increase. That will be an incentive for more to choose not only to pay their taxes—thus supporting the NHS—but to use health insurance to take an increasing load off our NHS, to the benefit of others.

Mr Kevan Jones (North Durham) (Lab): I rise to oppose the new clauses. I have to say that it is pleasing to see the real Conservative party still alive and kicking on the Back Benches, wanting to create a privilege for a small section of the population. I understand that when tax relief was in operation, it affected only about 5% of the population. It feels as if we are going back in time a little, because if we accepted the new clause we would be stepping back to the late 1980s, when the Conservative party introduced relief on private health insurance—I acknowledge that the new clause would apply to the over-65s, rather than to the over-60s, as was the case then. That was introduced to address a lot of the arguments put by the hon. Member for Mole Valley (Sir Paul Beresford); the aim was to try to ensure that people would be given choice. I hasten to add that people have a choice if they can afford it, but they have no choice whatsoever if they cannot. I believe, as I understand the Conservative Front-Bench team does these days, that we should seek to improve the health service and opportunities for all, rather than give a tax cut and perk to a very small section of the population.

Mr Leigh: Surely the point is that the proposal applies to pensioners, that they have paid tax all their life and that, just at an age when they might need private medical care, they find that their insurance premiums rocket. Surely it is only elementary natural justice that they should get tax relief on those insurance premiums.

Mr Jones: I disagree with the hon. Gentleman. I do not understand why a low-paid worker in South Stanley in my constituency who has worked hard all his or her life should be given no tax relief or assistance and should pay their taxes just to give a tax relief and perk to individuals who not only might be able to pay for care, but who have an advantage over them. We should seek to ensure equal access to health care.

I understand what has been said about waiting lists and the health service, but when I was elected in 2001 my constituency contained two old hospitals, one of which—the old workhouse—was a disgrace. We now have two new hospitals, thanks to a Labour Government. The hon. Member for Mole Valley mentioned hip and knee replacements, and I can tell him that the industrial legacy of a mining community meant that my area had a long waiting list; it was not uncommon for people to wait for more than two years. I recall people coming to my surgery arguing about how they could get up the list any faster. Waiting lists have more or less been abolished over the intervening 10-year period, which is testament to the changes the previous Labour Government made and the investment we put in. Investment in the health service should be about ensuring equal access to care, not about giving a tax perk to a very small section of the population—the less than 5% who actually have private health insurance—as this proposal seeks to do.

Mr Redwood: I would be more persuaded by this argument if the Labour party had, when in office, prevented the rich from buying the health care they wanted when they wanted it. The truth is that neither the Labour party in office, nor the coalition Government, have had any intention of preventing the rich from using their power and wealth to get the health care they want. The new clause is a measure to enable people who are not that rich to be able to do so.

Mr Jones: The facts do not bear that out, and I shall return to that point in a moment. If people wish to spend their money on health care, that is entirely up to them—I am not opposed to that. What I am saying is that I and others should not be subsidising that choice. We should be putting the money, as the Labour Government did, into ensuring that the general population have access to good-quality NHS care and do not have to worry about the cost.

Mr Peter Bone (Wellingborough) (Con): The hon. Gentleman is making a powerful socialist speech, which is nice to hear in this Chamber. Is he not wrong about the new clause, however, because we would not be subsiding from the taxpayer? Anyone who takes out new private medical insurance because of the subsidy would be saving money for the NHS and so more money could be spent on the people who wish to use the NHS? *[Interruption.]*

Mr Jones: Not necessarily, as my right hon. Friend the Member for Holborn and St Pancras (Frank Dobson) says from a sedentary position. As I have seen in my constituency, people who have access to the private sector cherry-pick. Routine operations might be covered by private health insurance but with the more difficult, specialist treatments, the last recourse is often the NHS. A few years ago, a constituent of mine came to my surgery and complained that she could not get her knee replaced on the NHS. I found that remarkable, because by that stage the waiting lists were reduced in my constituency, until I found out from the NHS trust that there were medical reasons why she could not have that operation at that time—basically, she had weight and heart problems. She subsequently had the operation in the private sector, against all the advice, and lo and behold, when there were complications they were picked up not by the private sector but by the NHS. A full NHS care package and local social services were needed to support that woman through an operation that she was determined to have against medical advice.

5.30 pm

The proportion of people with medical insurance is skewed towards the top earners who, the evidence shows, would benefit from today's proposed change. The old scheme went to people who already had private medical insurance and was basically a tax cut for those individuals; by the time it was abolished in 1997, it had cost the taxpayer some £140 million a year. It did little to increase the take-up among individuals who accessed private health care.

A study carried out in 2001 by the Institute for Fiscal Studies and the King's Fund showed that the argument that such provision would reduce pressure on the NHS was not realised. Likewise, when the relief was withdrawn, providers of private health insurance argued that up to 100,000 people would suddenly give it up and there would be a huge toll on the NHS, but that did not happen. The study estimated that 0.7% of those involved—some 4,000 people—gave up their private medical insurance because they did not have access to tax relief. That goes against the argument that rewarding people who already benefit through such tax relief is a way of saving money for the NHS.

On the question of saving money for the NHS, 4,000 people is not a huge number and the evidence points out that the saving from the withdrawal of tax relief more than outweighed the cost of the small increase in the number of people who had to rely on the NHS. I accept the Conservative party is arguing for choice, and if people want access to private health insurance, they are entitled to it, but the rest of the population should not subsidise it, which is what is being argued for. Some of the figures put out by various organisations suggested that if the relief were taken away, there would somehow be a deluge of pressure on the NHS. For example, the Western Provident Association estimated that the cost to the NHS could be as much as £300 million a year, whereas Bupa estimated that the number of NHS hospital treatments would increase by 48,000. That did not happen.

Likewise, if we are trying to encourage people to take out private health insurance, we should remember that although that is how it was sold by the last Conservative Government, it did not happen then either. The number of people who took out additional insurance rose by only a couple of hundred thousand, because most of the people who have access to that type of health insurance, either because they choose to take it out or through their employment contract, are, I stress, in the top 40% of earners. It is interesting to note that less than 5% of the low-earning population has some kind of access to such insurance, mainly through the old friendly societies and others. It is not a choice for most of the population; it is a choice for a small number of people. Having tried this measure in the 1980s, the Conservatives should not go back to it and should not think it would be of assistance to the NHS.

Given that we are told by the Conservative party that money is tight, is this a sensible way of spending scarce resources? The measure would cost about £440 million a year and I would sooner that those scarce resources went into the NHS, which benefits everyone in the general population. I do not think that the idea will fly even on the Government Front Benches. As I said in my opening, it is nice to see, in relation to this and the other amendments in this group proposed by Conservative Back Benchers, that the true face of conservatism is not dead in this place.

Mr Christopher Chope (Christchurch) (Con): I am delighted to be regarded as the true face of the Conservative party, but I am also very pleased that there are lots of other true faces of the Conservative party present to listen to this debate. Not everyone recalls the great excitement that there was in the Conservative party and on the Conservative Benches back in 1989 when the then Secretary of State for Health, who is now the Justice Secretary, said that he was going to introduce tax relief for health insurance premiums. That policy, which was announced in a health White Paper and then put into practice in the 1990 Budget by Nigel Lawson, was the action of a self-confident Conservative Government. That same self-confidence carried on through the years when John Major was Prime Minister, and right up to 2001, when a proposal to restore the relief, which had been taken away by the mean Labour Government, was in our manifesto. Since then, we seem to have rather lost our way.

Mr Kevan Jones: I would never accuse the hon. Gentleman of losing his way, but can he remember why the Labour Government did that? It was not just because the relief was unfair but because they went on to use part of the money to reduce the VAT on heating fuel.

Mr Chope: That was the excuse put forward at the time, but I doubt whether it was the real justification. I suspect that the real justification was a feeling on the part of a lot of socialists—people on the Labour side of the House—who resented the idea that the health service should in any way be funded by the private sector. The problem we have in this country is that although our health service is funded by taxpayer money to the extent of most health services across the G7 or G8 countries, we lag behind those other countries in that we do not have enough private sector contributions to the health service. That is why the new clause tabled by my hon. Friend the Member for Mole Valley (Sir Paul Beresford) is brilliant, because it sends out a very strong signal to people that we want to encourage them to participate in and contribute to the cost of their health care.

It is good for people to contribute to the cost of their health care, and that of their family, if they can afford so to do. Some people who can afford to do that pay for their health care outright: in a sense, they pay as they go. Others who can afford to do that pay through insurance policies. Yet others who can afford to do that do not make a contribution at all, because they believe that it is in the national interest that the whole cost of their health care should be borne by other taxpayers, many of whom are less well-off than they are. Those are the three categories, and we should try to move more people from the category of those who could afford to pay for, or contribute towards, their health care but do not, into the category of those who do contribute.

Mr Jones: I totally disagree with the hon. Gentleman, but I understand where he is coming from. However, the scheme introduced in the 1980s did not do what he wants. It basically just gave a tax cut to about 500,000 people who already had private plans, so it did not work the last time it was tried.

Mr Chope: Obviously, the Treasury will always say that there is what is described as a dead-weight cost associated with such initiatives, in that people who would be paying for health insurance anyway would get the tax relief—but that is looking at only part of the issue. What I am trying to do—as is my hon. Friend the Member for Mole Valley in his new clause—is to encourage more people to come into that category, so that we grow that cohort of people. We certainly do not want to allow that cohort to be reduced, as it inevitably is when people who were on schemes provided by their employers retire and lose that provision. Taking on that burden, or responsibility, for themselves is a significant expense; my hon. Friend's new clause would not eliminate that cost, but it would reduce it by a useful amount.

Julian Smith (Skipton and Ripon) (Con): Will my hon. Friend tell us how, in the current financial situation, we could pay for any dead-weight costs? Where would the money come from?

Mr Chope: It is a matter of seeing what the countervailing benefits would be, because obviously, if as a result of my hon. Friend's new clause a lot more people who are not contributing anything towards the cost of their health care started to do so, thereby reducing the burden on the NHS, the dead-weight cost that my hon. Friend the Member for Skipton and Ripon (Julian Smith) mentions would be exceeded by the overall benefits, and a reduction in the overall burden of taxation. More people who are getting health care in this country would be paying for it, or contributing to its cost, rather than relying on the state and the taxpayer to do so.

Mr Leigh: The dead-weight cost argument is always used against ideas such as school vouchers or tax relief for health insurance, but does my hon. Friend agree that the whole point of such proposals is to help the people in the middle? Quite rightly, Parliament is concerned about the people at the bottom of the heap, and the rich can always buy their way out, but this part of the Conservative party should help the people who struggle all their lives, and pay tax all their lives.

Mr Chope: Exactly. My hon. Friend is absolutely right. There is a lot of resentment about the fact that people who arrive in this country can latch on to the health service, at no cost to themselves, when they have not made any contribution at all. The new clause would give people who have been making a contribution, either through their employers or by paying insurance premiums themselves, a bit of help in the form of tax relief when they retire. We are talking about modest sums, but that would send a useful message and be an incentive.

Mr Kevan Jones: If we were designing a system to increase the number of people with private health insurance, would not this proposal be a very inefficient way of doing it? I must draw the hon. Gentleman's attention to the Institute for Fiscal Studies and King's Fund report, which showed that when the scheme was abolished, 0.7% of people—4,000 people—gave up their policy. It strikes me that for most people, the scheme was a not a great incentive to buy health insurance.

Mr Chope: The hon. Gentleman quotes figures from the Institute for Fiscal Studies that go back, I think, to 2001—10 years ago. What concerns me is that there has been no update of those figures. If my hon. Friend the Financial Secretary to the Treasury, whom I am delighted to see on the Front Bench, comes forward with up-to-date statistics that show that the Government have been considering the issue seriously, obviously I will listen to his arguments, as I always do.

I am concerned that the issue has become one that the coalition Government do not want to discuss, and they are not prepared to commission research into it. They are not prepared to consider the argument put forward by my hon. Friends and myself that our proposal would generate more private sources of income for the health service. The Government are going for the simplistic version and concentrating on the idea that there would be an up-front dead-weight cost. There might be, but that would be outweighed by the other benefits.

5.45 pm

Barry Gardiner (Brent North) (Lab): Can the hon. Gentleman explain why the individual making the payment should not make it out of resources provided by another person for the purpose of enabling it to be made? If he can explain that, does he not believe that it would require a desperately intrusive large state to undertake investigations to ensure that the provisions in the new clause were adhered to?

Mr Chope: The new clauses being considered together are a word-for-word recital of the original legislation. The hon. Gentleman may have some good points, but I hope that those will not be taken by the Minister, because they would be points against the measures that followed the 1990 Budget.

Barry Gardiner: I am grateful to the hon. Gentleman for giving way again. I am simply trying to establish the extent of Government intrusion that would be required in order to enforce the clauses that he supports. The Government would have to intervene and find out whether the funds being made available for the premium had been supplied by a third party—perhaps children who wanted to help their ageing parents. How would the restriction be enforced?

Mr Chope: In the same way as it was enforced before, as my hon. Friend the Member for Mole Valley says. As the insurance companies will be the beneficiaries, in a sense, because more business will be created for them, the provisions of the new clauses require those insurance companies, in effect, to participate in a regulatory regime supervised by the Treasury. That is the reasonable safeguard that we had before, and it would be a reasonable safeguard in the future. I am delighted if the hon. Gentleman's only objection to the new clause is that whingeing technical objection, because that must mean that he is in favour of the substance of it.

Charlie Elphicke (Dover) (Con): Perhaps my hon. Friend can help me. I am puzzled that Labour Members oppose the new clause as creeping privatisation, because when they were in office they privatised large sections of the NHS, with the independent sector treatment centre programme. I do not see how those two views sit together.

Mr Chope: As so often, my hon. Friend makes a telling point, which has got Opposition Members back on their haunches as a result of that good intervention.

Let us look at the total contribution made to health spending in this country by the private sector. The hon. Member for North Durham (Mr Jones) quoted from the Institute for Fiscal Studies report that came out in 2001. It said:

> "Despite the increase in use of the private sector, private spending on health care makes up only 16.3 per cent of total health spending in the UK, which is lower than in any other G7 country."

It goes on to describe how low health spending was as a percentage of gross domestic product. I concede, and am pleased, that since then health spending as a percentage of GDP has increased, but the percentage of private contributions to health care has not increased commensurately, as it should have done.

Thomas Docherty (Dunfermline and West Fife) (Lab): That has been used as an argument against privatising the national health service, because the reason why the United States spends such a high proportion of its GDP on health care is that there is a completely free market there. The hon. Gentleman is actually making an argument for the national health service.

Mr Chope: I certainly support the national health service, but I do not think that the hon. Gentleman understands my point. My point is that even in very socialistic countries, such as Sweden, the other Scandinavian countries and others in Europe—quite apart from the United States—the proportion of total health spending that comes from the private sector is much higher than it is in this country. I think that it would be much better if a higher proportion of our total health spending came from the private sector and from individuals and companies.

Mr Bone: My hon. Friend is, as ever, making a powerful speech. Will he explain why some people think that not having private money gives us a better health service? Our European colleagues have better outcomes when they have more private money.

Mr Chope: My hon. Friend makes a good point. I think, and some of the research suggests, that when people contribute directly to the cost of their health care they take a greater interest in outcomes and hold the health service to account to a greater extent than when they can be told, "It's all free, so what do you expect?" We talk about the health service being free at the point of delivery, which of course it is, but I want a health service that is available at the point of need, and the two things are very different. That is the gap that exists at the moment. A little more private sector resource, which would relieve some of the burden on the taxpayer or complement taxpayer resources, would be a good thing.

Mr Kevan Jones: Where is the evidence for that? The old scheme that the hon. Gentleman says was so great clearly did not do that, for example in relation to waiting lists. It would cost £140 million, and it would be far better if that money went into the health service to improve care for all, rather than to the small section of society that he is trying to benefit.

Mr Chope: Of course, the original scheme was brought in on the basis that it would apply to everyone over the age of 60, and initially would give full tax relief to higher-rate taxpayers, so the figures would be nothing like as high under the new clause, because its proposals would apply only to people over 65, and would give only 20% in tax relief.

Mr Leigh: Is my hon. Friend not being very moderate? Surely there is an argument for giving everyone tax relief, which is how we would move to a continental-type system with much better health outcomes, and blur the boundaries between the private and public sectors. That is what we, as Conservatives, should believe in.

Mr Chope: I absolutely agree, but I think that my hon. Friend the Member for Mole Valley, who tabled the new clauses, is a gradualist by nature; that goes back to his time as leader of Wandsworth council, when he was preparing for his time in Parliament and knew that things could not be done immediately but must be done gradually. He can speak for himself when he contributes to the debate, but perhaps that gradualism is part of his thinking.

I will finish soon, because many Members wish to contribute, but let us first put this suggestion in perspective by thinking about roughly how much it would cost. Let us suppose that an average health premium is about £2,000, which a pensioner or pensioner family would be faced with paying, and which previously their employer had paid as part of a contributory or non-contributory occupational scheme. Many pensioners would not pay that, but if we gave them the tax relief, which would amount to more than £400, I submit that many of them would carry on paying for their insurance, thereby contributing towards the cost of the health service, which would be a benefit.

The last time I spoke in a debate on a Finance Bill on Report it was about insurance premium tax. The insurance premiums paid for health insurance are already subject to tax, which the Treasury keeps increasing, so an alternative way forward might be to abolish the insurance premium tax paid on health insurance contributions. That is a separate argument and not the subject of this group of new clauses, but it serves as an example. The Financial Secretary to the Treasury would obviously

say that we could not afford that—but does he realise that if we increased the number of people taking out health insurance, the Treasury would receive a lot more in insurance premium tax? I am sure that he will take that into account when he—in due course, having done the proper research—tells us the costs and benefits of the proposals in the new clauses.

We should not forget that the dynamic effect of these taxation changes could deliver great benefits and dividends. It is important to send a strong message to those who can afford to contribute towards their health care costs but who currently do not do so, that this would enable them to contribute at a lower cost than would otherwise be the case. I think that it is a well-rounded and sensible proposal, and I am delighted that it is getting so much support from colleagues on the Government side of the House.

Frank Dobson (Holborn and St Pancras) (Lab): I am sure that people across the country would be astonished to discover that the first priority of Back-Bench Tories on health spending is to give a tax concession to people who pay, on average, £2,000 a year towards health insurance, because most people over 65 are in no position to pay such a sum towards health insurance. Most people across the country, including many pensioners, and perhaps even those pensioners who have private health insurance, think that the first priority for spending should be to avoid some of the cuts that the Government are already introducing and to direct spending to the national health service.

Mr Redwood: I just want to correct the record, because our first priority was to have a wider range of drugs to treat cancer, as we thought that the previous system was too meanly constructed, and we were proud of the Government when they made that the No. 1 priority for extra spending.

Frank Dobson: But that decision has been and gone, and I do not think there was any opposition to it across the House, but we are now talking about the Bill. The Government now propose that the first priority should be to spend the best part of £200 million to give a subsidy to people who are already sufficiently well off that they can pay £2,000 on average towards their private health care costs. I do not think that that is a sensible priority for anyone concerned about health care. I hope that no Tory Members, or Lib Dem Members if they support this proposal, will parade outside their local hospitals saying, "Please don't get rid of 200 nurses, or some of the doctors, or our ambulance and emergency service, and please don't take away our maternity unit." That will be because some of their colleagues thought that the first priority was to spend £200 million on people who are considerably better off than the average.

Government Members have said that the rich can afford to buy private health care and that most rich pensioners already have it. Some extreme marketeer right-wingers both here and in the United States think that health insurance should be abolished because, if people have to pay for health care costs out of their income or savings, they will be a source of pressure to bring down those costs, but Government Back Benchers have not reached that extreme marketisation approach yet.

6 pm

Mr Bone: The right hon. Gentleman is being very generous in giving way, and I should say something nice about his speech, but I cannot think of anything. This Government's first priority on health, however, was to make sure that we increased health spending at more than the rate of inflation. It was something that his party would not guarantee.

Frank Dobson: Let us turn to a bit of history. When the previous scheme was introduced, neither the Department of Health nor the Treasury made any calculation whatever of what it would cost the taxpayer. It was a decision flying blind—*[Interruption.]* I notice the Financial Secretary looking to the Box, but if those in the Box give him an honest answer, he will have to confirm that the Treasury made no calculation of the cost of introducing the scheme originally and neither did the Department of Health. When I had the scheme abolished, I found it very difficult to discover how much it had cost. It took the Treasury quite a bit of time, too, because it had not logged the effect of the scheme—which it introduced.

The proposition is that, if people have private health insurance, they will not place any demands on the national health service. First, however, they would get the tax concession most of the time, but, during the years—one would hope that there were many of them—when they did not need any health care at all from anybody, they would not be relieving demand on the national health service because they would not have any demand to supply.

Secondly, as my hon. Friend the Member for North Durham (Mr Jones) has already pointed out, large numbers of people—certainly if they have a difficult or complex operation—do not resort to their private health insurance, because private providers are not up to providing them with the quality of care that is needed, so they resort to the national health service.

I remember a proposal to build a private hospital on the Odeon site on Tottenham Court road, and the brochure that the projectors of this brilliant scheme provided had a paragraph that can be summarised as stating, "It doesn't matter if anything goes wrong in our private hospital, because you'll be next door to the world-famous University College hospital, so you'll be transferred there and then you'll be okay." Almost all intensive care is provided in the national health service; private sector providers do not generally provide it, so when things go wrong people are shifted.

Mr Kevan Jones: Does my right hon. Friend agree that, if we wanted to move to the market-led initiative that some Government Back Benchers have put forward, we would find that private hospitals had to train all the nurses and doctors whom they currently get through state-subsidy and training in the NHS?

Frank Dobson: The private sector creams off the straightforward, relatively simple and less risky operations for people who are otherwise healthy, leaving the national health service to provide similar operations for people who are unhealthy, which can be much more complex. For instance, if someone needs their hip joint replaced, and they are okay apart from their bad hip, that is fairly straightforward, but, if they have a dickey heart or something wrong with a kidney, it is altogether more

[Frank Dobson]

complex, and you can bet your boots that that operation will take place in an NHS hospital. Similarly, an NHS hospital will provide intensive care, accident and emergency care and emergency beds, and it will carry out the training that by and large the private sector does not.

All those burdens stay with the NHS, none of it transfers to the private sector, and we are being asked to provide a tax incentive for people to do something that they do already. There was no evidence in the 1990s of any increase in the use of private health insurance as a result of the Government's tax benefit.

Charlie Elphicke: The right hon. Gentleman is being extraordinarily generous in taking interventions, and he has a long-held principled position on the national health service. On the private sector creaming off, as he would say, the easy cases, does he agree that, first, he would not have acceded to the independent sector treatment centres programme and, secondly, that it was wrong for the private sector in that case to charge for operations which were not carried out?

Frank Dobson: When I was Health Secretary, I agreed to the establishment of national health service units that undertook diagnostic and straightforward treatment on straightforward conditions. I thought that it was a sensible idea, but unfortunately my successors decided to privatise it, and it has to be said that then, John, now Lord, Hutton was not good at getting bargains for the taxpayer. He agreed a scheme whereby on average the private sector was paid 11% more per operation than the national health service, and the private providers were also paid when they did not do all the operations that they were contracted to do. Some got 11% more for operations that were not actually carried out, so I am no fan of such arrangements, but, having opposed them right from the start, I do not recall any cries of "Hosanna!" from the Tory party when I attacked the proposition. My memory may be false, but the Tories seemed to be wild enthusiasts for that ridiculous scheme.

Noticeably, however, unlike putting money into the private sector or, in the case before us, a bit more money into the hands of pensioners who have quite a bit to start off with, investing in the national health service had a dramatic effect. When we took office, national health service hospitals performed 5.7 million operations a year; in the most recent year for which figures are available, they performed 9.6 million. If we want to look after the interests of people who get sick, we will find that the way to do so is to ensure that everyone has access to a massive increase in the number and quality of operations, and there has been a massive increase in both.

Barry Gardiner: When considering the situation in 1990, does my right hon. Friend recall that part of the rationale for those people having private health care was that the queues in the health service were so long that it was effectively a way of getting the same care and the same consultant but doing so in the private sector much faster? Does he share my fear that the reason why the proposal is being made now is that Tory Back Benchers know that waiting lists are already going up and will go up still further, so they want to give their friends exactly the same opportunity?

Frank Dobson: Yes, my hon. Friend is quite right. Government Members are obviously anticipating the expected decline in national health service output, and that decline is the reason why the national health service is going to stop collecting figures on waiting lists and waiting times. One is always rather suspicious of any organisation that collects figures and then stops. One wonders why, and the idea that those figures might be embarrassing is a good explanation.

Andrew Gwynne (Denton and Reddish) (Lab): My right hon. Friend is coming on to precisely the point that I want to make. This week, my local hospital, Tameside general hospital, announced 200 job losses among front-line staff, and its waiting times have shot through the roof. Is not this the real picture of what is happening in the national health service? If money is available, should we not be prioritising care in hospitals such as Tameside, not giving a tax hand-out to people for medical insurance?

Frank Dobson: I agree with my hon. Friend. I am sure that he will draw this proposition to the attention of the electors of Tameside, who are facing valuable staff being got rid of and reductions in the number of operations being carried out. I hope that he will also point out, as I did at the beginning of my short contribution, that apparently the first priority of a lot of Back-Bench Tories, who seem to represent the true core of Tory opinion, is to bung £200 million into the hands of the best-off pensioners, some of whom will not agree with it either.

Charlie Elphicke: I respectfully put it to the right hon. Gentleman that our priority is not to bung £200 million at people, as he describes it, but to see real increases in NHS spending as against the cuts that were in the last Budget of the Government whom he long supported.

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. I let the hon. Gentleman's previous question go, but he is drifting way off the mark. This debate is about medical insurance.

Frank Dobson: Let me return to the point. The proposition before us is to divert £200 million of taxpayers' money to a group of pensioners—not to the national health service, or even to the private health care sector, but to those particular pensioners. I cannot believe that many people in this country, at this moment, believe that that is the first priority of anyone sensible—it is certainly not my priority—but that is what we are being asked to say by those who want us to vote for this new clause.

I can remember the claims that were made when the old scheme was introduced. Despite that, nobody was able to adduce any evidence that it added to the number of pensioners who took out health insurance or stayed as pensioners who had health insurance. When it was abolished, the predictions from the national association of scaremongers, led by Bupa and others, created the impression that the whole system would collapse, that hardly anybody would keep using private health insurance, and that legions of the formerly insured would be pouring into every hospital, clinic and doctor's surgery. That did not happen. The main function of the scheme was to put a few bob in the pockets and handbags of the better-off pensioners, and that is what it did. It had virtually no impact whatever on health care either in the national health service or in the private sector, and I suspect that the situation would be similar today.

If we have £200 million to spare—apparently we do—and we want to put it into health care, I would be very happy to see some of it go into my local hospitals so that they were not laying off nurses and doctors and other staff in the next couple of years while having to put up with the ridiculous marketising shambles that the Health Secretary has wished on the country. In case it has not been clear, I am opposed to this proposition and, given the opportunity, will vote against it.

Mr Bone: It is a great pleasure to follow the right hon. Member for Holborn and St Pancras (Frank Dobson), who has been very consistent in his views over the years and, I think, represents the real views of the Opposition.

I congratulate my hon. Friend the Member for Mole Valley (Sir Paul Beresford) on proposing—

Mr Kevan Jones: Will the hon. Gentleman give way on that point?

6.15 pm

Mr Bone: I will not give way on congratulating my hon. Friend because I am not going to change my view about that. He has proposed a very small and sensible measure that I support because it would benefit people's health. That is its basis; it is not being done for any other reason.

Over many years, I had the opportunity to observe at very close hand someone who was very seriously ill and was being treated in the national health service and in private hospitals, and they got wonderful treatment in both cases. I pay tribute to the staff in all our health institutions. I do not single out any one group as being better than the other; they all did a very good job.

I believe passionately in insurance. People should insure against things that might go wrong in future; they hope that they will not, but they take out insurance and pay a small fee for that benefit. In the case of the person I mentioned, the cost to the private medical company ran into hundreds of thousands of pounds. My argument is simple: had they not taken out private medical insurance, that money would have had to be paid by the national health service. One of the sad things I saw during that period of years was elderly, retired people at the private hospital putting down £10 notes to get a service that they would have got at a fraction of the price had they taken out insurance. By offering tax relief, we will get more people to do the right thing. It is right that we encourage people to provide for their own medical care. It is simple: if someone is getting 20% off in tax relief, the other 80% is a saving to the national health service.

Let me deal with the dead weight argument. I suspect that the Government will say, as Opposition Members have said, that because people are doing the right thing they should be penalised. If they are doing the right thing in saving money for the NHS, they should benefit from it. The new clause would encourage more people to take out private medical insurance—in this case, only those who are retired. Come February next year, when I introduce my private Member's Bill on extending the proposal to cover all patients, we can go even further, but this would be a small step in the right direction.

Frank Dobson: The hon. Gentleman is trying to justify this on the grounds that people should be rewarded if they place a lesser demand on the national health service. Is he suggesting tax cuts for people who stay slim, do not drink too much or do not smoke, because that would have a much bigger impact on demand on the national health service?

Mr Bone: Some of those things were tried in the past by the previous Administration—incentives for people to stop smoking, for instance. That is not what I am talking about, and I think you might well say, Mr Deputy Speaker, that I was out of order if I started to drift on to those subjects. One of the great things about today's debate, of course, is that we have all night to scrutinise the Bill. One of the benefits of having no programming is that nobody can stop our discussions, and so far there has not been any filibustering.

Ian Swales (Redcar) (LD): Clearly we have a financial problem in this country. Has my hon. Friend made any assessment of the number of people who do not currently sign up for private medical insurance but would be likely to do so in order to establish the costs of the new clause?

Mr Bone: The proposal applies to retired people, so I think that it will affect people who have private medical insurance through their companies or who can afford to have it while they are employed, but who drop it when they retire, at the very time when they are most expensive to the national health service. The more people we can encourage to take it up, the better.

Mr Kevan Jones: I am very interested in this point. Will the hon. Gentleman say what evidence there is? When this tax relief was withdrawn, 4,000 people did not continue with their health insurance, so there is no evidence at all that people drop out. Likewise, there is no great evidence that by introducing this measure, the previous Conservative Government increased the numbers. What it did was give a tax break to people who already had private health insurance.

Mr Bone: I am grateful to the hon. Gentleman, because he said first that 4,000 dropped out and then that nobody dropped out. He had already proved that 4,000 people dropped out.

I believe that the proposal will improve the uptake of private medical insurance enormously, which will mean that there will be less of a burden on the national health service and that more money will be put into private hospitals, allowing them to develop. This country needs more health care of a higher quality. That does not need to be centrally controlled, but can be done by a mixture of NHS and private providers.

To get the idea that the priority of this Government has not been the NHS, Opposition Members must have been asleep. A thorough new Bill has come forward, which has been scrutinised by Parliament. There have been slight shrivels on the way, and it has now gone into Committee. This proposal would be a very minor adjustment to the NHS programmes of this Government. It deserves the support of the House and it will be interesting to see what happens when we divide.

Thomas Docherty: I should say at the outset that I have no problem at all with private health care or education. If somebody wishes to spend their money as they see fit, it is entirely a matter for them. However, we must challenge head-on the argument that has been articulately, though falsely put forward by some Government Members that people are doing their patriotic duty by not using the national health service because they are a burden on it, and that they should be rewarded for having private health care. That is simply not the case. First, private health care is a form of queue jumping. I understand the arguments behind it, but we should recognise that we are talking about people who jump to the front of the queue.

Sir Paul Beresford *indicated dissent.*

Thomas Docherty: The hon. Gentleman shakes his head, but that is exactly what people with private health care do—they jump right to the front. There might be a six-month waiting time for a minor operation—I suspect that waiting times will get longer—but people who choose to have private health care go to the front of the queue and are seen within a fortnight. I have seen various television adverts for very reputable private health care companies that advocate the services that they provide. I do not think that that should be forgotten.

Mr Kevan Jones: Does my hon. Friend also recognise that when we had long waiting lists, the incentive that a lot of these companies used in their advertising was that people could get to the front of the queue? Is there not an argument that now that we have short waiting lists—for the time being—there is less need for private health care?

Thomas Docherty: My hon. Friend is entirely right. It is interesting that there are now far fewer adverts for private health care. He is right that part of the reason for that is that we have a superb national health service. Having served in the House for longer than I, he should take a great deal of credit for the fact that we have a first-class health service. The second reason why I suspect private health companies are not advertising is that thanks to the policies of the Government parties, people cannot afford to have private health care. Of course, many people are losing their jobs. I will return to that point shortly.

The other huge issue about burden is that the private health system is a burden on the national health service, because it takes doctors, nurses and other medical professionals away from it.

Mr Chope *indicated dissent.*

Thomas Docherty: Now the hon. Gentleman is shaking his head. There are many highly paid consultants who split their time between their private practice, their golf course and the national health service. The time that they spend in private practice is clearly time that is not available to the national health service.

Andrew Gwynne: Is this not a question of priorities? If there is a pot of money to be given away, would it not be much better to spend it on health care for the many, rather than on a tax give-away for the few?

Thomas Docherty: I absolutely agree with my hon. Friend. It is fascinating that in this debate, we have seen for the first time who the real deficit deniers are in this House. I appreciate that the parliamentary resources unit, which so ably serves the Conservative Benches, is very good at putting out lines to Conservative colleagues about my hon. Friends being deficit deniers. We have seen this afternoon that the real deficit deniers are sitting on the back row of the Conservative Benches. At a time when there is a real-terms cut in NHS spending—I must correct the hon. Member for Wellingborough (Mr Bone)—because the promised increase in funding under this Conservative-led Government is lower than inflation, whether using the consumer prices index or the retail prices index, these Conservative Members propose that we should take money, which Government Front Benchers often tell us we do not have as a nation, and use it to assist with private health care. We have seen yet again today, as my hon. Friend points out, that they are the real deficit deniers. I look forward to seeing whether they have the courage to push the new clause to a Division, and I look forward to going through the No Lobby later this evening.

Mark Reckless (Rochester and Strood) (Con): On that issue, there is clearly a very large deficit, which we inherited from the hon. Gentleman's Government. On funding for this proposal, we have seen a 74% increase in our net contribution to the EU, which many Government Members would not like to see paid. The Financial Secretary to the Treasury has made very substantial savings by keeping us out of the Greek bail-out—

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. I do not think that we will be tempted down that route. We will stick to insurance.

Thomas Docherty: The hon. Member for Rochester and Strood (Mark Reckless) is always tempting. I suspect that you would rule me out of order, Mr Deputy Speaker, if I pointed out that it was this Prime Minister who went to the European Council and failed to live up to his promises. Therefore, let me move back to the substantive debate, which is being so ably chaired.

This proposal is a Trojan horse. Government Members tried hard to cover up their anti-health service rhetoric, but every now and again it seeped out in their speeches. The national health service is an institution that Labour Members are proud of. It is the greatest achievement in 100 years of the Labour movement. It has transformed our country's health. As you know, Mr Deputy Speaker, I am doing an Open university degree in history. *[Interruption.]* I am asked where I find the time. I have a great wingman in my parliamentary duties. I am currently studying a module on the history of medicine from 1500 to 1930. It is fascinating to see that the pre-war health system that was available to the vast majority of people did not compare one iota to the achievement of the 1945 Labour Government. It was fascinating to hear the disdain of Government Members for the national health service. They are attempting to allow privatisation through the back door and to undermine the national health service. I look forward to hearing what the Minister has to say and whether he agrees with his own colleagues on the issue.

6.30 pm

There is a sense of déjà vu about this debate. I took part in last summer's Finance Bill debates, Mr Deputy Speaker, as you will recall. We had an interesting debate about premium taxes, which the hon. Member for Christchurch (Mr Chope) was right to mention. We had two discussions, one about motor insurance and one about private health care. He made a compelling argument about motor insurance, which is a legal requirement about which people have no choice. I am therefore surprised, as he said he was trying to do something for hard-pressed people, that he has not chosen that issue. I suspect that that is because this is a Trojan horse attempt to undermine the national health service.

The hon. Gentleman spoke about the fact that many people have private health care through their employers. Let us remind ourselves why companies have historically offered it.

Mr Kevan Jones: Does my hon. Friend recognise that it is the top 40% of earners who have access to private insurance? In the bottom quartile, less than 5% have it.

Thomas Docherty: My hon. Friend is absolutely correct, and the new clause is, yet again, all about the few, not the many. It would do nothing for the squeezed middle, the people who, thanks to the economic policies of Treasury Ministers, are finding life much harder at the moment. We should perhaps reflect on the fact that for all the passion about tax breaks on insurance, hon. Members of both Government parties did not hesitate to go through the Lobby and vote to raise VAT, which has made life much harder for many of my hon. Friend's constituents and mine.

There are two reasons why companies have historically offered private health care. One is as an incentive to get people to come and work for them in a competitive market. As I said, thanks to policies of the Government parties, that is not particularly a problem in the current climate of job losses and rising unemployment.

The second reason is a hard-nosed business case for key employees. There is obviously a good reason why companies decide that to minimise the amount of time for which certain key employees are absent from the workplace due to illness or injury, they will provide a fast-track or—wait for it—queue-jumping approach to health care. I understand the argument for that, and it is a matter of choice, but companies have not offered private health care beyond retirement because they have no further use for that employee. That is why we tend not to see companies giving a lifetime guarantee, as they do in the United States. It is therefore a slightly false argument to say that when a company provides private health care up to the age of 65, the state needs to step in after that. It is a hard-nosed business reason.

Mr Jones: Is not one of the hard facts of life in the United States system, as many individuals there are seeing now, that as soon as people become unemployed, their health insurance stops? In some cases the public sector then has to pick it up. Although there may be a benefit when somebody has work, there clearly is not if they do not have work.

Thomas Docherty: My hon. Friend is entirely correct that that is the case for the vast majority of people. Of course, care is often continued for highly paid executives, the group of people whom Conservative Members seek to help—as I have said, the Conservatives are the party of the very few, not the many. However, he is entirely right that the vast majority of US citizens lose their private health cover in that situation. That is why Opposition Members have worked so hard to resist the attempts of the Secretary of State and his Liberal cohorts to introduce privatisation by the back door.

I am conscious that the hon. Member for Mole Valley (Sir Paul Beresford) will wish to make his closing arguments prior to dividing the House. We look forward to seeing the strength of feeling that exists, and I urge Liberal Democrat Members to stand up for the health service and stand up to their Conservative allies.

Mr Redwood: I should like to make it absolutely clear that this matter is not my No. 1 priority, and I do not think it is the No. 1 priority of all Conservative Members. We were elected on a manifesto that said that we were going to increase spending on the NHS in the traditional way by several billion pounds a year, and that pledge is going to be honoured.

Thomas Docherty: No it's not; you've broken it.

Mr Redwood: The hon. Gentleman should read the Red Book. It clearly shows substantial cash increases in spending on health every year over the lifetime of this Parliament.

Thomas Docherty: The reality is that the increase in spending is lower than the increase in inflation, so it is a real-terms cut.

Mr Redwood: We have kept the promise to have substantial increases in cash spending. It is now very important that we get the maximum for it. We are in danger of wandering too far from the new clause, but I point out that as we are about to enter a period of wage freezes, a substantial increase in cash funding will obviously buy more health care, because the main cost is wages. I hope that the hon. Gentleman will understand that. The Government's clear priority was to expand cancer treatments and other drugs, and to ensure that we have more high-quality care. I welcome that very much.

The second thing to understand about the new clause is that it is not a help-the-rich new clause. Opposition Members should understand that the rich are not going to be attracted by an offset on 20% tax, because they are either non-doms paying very little tax or they are paying 50% tax. They are people who self-insure, so they are not going to take out insurance policies such as we are discussing. We are not dealing with the rich, because the rich have always been able to buy the health care that they want under any type of Government. That would not change as a result of the new clause.

We are talking about a specific group of people who are coming up to retirement. Some of them will have had the benefit of company scheme insurance, and some will not have had the benefit of insurance at all. At 65, they often have an important decision to take, because several things happen. First, they lose their company health insurance, if they were receiving it. Secondly, their insurance premiums go up a lot, because they are suddenly thought to be higher risk. Thirdly, they enter the age group when they will need a lot more

[Mr Redwood]

health care than they did in their healthy, earning years when they were executives or whatever. We are talking about whether that group of people should be able to carry on their insurance, and whether such an incentive would make any difference.

Kerry McCarthy (Bristol East) (Lab): Will the right hon. Gentleman give the House some indication of what proportion of the population he is talking about, and what sort of income scale they are on, including retirement income?

Mr Redwood: I will give as much precision as the Leader of the Opposition and say that they are the squeezed middle. They are exactly the people in whom the Opposition are meant to be interested but whom they clearly now wish to attack in the debate.

Mr Iain Wright (Hartlepool) (Lab) *rose—*

Mr Kevan Jones *rose—*

Mr Redwood: I give way first to the hon. Member for Hartlepool (Mr Wright).

Mr Wright: Will the right hon. Gentleman tell us how much the measures in the new clause would cost?

Mr Redwood: I will take the other intervention before I respond.

Mr Jones: I can help the right hon. Gentleman and say that the proportion of people who would be helped is 5% of the population.

Mr Redwood: That may have been the case in the past, but what we are interested in is the new clause.

The answer to the hon. Member for Hartlepool is that no, I cannot tell him that. It is not my new clause and I have not researched the matter. I was about to say that I would be more likely to vote for it if a case could be made on the money involved. It seems to me that it would be a good-value purchase if the savings on health care that it generated for the NHS were considerable. We need to balance the two things—we need to know what the revenue loss would be, based on a sensible estimate of take-up, and what the savings to the NHS would be.

The Labour party has to accept that it is not a one-sided matter. The whole point of the scheme is that there would be cost savings to the NHS. That money going into the NHS could then be spent on other people and other treatment. The NHS may still have to do the really difficult things for the people involved, but there could still be an overall benefit both to them and to the NHS if the extra money coming through the private sector led to extra care.

The fundamental mistake that we have heard from the Opposition tonight in their approach to these issues—although it was not the mistake of many Labour Ministers—is the idea that the resources to be provided are finite, to be used either in the private sector or in the public sector. The whole idea, surely, is that we need more resources, more trained people, more treatments, more supplies and more medical activity, because people are living longer, they need more health treatments and the population is growing for a variety of reasons.

As some of my hon. Friends have said, the one big gap between Britain and our European partners, which are normally the example held out by the Labour party, is the amount of private sector money that goes into health in Britain. It is a considerably smaller proportion than in countries such as Germany or France or the Scandinavian countries. If Labour Members are interested in the squeezed middle, they would be well advised to consider any scheme that might help to increase or release private sector money in health in a way that creates more resources, more medically trained people, and more medical treatment.

Oliver Heald: Does my right hon. Friend agree that a more substantial private sector would help the NHS, because at times of great busyness in the NHS, it is to the private sector that the NHS looks to do the necessary operations? That happens right across the country, and it is one reason why it has been possible to bear down on waiting times.

Mr Redwood: That is exactly what successive Ministers and Secretaries of State for Health in the Labour Government concluded, with the honourable exception of the right hon. Member for Holborn and St Pancras (Frank Dobson). After him came the modernising Secretaries of State and Ministers who felt that they had to turn to the private sector to achieve better standards—in terms of offering people treatment in a timely way—and to expand the total capacity of the system.

Frank Dobson: My successors, to whom the right hon. Gentleman refers, sometimes make rather wild claims about the number of cataract operations that are carried out by the private sector. When Labour came to power, the NHS did 167,000 cataract operations a year, and in the last year for which figures are available it did 346,000. The private sector made the massive contribution of 16,000 in its best year.

Mr Redwood: The right hon. Gentleman may well be right. It is quite obvious that the NHS is the dominant health provider in our country—it has been for the many years since its foundation, and it will continue to be so under any schemes proposed by any governing party or parties in this House of Commons.

I wanted to concentrate on the cost and benefit of the proposals. I am an agnostic on this issue, which may come as a surprise to the House, because I am far from being a deficit denier, and I believe that we must weigh carefully any proposal for tax relief against other such proposals. In this case, I would be interested to know more about what the savings would be. There could be significant savings. If Ministers do not adopt the proposed scheme, they need to introduce others to promote more private health care of the right kind, because we will need a lot more of that to meet our targets and requirements, alongside the very large, and rightly favoured and supported, NHS.

Perhaps my hon. Friends the Members for Mole Valley (Sir Paul Beresford), for Christchurch (Mr Chope) and for North East Hertfordshire (Oliver Heald), who

have spoken so strongly for the new clauses, wish to move closer to the Liberal Democrat coalition partners. Perhaps they had ringing in their minds the words of the right hon. Member for Yeovil (Mr Laws), who set out a comprehensive universal insurance scheme for health in the Orange Book. We will have to disappoint him today, because the proposal is modest, and it will not cover nearly as many people as he would like. Were he here, we could debate that with him, and perhaps he would see that caution and moderation is the hallmark of Conservative approaches to such things. This proposal might be the way to get started on the journey that he wished to make.

Mr Iain Wright: In terms of spending on health, does the right hon. Gentleman believe that we should move away from a policy of funding through general taxation and towards comprehensive medical insurance, which is the policy advocated by the right hon. Member for Yeovil (Mr Laws)?

Mr Redwood: No, I was just wondering whether my hon. Friends had that in mind, knowing how much they treasure the coalition with the Liberal Democrats, and knowing that such bold statements were made in the Orange Book by no less than a former Chief Secretary to the Treasury, who presumably knew the price of everything and the value of some things, and who would want to ensure value for money.

I hope that my hon. Friends on the Front Bench consider the wider issue that was rightly raised by my hon. Friend the Member for Mole Valley. How do we get extra resources and money spent on health in a friendly and sensible way, on top of the very great and important NHS, which my hon. Friends the Members for Mole Valley, for Christchurch and for North East Hertfordshire rightly back? If not by their route, what route? May we please have some numbers? The proposal could be a good-value buy, but that depends very much on how much cost would be taken out of the NHS.

Michael Connarty (Linlithgow and East Falkirk) (Lab): I have one or two things to say about this debate, and I was stirred into standing up by the previous speech, because either woolly-headed logic was being used by the right hon. Member for Wokingham (Mr Redwood), or he was making a deliberate statement to try to cover—

6.45 pm

Oliver Heald: On a point of order, Mr Deputy Speaker. Is it in order for somebody to come into the Chamber towards the very end of a debate and then to start criticising how it has been conducted?

Mr Deputy Speaker (Mr Nigel Evans): That is not a matter for me. I have just come into the Chair myself, as I am sure you observed, Mr Heald, so I am the last one to criticise anyone for just coming in and talking.

Michael Connarty: You know, Mr Deputy Speaker, there is amazing technology in this place. Members can sit in their offices and, if they wish, not watch the tennis but follow the debate in detail, and come down to the Chamber when they think it might be useful to add something. I recommend it to Members: turn off the tennis, turn on the Chamber.

The point I was making is that the logic used by the right hon. Member for Wokingham was possibly deliberately to convince the public that the proposal is an effort to add extra resources to the health services by encouraging people to put money into private health insurance. The logic, of course, is that such private health insurance is available to some people when they are in employment, but is denied them when they retire. If that is the kind of employer that people have, it is a shame that they are deluded into thinking that insurance is a substitute for taxation-based health services.

The right hon. Gentleman stated that resources are not finite, and that somehow this money would bring new resources rushing into the health service. Everyone who has studied the health service over the time I have been in elected politics, which is since 1977, knows what happens. The consultant and the surgeon choose whether to work in the private sector or in the public sector. Sometimes they choose to work in a mixture of those. I commend those who decide to work entirely in the public sector, because they give the best value to our constituents, as my right hon. Friend the Member for Holborn and St Pancras (Frank Dobson) said when, in an intervention, he cited the number of operations for cataracts.

However, the reality is that only a limited number of people get to the top of the elitist profession that is the medical profession, particularly to consultant level, because we do not train enough people to do the work that is required in the health service.

Mr Redwood: Does the hon. Gentleman not understand that in countries that have a bigger private sector on top of a large public sector, there are more doctors and nurses in relation to the population, because there is more money?

Michael Connarty: The right hon. Gentleman leads me to my next point. He recommended that we look at the EU system. I am glad that in reply to an intervention from one of my hon. Friends he said that he objects to the idea of a comprehensive, insurance-based health service in this country. I, too, have looked at that on the continent and in EU countries, and I have seen that it does not work.

In fact, other EU countries do have a larger number of doctors—there are more doctors per head of population in most of them than in this country—but that is because of the elitist structure of the medical profession in this country. That structure keeps the numbers down and pays huge bonuses to people once they get to the higher gradings. Many of those people are the very same ones who moonlight in the private sector for additional personal financial gain.

Mr Kevan Jones: Insurance-based health systems such as that in the United States may have large numbers of doctors, but those doctors are not accessible to the large proportion of the population who do not have private health care.

Michael Connarty: The figures in the US are—

Frank Dobson: Forty million.

Michael Connarty: I hear my right hon. Friend say that 40 million people in the United States of America exist without adequate health care insurance or provision. A friend of mine tried to set up a dental care service in

[Michael Connarty]

New England based on Medicare, and found that the money was not available. Many people in New England are denied any form of dental care when they end up in private nursing homes in their old age. Something is seriously wrong with that. I commend President Obama's attempts to at least moderate that.

Let me return to the debate. People should not be deluded into thinking that the proposal will encourage more resources into the health service. It will encourage more companies to demand the services of the limited number of available surgeons to carry out operations for their private patients, instead of allowing the surgeons to do the job they should be doing. I would commend a scheme of private health care payments that provided the NHS with new equipment, doctors and other staff on top of those already trained in this country to work in the NHS.

Those who say that this proposal could do that should look at what happened with a hospital built for the private sector on the west coast of Scotland. The idea was to build a huge hospital with private money and to have people come from around the world to use it, but eventually it had to be sold to the Scottish Government when Jack McConnell was First Minister. We bought the hospital at a knock-down price because, in reality, the private sector could not generate new and fresh talent and equipment. That is not going to happen. It will just suck out resources needed by my constituents, who believe that the NHS should be paid for through taxes.

Andrew Gwynne: Does my hon. Friend agree that this is not about restricting choice, but about prioritising finite resources and ensuring that any available money goes into front-line NHS services, rather than into a tax giveaway to a small number of people who are already accessing private health care?

Michael Connarty: I could not have put it better myself—I commend my hon. Friend for helping me with his analysis.

The Labour Government were right to encourage people to provide resources that the NHS could access using taxpayers' money where it would be more efficient. That was an excellent scheme that enabled people in my constituency to go to hospitals where beds were available over Christmas for operations that were not being done and could not be fitted into the schedules of hospitals that were short of resources. That was a good initiative, but this proposal is not; it is the opposite. It would be a damaging initiative if it encouraged people to take out private health insurance and so divert resources from the NHS, where they are needed.

John Hemming (Birmingham, Yardley) (LD): I have found it odd recently that some private health insurers will pay those whom they insure to use the NHS. If that is the habit of private health insurance, where does the hon. Gentleman think the saving to the taxpayer is in allowing this tax relief?

Michael Connarty: I did not want to cite that example, although it is a good example of what happens when people use private health care and take resources away from the NHS. I find it appalling that through private health care people can actually buy organs donated to the NHS by paying for the hotel care and all the rest of it. They are not allowed to buy the organs any longer; instead they buy the ancillary health care and then use resources that people might have donated thinking they would go to NHS patients, but which end up being used for private care. But that is an aside from this debate.

The new clause would encourage more private money to suck out resources and money needed in the NHS. The right hon. Member for Wokingham kept talking about cash increases. We should not pretend that this is not the same Member who reminded us all of the real effect of cash increases when inflation is running higher than the increase. He was—how can I put this?—dodging the issue unnecessarily and treating us as though we were stupid. Cash increases will not keep the resources at the level they are at, and the new clause will in fact take out resources that the NHS does not have to give.

Mr Stewart Jackson (Peterborough) (Con): I can scarcely believe that the hon. Gentleman is making that case, given that the previous Labour Government paid consultants and general practitioners respectively 27% and 44% more for doing less work, hid billions of pounds off balance sheets with dodgy private finance initiative schemes, which have reduced taxpayers to penury, and foisted independent sector training on primary care trusts, meaning that they could not plan for patient numbers or the money needed to run those centres.

Mr Deputy Speaker (Mr Nigel Evans): Order. Interventions must be brief; otherwise we might find ourselves sitting until the early hours of the morning.

Michael Connarty: If the hon. Gentleman proposed a motion suggesting that all those things should not have happened, I would vote for it. I am a socialist. I did not like the Labour Government overpaying people and changing their hours in such a way that my constituents got less of a service. It seems that even some Conservatives realise that paying people huge amounts of money and asking them to work fewer hours in this elitist organisation—I am very critical of the consultancy-led health service in our country—is something we should be looking at seriously. Our constituents need value for money, which many of the schemes the hon. Gentleman mentioned did not provide. However, it is interesting that this Government have done nothing to change the tax laws, despite 23% of PFIs now being owned by foreign companies that are still getting the tax breaks in this country. Part of the idea of PFIs was that they would bring in tax money, yet 23% of the companies are abroad and put nothing into this country's economy.

Kerry McCarthy: I can confirm that the Opposition oppose new clause 1. The Prime Minister spent the years in the run-up to the general election and the year since trying to convince us that he valued the NHS, that it was "safe in his hands". Sadly, however, given the current shambles over the health Bill, which has yet again returned to Committee, it is safe to say that he and his Health Secretary have spectacularly failed. On current evidence, it seems that the Prime Minister did not even attempt to persuade his Back Benchers—it seems that they now want to reinstate a policy introduced by Baroness Thatcher's Government.

As we have heard, new clauses 1 to 4 would introduce a tax relief on medical insurance for over-65s. The hon. Members who tabled the new clauses stood on a manifesto that proclaimed we "believe in the NHS". It turns out that they believe so much in the state that they think even private sector provision should receive state funding.

Mr Kevan Jones: Does my hon. Friend not think it strange that this proposal has not appeared in a Conservative party manifesto since 2001? The fact that it was dropped in 2005 and 2010 shows clearly that it is not a vote winner.

Kerry McCarthy: I thank my hon. Friend for that intervention. I believe that I will come to the point that he raises in a moment.

New clause 1 would reinstate a benefit that was withdrawn by the Labour Government in 1997 because, quite simply, it had failed. As my hon. Friend the Member for North Durham (Mr Jones) said, it was not picked up by the Conservative party during the recent general election. As noted by my right hon. Friend the Member for Holborn and St Pancras (Frank Dobson), who was in government at the time—I congratulate him on his excellent speech—the measure had little impact. One of the problems with the previous Conservative Government's tax relief was that they did not do their homework on what impact it would have. I would be interested to hear what research the hon. Members who tabled the new clause have done. I note that the hon. Member for Mole Valley (Sir Paul Beresford) pleaded numerical dyslexia when asked about the statistics. I think he should have got someone to do his maths homework for him before proposing a spending commitment. The first thing hon. Members should have done was to see whether it would have the desired effect in spending that money.

The Justice Secretary, the then Chancellor, claimed when originally introducing the relief that it would provide an incentive to older people to buy private insurance and reduce the pressure on the NHS. That has been echoed by many Government Members today. However, the tax relief did not reduce the burden on the NHS or help those patients who relied on it. It simply subsidised health insurance for those who could already afford it and had chosen to buy it. When originally announced in 1989, it was estimated that the relief would cost £40 million. A telling warning for Government Members who want to reintroduce the expenditure at a time of such fiscal restraint is that by 1997 the cost had multiplied to £140 million, because there was no limit on the state's generosity to private providers. It would be wholly irresponsible to reinstate a policy whose costs could spiral to such an extent.

As NHS patients knew to their cost in the 1980s and early 1990s, the then Government were far more comfortable limiting expenditure on the NHS and letting waiting lists rise for the majority of pensioners and others who could never contemplate private insurance, which, as my hon. Friend the Member for Brent North (Barry Gardiner) said, was primarily a way of financing queue jumping for those who could afford it. For just a 10% increase in the number of people covered by insurance qualifying for relief, there was a 100% increase in costs in just the first three years. Over the lifetime of that Government's policy, the number of people covered rose from 500,000 to 600,000; so, for a 20% increase in the number of people covered, the costs shot up by 350%.

7 pm

There may be a weak correlation between the relief and private insurance, but there is no evidence of causation. The failure of successive Conservative Administrations to support the NHS is just as likely—if not more so—to have driven affluent older people towards the private sector. Either way, I would be interested to know whether Government Members, and in particular the Minister, think that the tax relief represents good value for money. The previous Labour Government did not, which is why the relief was withdrawn and used to fund a reduction in the rate of VAT on domestic energy supplies, which the Conservatives had increased. A preference for lining the pockets of private health providers? An increase in VAT? It is all too disconcertingly familiar.

The Labour Government knew that the way to reduce the pressure on the NHS was not to subsidise private medical insurance for a select few, but to invest in improved facilities, in more doctors and nurses, in better health outcomes, and in reduced waiting times for the benefit of everyone who needs treatment. Moreover, we are talking about tax relief on medical insurance, not treatment, so it does not necessarily follow that there was an increase in private cover corresponding to a commensurate fall in demand for NHS services. Of course, everyone in this country already has public health insurance, and it is not denied that people with private insurance will have paid their fair share of national insurance. It is their right to opt out of state provision, but I am intrigued to know whether those on the Government Front Bench share the view of their Back Benchers that those people should be rewarded for opting out, and should be allowed to opt out of the state insurance system. Income tax relief de facto does that, so do the Conservatives want to allow the rich to opt out of income tax more generally? Do they think it right that the general taxpayer pays for a choice freely made by the better-off?

According to research by the King's Fund, the best estimates are that the withdrawal of the relief led to a 0.7% fall in the number of people covered by private insurance. As we are talking about health care insurance, not health care use, it is difficult to say exactly what the impact on demand for the NHS was, but few would dispute the King's Fund's conclusion that

"the cost of treating these individuals"

on the NHS

"is likely to have been substantially lower than the £135 million annual cost of the subsidy."

The right hon. Member for Wokingham (Mr Redwood) and others speculated that the change would save the Government money by subsidising people taking out private medical insurance, thereby reducing the take-up of NHS services. However, when the policy was last in place, that was not the case, as the King's Fund said. I have heard nothing today to convince me that reintroducing the policy would have a different effect.

Andrew Gwynne: I am pleased that my hon. Friend has confirmed that those on the Labour Front Bench will oppose this measure. She is setting out the right arguments for why we should do so. Did more people

[Andrew Gwynne]

not take up NHS care and treatment under the 13 years of Labour Government because of the improvements in NHS care and treatment that were achieved over the lifetime of the Labour Government?

Kerry McCarthy: My hon. Friend makes a good point as always. That is the crucial thing. Under the Conservative Government, the increased take-up in medical insurance from 500,000 to 600,000 did not necessarily have anything to do with the tax relief that was introduced; it happened because the NHS was in absolute crisis. Waiting lists were going through the roof under the last Conservative Government. People were terribly scared and did not feel confident that the NHS would look after them in their ill health. There were significant improvements under the Labour Government, which meant that fewer people felt the need to take out private health care.

Let me turn to the fairness argument. It remains to be seen how much the Health Secretary's experiment through the measures in the Health and Social Care Bill—driven once again by a preoccupation with private sector involvement in health care—will eventually take from health care budgets. We know that £850 million will be spent on redundancies alone, and the estimates are that £2 billion of PCTs' budgets are earmarked for what can only be described as—in those infamous words of the coalition agreement—a "top-down reorganisation". Despite the Prime Minister's promise of real-terms increases, NHS expenditure is falling in real terms. The King's Fund has calculated that the NHS will have £910 million less to spend over the spending review period. Patients and staff know all too well that front-line services are being affected, but tax relief for private patients will not help them.

Alun Cairns (Vale of Glamorgan) (Con): Do I take it from the hon. Lady's comments on health spending that she is condemning her colleagues in Wales, who are cutting health spending by £1 billion over the next three years?

Kerry McCarthy: I am sorry, I did not quite catch the end of that because a colleague was talking to me. I do not know whether the hon. Gentleman wants to make that intervention again.

Alun Cairns: I will happily repeat the point. Do I take it from the hon. Lady's earlier comments about growth in health spending that she condemns her colleagues in Wales, which is the only place where Labour is in power? They are cutting health spending by £1 billion over the next three years.

Kerry McCarthy: The Government are here to answer for the activities for which they are responsible in the English health service—it is one of those things that goes with devolution. We have heard from Government Members in this debate that the Government are increasing spending on the NHS. They have trumpeted that over and over again—it was meant to be a platform on which the Conservatives sought election—but the truth is that there is not a real-terms increase in spending on the NHS. When inflation is taken into account, there is actually a cut in NHS spending, and it is time that the Government owned up to that.

I am under pressure to finish my speech and allow those on the Government Front Bench to come in. *[Interruption.]* As hon. Members can see from the fact that not one but two Opposition Whips are sitting behind me, shouting at me to hurry up, I am indeed under pressure.

How can Conservative MPs tell the hundreds of thousands of people who have signed up to the "Save our NHS" campaign that a spending commitment priority for this Government should be subsidies for private medical insurance? The coalition has tried to deny that it is creating a market in the NHS, but now Conservative MPs do not even want it to be a fair one, by creating incentives for the private sector. If the Treasury thinks it wise to spend such considerable sums, I hope that it is clear by now that they could be much more wisely and fairly spent on the NHS for the benefit of everyone, not the few who need it least. Why not invest in the NHS as a universal service of which we should all be proud, rather than sending the clear message to patients and enormously dedicated NHS staff that private health care is better? Is the coalition planning to run down the NHS to such an extent that people will need to resort to private insurance?

As my right hon. Friend the Member for Kirkcaldy and Cowdenbeath (Mr Brown) knew when the relief was withdrawn in 1997, not only could those funds be of great value to the NHS, but ending the relief could fund a reduction in the VAT charged on domestic energy supplies to 5%—a rate that the Conservative Government had increased to 8%, and which they would have increased still further to 17.5%, had they not been defeated by Opposition MPs. The Labour Government at the time made clear their priorities. Rather than giving a tax break to older people who could already afford health insurance, they chose a tax cut that benefited everyone, but made the most significant difference to older people on low incomes who were struggling to heat their homes.

It is worth reminding the House that the Conservatives wanted to reverse that policy and reinstate the relief in 2001. Now, 10 years later, they still have the wrong priorities —priorities that will quite simply be incomprehensible to the average person feeling the effects of this Government's reckless spending cuts. It is estimated that 4.5 million families in the UK are living in fuel poverty, while people are facing 10% increases in their electricity bills, which are likely to increase still further as a result of the coalition's poorly thought out plans for a carbon floor price, which we will debate perhaps in the early hours of tomorrow morning or next week. Moreover, this Government have decided to cut the winter fuel payment for pensioners.

Faced with individuals and families who will struggle to heat their homes this winter, are the Government taking positive, responsible action to help them? No; instead, they have already hiked up the VAT bills of a couple with children by £450, and those of a pensioner couple by £275, and their Back Benchers think that it is more important to reverse a decision taken to help with fuel costs and instead give tax relief to the minority who can already afford the luxury of private health insurance.

The Labour Government lifted 1.1 million pensioners out of poverty, but there is a continuing need to support those on the lowest incomes. I fear that these proposals betray how some Conservative Members neglect the

needs of the poorest pensioners. With the new clauses, they want to add insult to injury by giving tax breaks to the richest to buy private medical insurance, while poorer pensioners have no option but to rely on the NHS—a service that the coalition seems determined to decimate. New clause 1 explains that the relief would apply to people over 65 but, as we all know, the coalition is planning rapidly to increase the state pension age, which will affect the associated support for older people. Does the hon. Member for Mole Valley therefore envisage the age limit increasing with the state pension age, or does he disagree with the Government's timetable?

In 2006, 10.6% of the population were covered by private medical insurance, and only 3% by personal private medical insurance. The latest figures that I have seen indicate that just 7% of people over 65 have private medical insurance, so the clear motivation behind new clause 1 is the choice to prioritise a very small percentage of the population at a time when the country and the NHS cannot afford it. Inflation is running at more than double the target rate thanks to the Chancellor's decision to increase VAT, growth is flat-lining, the jobseeker's allowance claimant count is increasing and more than 80 claimants are applying for each vacancy in some areas. That all means that the Government will have borrow £46 billion more than they planned last autumn, so how on earth can this measure be a priority?

I urge the Government to reject these new clauses, to consider how the money could be much better spent and to secure the future of the NHS as a high-quality service that everyone can access and trust. Instead of an unfair income tax cut for the few, we need a temporary emergency VAT cut that will benefit everyone, particularly those on low and middle incomes, and that will give a much-needed boost to the economy to reduce the deficit over the long term in a fair and balanced way. I conclude by asking the hon. Members who tabled the new clause what their priority is. Is it a tax cut for the minority who can afford private health insurance, which would undermine and undervalue the NHS, or a tax cut that would help everyone at a time when the economy needs it most?

The Financial Secretary to the Treasury (Mr Mark Hoban): New clauses 1 to 4 seek to provide for tax relief on medical insurance premiums for individuals above the age of 65. I understand that the argument for introducing such relief is that it would encourage individuals above that age to take up private medical insurance and therefore reduce pressure on NHS resources, and that this would result in a net saving for the Exchequer in the medium to long term.

The Government introduce new tax reliefs only when there is a compelling case that to do so would represent a good use of public money. Turning first to cost, we estimate that this relief would have a direct and immediate cost to the Exchequer of at least £135 million pounds a year—a significant amount, especially given the fiscal climate in which we are now operating. That would reflect the cost of restricting relief to the basic rate of tax.

Mr Kevan Jones: I am interested to find out where the Minister got his figure from, because the figure in 1997 was £135 million. Has it not changed since then?

Mr Hoban: That is the Treasury's latest estimate, and it is a number that we are going to stand by.

In his opening speech, my hon. Friend the Member for Mole Valley (Sir Paul Beresford) said that he wanted to restrict the tax relief to the basic rate, but subsection (3) of new clause 1 would not have that effect. It suggests that the relief could be obtained at the highest marginal rate that a person paid. He has used the 1990 legislation, whereas in the 1994 legislation the relief was restricted to the basic rate.

Mr Leigh: Why does my hon. Friend think that the social insurance systems on the continent, where there is much more blurring between the public and private sectors, produce much better health outcomes? Also, why does he think that the Major Government followed this policy, which we all supported at the time? Why is this proposal different from the policy of the Major Government, which we all—or some of us—supported?

Mr Hoban: I am pleased that my hon. Friend added that qualification. I entered the House only in 2001, so I was not in a position to support the Major Government or to disagree with them. We need to look at this measure on its own merits.

I would say to my hon. Friend the Member for Mole Valley that the way in which his new clause has been drafted means that tax relief could be gained at someone's highest marginal rate, which could mean relief of up to 50%.

Sir Paul Beresford: Of course, if that were the result, I would be prepared to make some little adjustments to the new clause as the Bill progressed through the House.

Mr Hoban: My hon. Friend is an experienced Member of the House, and he will know that this is the final stage of the Bill, so it would not be possible to amend his proposal in that way. I note, however, that he has introduced a ten-minute rule Bill on a related subject, so we shall see what progress that makes through the House.

7.15 pm

Frank Dobson: Will the Minister give way?

Mr Hoban: I want to make some progress. I appreciate that my hon. Friend the Member for Wellingborough (Mr Bone) has said that the debate may go on until any hour, but I do not want to be the cause of delaying the House's tackling subsequent new clauses.

The vast majority of the cost of providing the proposed tax relief would go to those who already have private medical insurance, and there is therefore no obvious need for a new incentive. The case for introducing tax relief rests on the proposition that it would encourage significant new take-up of private medical insurance and ultimately be self-financing. However, at this stage we do not have any strong evidence to show how much additional take-up of private medical insurance a tax relief would generate, or how much pressure on NHS resources would be relieved as a result.

Indeed, when a similar relief existed between 1990 and 1997, it had little apparent effect. It is estimated that take-up of medical insurance increased only from 500,000 to 550,000 individuals over that period. The hon. Member for Bristol East (Kerry McCarthy) said that that increase was a demonstration of people's lack

[Mr Hoban]

of confidence in the NHS under the previous Conservative Government, but she ought to be aware that the take-up of private medical insurance under the Labour Government of whom she was a member went up from 550,000 to 1.7 million, so I do not think that her argument is particularly strong.

Frank Dobson: I congratulate the Minister on at least producing an estimate of the cost of the proposed measure. When the original scheme was first introduced, neither the Treasury nor the Department of Health made any estimate whatever; they were flying blind.

Mr Hoban: I thank the right hon. Gentleman; there are times when I am happy to accept congratulations from the other side of the House. We want to ensure, especially given the constraints that we are working under in these times of fiscal austerity, that measures can be well justified.

An Institute for Fiscal Studies report published in 2001 questioned how far the take-up of private medical insurance would ever respond to tax relief. It also suggested that the dead-weight cost would make it unlikely that tax relief could be self-financing.

Mr Chope: My hon. Friend was not in the House in 1989, but is he saying that my right hon. and learned Friend the Member for Rushcliffe (Mr Clarke), who was Secretary of State for Health at the time, was wrong to say that introducing this self-same measure would

"reduce the pressure on the NHS from the very age group most likely to require elective surgery, freeing resources for those who need it most"?—[*Official Report*, 31 January 1989; Vol. 146, c. 169.]

Mr Hoban: Loth as I am to suggest that my right hon. and learned Friend could ever be wrong on any measure, I want to make a point about the chances of a reduction of pressure on the NHS exceeding the cost of the tax relief. There is no evidence that there would be a net positive outcome for the Exchequer. When a similar relief existed in the 1990s, it had little apparent effect, and the IFS report from 2001 concluded that it was unlikely that such a subsidy for private medical insurance would ever be self-financing.

I appreciate the passion with which my hon. Friend the Member for Mole Valley has put forward his argument for the new clause, but I do not think that there is sufficient evidence at this point to justify the relief. There is no evidence that it would represent good value for money for the taxpayer, particularly at a time when our efforts should be focused on reducing the deficit and tackling the problems left by the previous Government.

Oliver Heald: Assuming that the new clause does not result in making a change in the law tonight, would my hon. Friend be prepared to look into the effects of longevity and the effect of having a more substantial private sector available to undertake operations and procedures on behalf of the national health service, as this is partly about capacity and what the future holds, not just about the numbers today?

Mr Hoban: My hon. Friend makes an important point about the impact of longevity on the public finances; the Office for Budget Responsibility is working on that at the moment, and we await its report. At the moment, however, given the fiscal situation and the need to tackle the deficit we inherited from the Labour party, I do not believe that the costs entailed by the new clause would represent good value for money, so I ask my hon. Friend the Member for Mole Valley to withdraw the motion.

Sir Paul Beresford: It is traditional to say that we have had a good debate, but we really have had a good one today; it has been stunning in a way. Most importantly, I do not think there is any Member who does not support the national health service. We are very much behind the national health service, and it is true of me even more than most Members of all parties, because I have worked in it, as well as working in the private sector and in a combination of the two. I am emphatically behind it, and I back the hospitals in my constituency.

The approach has, of course, been different. If the right hon. Member for Holborn and St Pancras (Frank Dobson) had not joined the debate, I would have felt that I had failed because we would otherwise not have heard a good red-blooded, left-wing socialist viewpoint. The difference, of course, is that Conservative Members support the national health service, but we also support the possibility of looking for alternatives or different ways of helping the NHS. That was my aim tonight.

I question the figures that the Minister provided, as we need to recognise that over a seven-year period from 1990, with the over-60s—not just the over-65s—having a full swathe of tax deducted, not just the basic rate, the relief was costing about £80 million. If the proposal in the new clause went through, there would be a progressive growth in the number of people claiming as time went on. I do not think it would be logarithmic, but it would certainly make a difference to hospitals in my constituency and others, particularly those down south. There would be a relief of the strain on those hospitals and an opportunity to redistribute the money.

I was putting my toe in the water this evening, trying to get some thinking going on the proposal, and that has happened. I will discuss the issues further with the Minister before the Budget and next year's Bill, but in the meantime, I wish to withdraw the clause.

Clause, by leave, withdrawn.

Mr Deputy Speaker (Mr Nigel Evans): We now come to new clause 5. Fiona Bruce. Not moved?

New Clause 5

TRANSFER OF PERSONAL ALLOWANCES BETWEEN SPOUSES

'After section 37 of the Income Tax Act 2007, insert—

"37A Transfer of personal allowances between spouses

(1) This section applies to an individual who is entitled to a personal allowance under sections 35 to 37 for a tax year if—

(a) the individual is a person whose spouse who is living with the individual for the whole or any part of the tax year, and

(b) the spouse meets the requirements of section 56 (residence, etc).

(2) If—

(a) the allowance exceeds the individual's remaining relievable income;

(b) the individual makes an election, and

(c) the individual's spouse makes a claim,

the individual's spouse is entitled to an allowance for the tax year equal to the amount of the excess.

(3) The individual's remaining relievable income is found by—

(a) taking the amount of the individual's net income, and

(b) subtracting any personal allowance to which the individual is entitled for the tax year."'.—*(Mr Leigh.)*

Brought up, and read the First time.

Mr Leigh: I beg to move, That the clause be read a Second time.

In the last Parliament the Prime Minister and other senior Conservatives repeatedly expressed their commitment to recognise marriage in the tax system. There were some very strong statements, particularly by the Prime Minister. For instance, in Glasgow, in July 2008, he said:

"And when it comes perhaps to the most important area of all, families, we will take action not just to support marriage and family stability",

because he wanted to say

"to parents, your responsibility and your commitment matters, so we will give a tax break for marriage and end the couple penalty."

That was the leader of our party speaking during the last Parliament. This was the key policy response to the challenge of social breakdown, or the "broken Britain" phenomenon, and it became an important manifesto pledge at the 2010 election—a manifesto pledge on which every Conservative MP was elected. It was a sacred bond, as it were, with the electorate to support marriage, which was considered to be an absolutely key part of dealing with broken Britain. We put that in our manifesto.

I know that our party did not win an outright majority, but the commitment, most importantly, got into the coalition agreement with a provision for our Lib-Dem friends to abstain. I am not asking them to do anything, but I am asking our Front-Bench team to fulfil the pledge that they solemnly made in the manifesto and put in the coalition agreement. We are still waiting for it, which is why new clause 5 is so important and why I believe that, whatever else has been going on in the background this afternoon—I need not go into that—it was my duty to move it. If it had not been moved, many people involved in the Christian community or in the Christian Institute or in churches would have wondered why this new clause—clearly on the agenda this afternoon, and a vital part of what we are trying to achieve for Britain—had suddenly been withdrawn. I was not prepared to let that happen. I have therefore moved it to allow a debate, to which the Government should be made to respond.

Since the election the Prime Minister has reiterated his commitment to recognise marriage in the tax system on a number of occasions, including at his second Prime Minister's Question Time—but no action has yet been taken. Given that the manifesto pledge is backed by the coalition agreement and pertains to the period between 2010 and 2015, the fact that the Government have not yet acted to recognise marriage in the tax system is, I hope, no cause for alarm. This debate is important: the Minister will have to respond to it later, when he can assure us that although it has not been possible to do this yet, it is definitely going to happen in this Parliament because it was in our manifesto and in the coalition agreement. At the very least, I want the Minister to say that.

Since the commitment to recognise marriage in the tax system was made last year, there have been some significant changes, which in my personal view greatly increase the need for swift action. In this context, the tabling of new clause 5 on Report to recognise marriage in the tax system is an important step. It provides an opportunity to put on the record the standard arguments for recognising marriage in the tax system and, more importantly, to set out the changes over the last 12 months that have greatly increased the urgency of taking action in this area. As I have said, the Government are obliged to respond and engage with the implications of the changes as they relate to the importance of recognising marriage in the tax system.

Let us go into a bit more detail. Apart from married couples with at least one spouse born before 1935—a number that will clearly reduce over the years—and couples in which at least one partner is blind, everyone in the United Kingdom is taxed on an individual basis. Unused tax allowances cannot be transferred from a non-earning spouse to an earning spouse.

Under the system of transferable allowances, which we have constantly promoted as a party for several years and as is envisaged in our coalition agreement, a non-earning spouse would be able to transfer the whole or part of the basic income tax personal allowance to their earning spouse. Depending on how it was introduced, the whole allowance or part of it could be transferable, and it could be limited to couples with children under a specified age, or limited to tax at the basic rate. The Government can decide what they can afford and they can bring it in gradually; there need not be dead-weight costs or the other problems that were aired in the previous debate. Moreover, I am not at all sure that it is appropriate to talk about dead-weight costs in this context at all. For 2011-12 the personal allowance is £7,475; if the whole allowance were transferable it would be worth up to £1,495, so we are not talking about huge sums of money.

Let us look at what other countries are doing, because it is important to nail the untruth that this idea comes just from the right wing of the British Tory party, or from the Christian community, when it is very common throughout the world. In fact, Britain is unusual among developed countries in failing to recognise marriage in the tax system. This is something that we did as a country, with cross-party agreement, as it was considered absolutely the right thing to do, right up to 1999-2000. Only 24% of citizens of OECD states live in countries that do not recognise marriage in the tax system in one way or another, and most of those live in just three countries—Mexico, Turkey and the UK. We are very much in the minority in not recognising marriage through our tax system. Why should we not recognise marriage when most countries and tax administrations in the world think that marriage is a force for stability? It is not unusual to want to recognise that. Other developed countries such as France, Germany, Italy and America all recognise marriage. In that context it was hardly surprising to learn that, according to the latest figures—published in May 2010—the resulting tax burden on single-earner married families in the United Kingdom was one third greater than the OECD average.

7.30 pm

My point is that the present system is unfair—unfair on single-earner families. Nothing in the new clause requires families to have a single earner; we are simply saying that if a family chooses to have one, particularly if there are young children and particularly if the mother wants to stay at home, that choice should be recognised. As I have said, such arrangements are common throughout the world, and I believe that the new clause is very moderate.

Helen Goodman (Bishop Auckland) (Lab): I agree with the hon. Gentleman about the importance of marriage, but I am not convinced that it is appropriate to encourage and recognise it through the tax system. The hon. Gentleman mentioned unfairness, and I think the question of fairness is the nub of the issue, for if the money were spent on benefits or tax credits for children rather than on a married tax allowance, far more children could be lifted out of poverty.

Mr Leigh: As so often in Finance Bill debates, the devil is in the detail. The hon. Lady has made a perfectly reasonable point. However, I hope to establish in my speech that the present system is unfair and, specifically, militates against single-earner families. That applies especially to those who are struggling out of poverty, but it is not necessarily the very poorest about whom we should be concerned. We should also be concerned about families on fairly modest earnings who are desperately trying to look after their children, and who decide that someone, usually the mother, should stay at home and care for them. But, as I have said, the devil is in the detail, and I will try to deal with the hon. Lady's point later. It is important, and we need to tease the answer out of Ministers. We want to know why action has not been taken.

Mr Kevan Jones: Will the hon. Gentleman give way?

Mr Leigh: I want to make progress, but I will give way.

Mr Jones: I agree with the hon. Gentleman that the devil is in the detail, but surely the new clause would unfairly disadvantage those who lost partners through no fault of their own as a result of broken relationships or death.

Mr Leigh: That argument has been used against transferable tax allowances. It is true that it is impossible to create a transferable tax allowance that helps everyone, but I do not consider the fact that in certain circumstances, through no fault of their own, people will not be allowed to enjoy the benefits of such allowances to be a good argument against trying to help others—and that is all we are trying to do.

Let us examine the extent of support for marriage in Britain. It is no surprise that marriage rates are at an all-time low and family breakdown is a massive problem, affecting many different areas and, it is estimated, costing us directly between £24 billion and £41 billion per annum. The "Breakdown Britain" report motivated the then Leader of the Opposition, now the Prime Minister, to come up with this policy—our policy—and launched the debate. It was promoted by my right hon. Friend the Secretary of State for Work and Pensions; although he is not present today, I pay tribute to him for his fantastic work.

Chris Williamson (Derby North) (Lab): Will the hon. Gentleman give way?

Mr Leigh: I will in a moment, but I want to make a little more progress. Others will want to contribute to this important debate.

There is no doubt that the lack of support for marriage gives rise to some family breakdown, not primarily through the breakdown of existing marriages but by making marriage a less attractive and more costly option for some people than it would otherwise be. I do not pretend that that applies to everyone, but undoubtedly our present system, which is very unfair on single earners receiving relatively low wages, is a disincentive for some. As the "Breakdown Britain" report demonstrates, a child born to unmarried parents has a nearly one in two chance, before reaching the age of five, of seeing its parents split up, whereas for children whose parents were married, the figure is just one in 12. That is unmistakably a huge difference. It is, I believe, a commonly held view that marriage is a good thing.

A more recent piece of research, "Family breakdown in the UK", set out the problem of the lack of support for marriage in the following terms:

> "the problem is not divorce. While marriage accounts for 54% of births, the failure of marriages—i.e. divorce—accounts for only 20% of break-ups and 14% of the costs of family breakdown, amongst all families with children under five. Unmarried families account for 80% of the break-ups and 86% of the costs."

The report also states:

> "These new statistics demonstrate dramatically that family breakdown is a huge and growing problem and that the main driver of family breakdown is the collapse of unmarried families. A failure to acknowledge these key points will lead to the inevitable failure of any government policy aimed at strengthening families."

That is why many Government Members believe that this policy is so important.

Chris Williamson: Given the hon. Gentleman's proposition that the tax system discriminates against single-income households and could cause couples to break up, what does he think of the Government's decision to force through a change in the child benefit rules for single-income higher earners with, say, three children, whose families will lose up to £3,000 per annum? If he believes that family breakdowns result from financial circumstances, he must surely believe that that will lead to even more of them.

Mr Leigh: I agree with the hon. Gentleman. I have made clear my belief that our policy of fiddling around with child benefit is entirely wrong. Child benefit works because there is no fraud and no error, and because it is a flat tax. I strongly oppose the Government's policy, because it will attack families who are on the margin just as they get into work and emerge from poverty. I predict that we will see a U-turn on that policy, and if it is the 23rd U-turn, it will be one of the best of them.

Why does the lack of stability in marriage matter? We all recognise that most single parents do a fantastic job in very difficult circumstances—I noted earlier interventions on my speech to that effect—and they must enjoy our

full support. Nothing that I am saying constitutes an attack on them. However, policy must be based on evidence, and the evidence is very clear. It shows that, on average, children who are brought up in single-parent families do less well than children brought up in two-parent families according to every significant measure: educational attainment, health, the likelihood of getting into trouble with the law, and alcohol and drug abuse. I do not think it wrong for the Government to try to recognise what works when it comes to bringing up children.

Some may be tempted to respond to what I am saying by suggesting that the principal cause of the different outcomes is not marriage but wealth, and that it just so happens that wealthier people are more likely to get married. However, the facts do not support that. No one is trying to argue that marriage is the only important consideration, or that wealth is not relevant—of course it is—but data show substantial differences in family stability between married and unmarried couples in the early years of parenthood, even after the discounting of socio-economic factors such as age, income, education and race.

Most notably, the difference in family breakdown risk between married and cohabiting couples is sufficient that even—this is an important point—the poorest 20% of married couples are more stable than all but the richest 20% of cohabiting couples. It is foolish to make ourselves the odd one out in comparison with other developed countries such as France, Germany and America. Why do we not recognise marriage in our tax system, and why has the Minister not fulfilled the pledge that we made in our manifesto?

As we all know, recognition of marriage in the tax system specifically through a transferable allowance brings heightened child development benefits. In a culture that encourages parents to go back to work as quickly as possible, even though research demonstrates that this is a key time for developing attachment which has huge implications for the later development of a child, the provision of a transferable allowance makes it easier for one parent to stay at home to be with their children. I am not saying that everyone will want to do it, I am just giving an opportunity. I am not requiring anybody to do anything.

Helen Goodman: Will the hon. Gentleman give way?

Mr Leigh: I have given way to the hon. Lady once. I will make a bit of progress and if she is really desperate, of course I will let her in because I am very fond of her, as she knows, and we have served together in a Select Committee.

Polling demonstrates that staying at home is a choice that parents want to exercise. That is all that we are talking about here; we are talking about choice—no requirement. For instance, a 2008 YouGov poll for the Centre for Social Justice, run by the Secretary of State for Work and Pensions, found that 88% of parents thought that more should be done to help parents who wish to stay at home and bring up their children in the early years and 97% agreed that the Government should do more in that area. What other policy has 97% support?

A 2009 YouGov poll for the Centre for Policy Studies found that only 12% of mothers wanted to work full time, 31% did not want to work at all. Only 1% of mothers with children under five thought that the mother in a family where the father worked and there were two children under five should work full time, 49% thought that she should not work at all and fathers, when asked the same question, offered an almost identical response. So the facts are there in the opinion poll data. Only 2% thought that mum should work when her husband worked and the children were under five, and 48% thought that she should not work at all.

Many people are forced into work. Many mothers want desperately to be at home looking after their children when their children are very young, but they simply cannot afford to do so. No one suggests that a transferable allowance will solve the problem of family breakdown or make it incredibly easier for families to cope, but it will be a step in the right direction and a small gesture that we in Parliament could make to mothers who desperately want to stay at home and look after their young children.

Many women, rightly, want to work; they have good jobs. Why should we be forcing young women with very young children into low-paid jobs when they want to be at home looking after their children? Why should we create a tax system that militates against women making that choice?

Helen Goodman: I am grateful to the hon. Gentleman for indulging me. He makes a powerful point. Many mothers of small children want to work part time. I worked part time as I am sure did many other hon. Members. I want to bring the hon. Gentleman back to the facts. When the tax system changed from one that included a transferable allowance to one that did not, was there evidence of any impact on family breakdown?

Mr Leigh: I confess that I cannot go back to 1999 and I do not know what data were then available to the Chancellor, but the hon. Lady cannot deny that our tax system is unfair because it militates against the choice to stay at home. Surely I can take the hon. Lady just this far, if no further—that it should be a free choice for women with young children whether they work or not, and the tax system should be neutral. That is all that we are asking for. The hon. Lady can make a speech later if she disagrees with me. I do not doubt her sincerity. I am just saying that the system is simply unfair.

Britain's failure to recognise marriage in the tax system meant, as of May 2010, that it was out of line with other developed countries, with the effect that, far from supporting the best child development environment and being family friendly, it was placing a significantly greater proportion of its total tax burden on this family type than was the case in comparable countries. In that context, it is not surprising that family breakdown, the key driver of the broken Britain phenomenon is particularly pronounced and the case for recognising marriage in the tax system is clear and compelling. So all the arguments for recognising marriage in the tax system stand in one key area. The tax burden on one-earner married couples with children in the UK has now risen such that it is over 40% greater than the OECD average.

7.45 pm

Should we be proud of that as a Conservative Government when we went to the country on the basis of supporting marriage? Why are we doing that? Why

are we not taking action when it was a key part of our manifesto pledge to deal with broken Britain? What is even more important is that, if all the tax and benefit changes proposed for 2012 are introduced, the burden is projected to increase to over 50% more than the OECD average. So it is getting worse, not better, for every month that the Minister delays carrying out the pledge in our manifesto.

I want to go into a tiny bit more detail before I finish because the hon. Member for Bishop Auckland (Helen Goodman) made a point and I have to reply to it. If 2012-13 rates had applied in 2009-10, the tax burden on a one-earner married couple with two children would have been 20% rather than 18%—in other words, 80% rather than 73% of that on a single person. OECD figures show that in 2009 a UK one-earner couple with two children on an average wage paid 39% more than the OECD average. They would have paid over 50% more if 2012-13 rates had applied. The figures are there. They are Treasury-approved figures and there is no doubt about it. One can disagree with the policy, and no doubt the Minister will say that there are a 101 reasons why we cannot introduce a transferable allowance yet, but the figures are there. We are out of touch with other civilised countries, and we should be, above all, a civilised country that helps young mothers look after their children.

Under Labour, the tax burden on one-earner married couples with two children on the average wage oscillated between 33% and 44% greater than the OECD average. That means that the phenomenon is getting worse under a Conservative Government. I do not think that, for all those people who supported us at the election, that is tolerable.

When the burden reached the 44% level in 2007-08, the then Conservative Opposition spoke out against the extraordinary unfairness and committed ourselves to addressing it when in office through the introduction of the transferable personal allowance. It was 44% under Labour; it is now going to increase to 50%, and we are still not taking action. It is worth quoting the then shadow Chief Secretary to the Treasury, now the Secretary of State for Transport. He said that the report "Taxation of Families 2008-9", which demonstrated that the tax burden on one-earner married couples on average wage with two children in the UK was 44% greater than the OECD average

"highlights the continuing bias in the tax system against two parent families where only one adult works. No other European country penalises families in this way. If we want to end child poverty we must end this discrimination."—

what a ringing statement from a member of the current Cabinet—

"That is why Conservatives have pledged to reintroduce a recognition of marriage into the tax system".

For the figure to deteriorate even further under a Conservative Administration such that the burden was over 50% greater than the average—breaking new ground never reached even by new Labour—would be a wrong thing for the Government to do, and that is why we should take action. I hope that the Minister will accept the new clause or at least give a commitment that he will address the issue in the next few months.

It would make the manifesto commitment to make Britain the most "family-friendly country in Europe" utterly ridiculous. Why is Parliament held in contempt? Why do people not follow these debates? It is because they vote for parties who make solemn pledges and five minutes later, when it becomes inconvenient, break them. This was a solemn commitment.

So when this new clause was promoted this afternoon there were all sorts of shufflings offstage to try to prevent its debate. I am not going to stand here and allow a solemn pledge not to be debated on the Floor of the House of Commons. It is about restoring faith in British politics. We made this pledge and many in this party will hold the Government to account on it.

Of course, some will respond by blaming the previous Administration's economic mismanagement and the debt crisis—we do have a debt crisis—saying that the Government intend to make these changes but first have to deal with the debt crisis left by the previous Administration. I am sure that we will be told that this afternoon, but I do not accept it. Even if challenging times require a country to cut spending and increase tax, that does not mean that the way it shares out its bigger tax burden has to increase the already disproportionately negative effect on one same family type. We are all in this together, are we not? We are all in it together when dealing with this debt crisis, so why should we tax disproportionately heavily a particular type of one-earner family?

The need to increase the total tax take should be used as an opportunity for redistribution in the tax system—this may appeal to Labour Members—so that it is shared out more fairly between families and single people, even as it increases overall. I might even take Labour Members that far, for do they not agree with fairness among all family types? Interestingly, the tax burden in the UK on one-earner married families with children is on average 73% of that on single people on the same wage with no dependants. I have nothing against single people with no dependants, but what we are doing at the moment is manifestly unfair. Our system is disproportionate compared with the arrangements in other countries—our figure is 73% whereas the OECD average is 52%, so other countries are at least trying to address this state of affairs. Moreover, the tax burden on single people in the UK has fallen steadily since 2007, such that it is now lower than the OECD average. That is great—I have nothing against that—but we should not unfairly discriminate against other people. How can we allow the tax burden on one-earner married couples who have two children and are on an average wage to rise from 73% of that on a single person on the same wage to more than 80%? That is why I said to the Minister that this situation is getting worse and worse with every month and year that we delay taking action on a solemn manifesto pledge.

The ongoing arguments for recognising marriage in the tax system have been greatly enhanced by the fact that, other things being equal, the tax burden placed in this country on one-earner married couples on an average wage with two children will rise to more than 50% of the OECD average. We need a swift recognition of marriage in the tax system—the case is overwhelming. It will also probably take Her Majesty's Revenue and Customs two or three years to make the necessary changes. Depressingly, even if the Minister were suddenly to announce today that he was going to do this, it might take two or three years for it to happen, so it is even more important to act. This is even more important than raising the personal allowance to £10,000. That Lib Dem policy concentrates on individuals, rather

than families and, thus, favours two-income couples, rather than single-earner couples. The Government's policy is actually making the situation even worse. With that, I rest my case and just plead with the Minister to try to recognise a solemn manifesto pledge.

Mr Kevan Jones: New clause 5 would allow married couples to transfer their personal income tax allowances between each other, along the lines of what was said by the Prime Minister and the Secretary of State for Work and Pensions during the election campaign about recognising marriage in the tax system. The new clause is not exactly what the Conservatives were proposing at the general election, and I shall deal with the differences in a while. The important point, which has not been clearly articulated by the hon. Member for Gainsborough (Mr Leigh), is that this policy arose from a 2005 report by a Conservative think-tank, the Centre for Social Justice, on the breakdown of the family. Its main argument was that marriage is the important point in keeping families together, tackling poverty and dealing with all the other arguments that he has covered. It also supported the introduction of an incentive in the tax system to encourage people to marry, and I shall return to that in a moment. I am not sure that most people who get married are thinking about the tax system before they decide to do so.

Andrew Gwynne: My hon. Friend makes a reasonable point and one that we were discussing on the Back Benches earlier. I am married and all three of my children attended my and Allison's wedding in 2003. We did not need a tax allowance in order to get married—that is the important factor here that is being missed.

Mr Jones: I am sure that the hon. Member for Gainsborough will be shocked at the fact that my hon. Friend's children actually attended his wedding. I did not realise that my hon. Friend was such a progressive individual, but he makes a perfectly good point.

Mr Leigh: The hon. Gentleman knows perfectly well that I am not suggesting for a moment that people get married in order to get tax allowances—I have never said that. All I am saying is that the current system is unfair, because it militates against a family on modest earnings where one person wants to stay at home to look after children. Of course nobody gets married in order to get a little tax allowance, but why should we have an unfair tax system?

Mr Jones: I actually do not understand why all this is unfair, because the new clause would give an advantage to people who are married but do not have children. I do not know how the new clause does what the hon. Gentleman is proposing in terms of keeping family units together and alleviating child poverty.

The important point relates to what was in the Conservative manifesto. What came out of that Conservative think-tank was the idea that marriage was an important point in keeping the family unit together and ensuring that children and wider society were not disadvantaged by a breakdown in the family unit. The manifesto made a commitment to "recognise marriage" in the tax system. It proposed that couples and civil partners who were basic rate taxpayers should be entitled to transfer just part of their allowance—this was worth, in effect, up to £150 a year. That is very different from what is contained in the new clause, because it makes no mention of civil partnerships. Given the names of the people who are supporting this proposals, I suspect that this has come from the wing that has not quite gone all the way in being the new cuddly Conservative party in terms of even envisaging the idea that civil partnerships, with or without children, could constitute a family unit.

As the hon. Gentleman mentioned briefly, the policy came unstuck in the coalition agreement because this proposal is clearly not supported by the Liberal Democrats. I believe that during a general election television interview, the Deputy Prime Minister called it "Edwardian".

Helen Goodman: Edwardian!

Mr Jones: Well, yes. I can think of several people in the Chamber who are—

Mark Tami (Alyn and Deeside) (Lab): Mediaeval.

Mr Jones: They are mediaeval in some cases, as my hon. Friend mentions.

Andrew Gwynne: The Deputy Prime Minister did not just say that this proposal was Edwardian. I believe that he went on to say that it was also patronising drivel.

Mr Jones: That is a bit rich coming from the Liberal Democrats, because most of the things that they come out with are patronising drivel. However, they were clearly not happy about this policy, so in the scramble to get the red boxes and cars they had to reach some type of compromise. Thus, the coalition agreement simply states that there will be a provision whereby the Liberal Democrats can abstain at some point in the future when this policy is introduced.

Helen Goodman: Are they going to abstain tonight?

Mr Jones: Possibly. The 22 June Budget made no announcement on where this policy stood and on what was happening to it. I can understand the annoyance felt by the hon. Member for Gainsborough and others, who clearly think that this is a vital piece of legislation that was promised to the electorate. It was obviously a key point: I am sure that a lot of people went to the ballot box thinking that if they would get an extra £150, they would vote Conservative. That pales into insignificance when set against what has been taken away from them since this Government came into power.

8 pm

Mr Stewart Jackson: I expect better of the hon. Gentleman than the trivialisation of this important issue. He is better than that. I know he is probably working up to the filibuster that is usual from him when we do not have a guillotine on our business, but does he concede that low-income families in North Durham who are eligible for working tax credit and in which one parent wishes to stay at home to look after the children will miss out on the child care element of that credit? That is the reality, and he should address those issues rather than trivialising the subject through knockabout.

Mr Jones: I am not trivialising the subject, but I will say to the hon. Gentleman that the real difference in North Durham was made by provisions opposed by him and his party, such as tax credits, which raised hundreds of families out of poverty, and the Sure Start initiatives, which were important in poor communities such as Stanley in my constituency and gave real life chances to youngsters from poor backgrounds. I will not take any lectures from a Conservative on alleviating child poverty. I hasten to add that since this coalition Government came to power, many families, including many individuals whom I met the other day at a school in my constituency, will lose the education maintenance allowance. That was not a luxury but a vital part of supporting those children in education and giving them the access to higher education that generations before them had never had.

Mark Tami: Would my hon. Friend like to add the minimum wage to that list? That was also opposed by the Conservative party and helped to lift many children out of poverty.

Mr Jones: I totally agree with my hon. Friend. I remember the debates on the minimum wage as a trade union official, as he will too, and we were told that it would wreck the economy, but in the north-east alone 110,000 people got a pay rise thanks to that change. It is interesting that we are now hearing proposals from Conservative Back-Benchers to change the system and that people who are disabled and others should perhaps be offered a lower rate of minimum wage.

Dan Rogerson (North Cornwall) (LD): While the hon. Gentleman is patting himself on the back about the great successes of the previous Government, can he tell us which he thinks would have the best effect for working families with low incomes: scrapping the 10p rate or raising the income tax threshold, as this Government are doing?

Mr Jones: The hon. Gentleman must be honest with my electorate in North Durham about the fact that although the Government have increased personal allowances they have taken away money in others ways, such as the increase in VAT and the £140 million of cuts that Durham county council will have to impose over the next three years. Those cuts will have a direct effect on many of those poor families. The Liberal Democrats can claim that they have had great success, but if that is their only claim they should be honest with people and tell them what they have lost, as well, through such vicious policies. The hon. Gentleman should remember that this Conservative Government would be doing nothing without the support of him and his Liberal Democrat colleagues.

Helen Goodman: Another problem with raising the tax thresholds—a provision constantly promoted by the Liberal Democrats—is that, as I am sure my hon. Friend has not forgotten, the biggest beneficiaries are those who are highest up the income scale. The biggest value of the change is not to the people at the margins—those who are just caught or just not caught by the tax boundaries—but to the people higher up the income scale.

Mr Jones: My hon. Friend makes a good point, but she knows as well as I do that many people in County Durham are facing unemployment as a direct result of the spending cuts. Many of those people will be taken out of paying income tax altogether because they will not have a job. For Members to try to trumpet that policy, not realising the damage they are doing to regions such as the north-east of England, is disingenuous.

I understand the argument made by the hon. Member for Gainsborough, which is that marriage is key in ensuring that we have the units that will lead to less crime, less social breakdown and so on, but—I am sorry—I do not accept that. The root cause of many of those issues is poverty. If we consider the examples given by the hon. Gentleman, as well as those given by the Secretary of State for Work and Pensions when he toured his Glasgow housing estate, we can see that £150 will not make a great difference to lifting anyone living on such a council estate out of poverty or giving life chances to the young children who live there. We should address poverty, and, in my opinion, provisions to do with the tax system and marriage are not the way to do that.

Mr Stewart Jackson: The hon. Gentleman is being very generous in giving way. Would he care to comment on the UNICEF study, produced in 2007, which showed a league table ranking the well-being of children in 21 developed countries, including their material, educational and subjective well-being, their health and safety, their behaviour and the strength of their family and peer relationships? Under the hon. Gentleman's Government, Britain came bottom of the league.

Mr Jones: I think that report has been discredited, but I can look at the north-east of England and my constituency and consider the changes in employment that happened under the previous Labour Government as well as the life chances we gave to individuals, the new hospitals we provided and the investment we made in things such as Sure Start centres. Although I accept that such changes will not have benefits straight away, they will have real benefits over the lifetimes of those individuals. The Government that the hon. Gentleman supports is taking away such provision and says that the state is not important in one respect while, in this case, they want the state to engineer people's private lives socially. I find that a completely contradictory stance, but, again, the hon. Gentleman is a Conservative and is therefore allowed to be contradictory.

Andrew Gwynne: My hon. Friend is being generous in giving way and he is making the point that the state can be family friendly through its policies without having to give away a tax break to people based on their marital status. The previous Labour Government made great changes by giving life chances to young families, in particular, without having to manufacture the tax system in such a way.

Mr Jones: My hon. Friend makes a good point. A little later, I shall discuss what our Government did to recognise the fact that if we are to address the issues raised by the hon. Member for Gainsborough about child poverty, the tax system and marriage are not necessarily the way to do it. The way to do it is to ensure that the money goes to the families and children who

are affected. That is why the child tax credits and other such provisions were vital in raising people out of poverty. Earlier, my hon. Friend the Member for Alyn and Deeside (Mark Tami) mentioned the minimum wage, which lifted a lot of very poor individuals out of poverty who were getting a pittance. I remember seeing as a trade union official an advertisement in the jobcentre in Newcastle that read, "Night guard, bring your own dog, £1.35 an hour." That is a thing of the past. I hope that it will remain so, but I do not know, as we hear from Conservative Back Benchers that they might want to change the minimum wage in some way.

Helen Goodman: It was interesting that the hon. Member for Peterborough (Mr Jackson) mentioned the UNICEF report, because Denmark came at the top and Britain came very low down. I want to remind hon. Members that Denmark has the highest rate of lone parenthood and the Danish can combine that with good child well-being because they have a strong welfare state. Does not my hon. Friend think that that is far more important in addressing child poverty and well-being?

Mr Jones: It is. To be fair to the hon. Member for Gainsborough, he did say that being a lone parent does not make someone a bad or unfit parent. My hon. Friend the Member for Denton and Reddish (Andrew Gwynne) had three children before he got married, but that does not make him a bad parent. *[Interruption.]* He says, "I don't know," but I do not think it makes him a bad parent: it is something that he and his partner chose to do. As he said earlier, the offer of a tax break of £150 a year would not make any difference to whether people decide to have children before or after they marry. Indeed, I have many friends who have children and who have never married and have no intention of doing so.

Barry Gardiner: Has my hon. Friend considered the situation of people like my mother whose husband, my father, died when I was a child? Under the proposed system, she would have found that the support was taken away at the very time when financially she needed it most. That would be the effect of the measure, which pays no real attention to the needs of the family or the needs of the child.

Mr Jones: My hon. Friend makes a very good point. The proposal is not subtle at all and his personal example is a good one. Why should someone who loses a spouse in an accident or through natural causes be penalised because, through no fault of their own, they have lost their spouse? That is the problem with trying to use tax in relation to marriage. As I have said, the measure is very different from what was put forward in the Conservative manifesto because it does not include civil partnerships. It clearly is not what Conservative Back Benchers have read in their own manifesto.

Mr Chope: The answer to the hon. Gentleman's point was put succinctly in a *Daily Telegraph* editorial of 11 July 2007, which asked

"why should favouring married couples be an unacceptable interference when favouring single ones, as this Government does, is not?"

Mr Jones: The hon. Gentleman knows that there are always winners and losers in any tax system. I am very surprised at him because I know that he has very libertarian views on a whole host of subjects, which we have heard on many occasions in the Chamber. Is he really suggesting that we should use the tax system socially to engineer society by saying that people should marry rather than cohabiting or, as has been mentioned, becoming single through separation or bereavement? I am surprised at him because I thought he was very much against the state doing anything, but the measure has the state wanting to determine or influence exactly what an ideal society should be. I am sorry, but the statistics just do not bear out what the hon. Gentleman proposes. If such tax measures worked as a way of bolstering marriage and keeping families together, we would have expected marriages to rise with the married man's tax allowance through the 1960s and 1970s, but they did exactly the opposite—we had record levels of divorce and separation. Hon. Members should look at the facts. Tax measures have not succeeded in doing that in the past, and I doubt whether they will in future. They certainly will not encourage anyone to get married for a small financial benefit.

It is important to dispel one myth, which has been put forward again by the Conservative party—the fact that a wicked Labour Government somehow did away with the married couple's tax allowance and that Labour is responsible for the degeneration of society that the Secretary of State for Work and Pensions describes in his report. It is important to recognise what the previous Conservative Government did on this. It was Chancellor Norman Lamont in the 1993 Budget who proposed that the married couple's tax allowance should be restricted to 20% from April 1994. That was the first time that happened for the basic MCA, which for a couple under 65 was then £1,720, so it was worth something like £608 for those who were on marginal rates of 40%, but only £344 for those on marginal rates of 20%. We then had the argument that it was unfair to have different amounts for people on higher tax rates than for those on lower tax rates. The then Chancellor said:

"There is no good reason why an allowance intended to recognise the responsibilities of marriage should give least to those on low incomes and most to those right at the top of the income scale."—[*Official Report*, 16 March 1993; Vol. 221, c. 182.]

In the November 1993 Budget, the current Justice Secretary confirmed that change and went on to announce that the MCA would be further restricted to 15% from April 1995, so there was a slow change in the system. The provision restricting the MCA was made in section 77 of the Finance Act 1994. When this was debated in Committee, there was general support for the idea that the MCA should be the same across the board.

8.15 pm

Helen Goodman: My hon. Friend's description of what happened in the 1990s reminds me of an issue that I do not think the hon. Member for Gainsborough (Mr Leigh) addressed. One of the big debates on this subject was about the fact that transferable allowances reduce any scope for financial privacy within a marriage. A number of people felt very uncomfortable about that. Does my hon. Friend have any comments on that?

Mr Jones: My hon. Friend makes a key point and I understand why she makes it. This goes right back to when income tax was introduced in the 1790s, when a spouse's income was the property of the husband. That

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was the basis on which income tax was brought in and it continued for centuries. There was no recognition that even within marriages people might have separate tax affairs or sources of income that needed to be recognised.

It is interesting to look back at the debate that took place about the MCA. Baroness Maddock, who was then a Member of this House, argued that the MCA was

"a relic of the days when a husband was taxed on his wife's income as well as on his own. It contravenes the principle that marriage should be tax neutral."—[*Official Report, Standing Committee A*, 22 February 1994; c. 344.]

Mr Chope: The hon. Gentleman quotes my predecessor, the then hon. Member for Christchurch, but in order to emphasise how out of touch her opinions are, may I tell the hon. Gentleman that there is no longer a single Liberal Democrat councillor in the whole of my constituency?

Mr Jones: I am very pleased to hear that but I am not sure that that is very good news for the right hon. Member for Berwick-upon-Tweed (Sir Alan Beith) to whom I understand the Baroness is now married. However, I take the hon. Gentleman's point.

Interestingly, the then Chief Secretary to the Treasury, Michael Portillo, concurred with Mrs Maddock's view. The then Chancellor, who is now the Justice Secretary, recognised that and announced in his Budget speech that there would be a two-stage restriction of the MCA, stating:

"Now that husbands and wives are taxed independently—one of the best taxation reforms in recent years—the married couple's allowance is a bit of an anomaly."—[*Official Report*, 30 November 1993; Vol. 233, c. 935.]

The important thing that this demonstrates is that change was taking place under a Conservative Government, and that it was not the wicked previous Labour Government who came up with this idea. However, the change did set off the forces who were arguing that the changes were wrecking marriages. In 1995, a major paper called "Farewell to the Family" appeared. It made much of the fact that the measure would change families and discourage people from marrying.

Stephen Pound (Ealing North) (Lab): Does my hon. Friend agree that it is a pretty poor show if a couple united in love and affection for each other decide to get married simply for the sake of some miserable, mean, pusillanimous fiscal mechanism? Would it not be a more healthy world if we could get the accountant out of the couple's marriage bed, and concentrate on the important thing: two people who love each other, not two people who are trying to save a few bob from the Treasury?

Mr Jones: As usual, my hon. Friend makes a very good point. He raises the idea of the accountant in the bed. I do not know of many couples who, when they are ready to get married, sit down with their accountant to work out the financial benefit to them. I am sure that for many, something other than money comes into the decision to marry or start a family—a point that I demonstrated earlier.

Mr Stewart Jackson: As I said earlier, the hon. Gentleman aspires to be the County Durham filibustering champion; no doubt he will be on his feet for many more minutes. Is he seriously denying the findings of the British household panel survey, which found that the average length of cohabitation is just over three years, and led it to conclude in its paper that, compared to marriage, cohabitation was a significantly more fragile and temporary form of family? Just one in 11 married couples split up before their child's fifth birthday, compared to one in three unmarried couples. Those are the facts; is he disagreeing with them?

Mr Jones: As for filibustering, this is nothing; I think that my record is two and a half hours. If the hon. Gentleman would like to keep intervening, I am sure that I can try to beat that. I do not deny what he says, and it is all right to cite the facts, but should one necessarily go on to say that those facts are a bad thing for society? Is he genuinely saying that the relationships of people who cohabit are any poorer than those of people who are married? Likewise, is he suggesting that if people decide, after marriage or cohabiting, to split up, that makes them bad individuals in some way—or, if they have children, bad parents? I know many cohabiting and divorced couples and single parents who are perfectly good parents and role models and work very hard to ensure that their families contribute to society financially and to local community life. The statistics that he cites are fine, but what is not fine is the next bit—the suggestion that the situation will somehow lead to the breakdown of society, or the idea that the family as a unit is the only answer to people's lives these days. It is not.

That goes back to a Victorian notion. Before the Victorian period, it was not uncommon for people not to get married for many years. Marriage was a Victorian fashion, but in Georgian times many people did not get married at all, and raised perfectly good families. I am not sure that society came to a grinding halt because people were not married, or because there was not a tax system that encouraged people to marry.

Mr Jackson: Perhaps I might invite the hon. Gentleman to make a causal link, because he is not challenging the substantive point that I made with the figures that I gave. He will know that the Centre for Social Justice report of May 2011 found that children who do not grow up in a two-parent family are 75% more likely to fail at school, 70% more likely to be a drug addict, 50% more likely to have an alcohol problem, and 35% more likely to experience unemployment. That is not about traducing single-parent families, or besmirching their commitment to their children, but there is a causal link to family breakdown, which the hon. Gentleman denies.

Mr Jones: That is complete nonsense. When the Secretary of State for Work and Pensions was in opposition, we saw him walking around the Easterhouse estate, saying how dreadful things were. That is not down to whether people are married; it is down to poverty. That is the key driver of the pressures that people face. It is all very fine talking about drug use, but I have worked with an organisation for parents of drug addicts in Durham, and most of those parents are middle class. They have stable homes, but they have drug-addict sons and daughters. They are not bad parents, and it is not down to whether they are married. The hon. Member

for Peterborough (Mr Jackson) and the Centre for Social Justice report make the mistake of saying that the family units that he describes are the reason for poverty. They are not. Addressing poverty, which we were doing through measures such as tax credits, is the way forward, rather than social engineering, and £150 a year will not go very far in encouraging people to stay married—or, for that matter, alleviate child poverty at all.

Stephen Pound: Does my hon. Friend agree that there is not a person in this marvellous, glorious, gorgeous building who fails to accept that couples together often nurture and raise children in a happier and better way, although they are not the only ones? However, we are not arguing about the sanctity of marriage; we are arguing about a backhander from the state—a few bob. The hon. Member for Peterborough (Mr Jackson), who was a bank manager and may well have interposed himself in a few intimate relationships in his time, is speaking very much from the perspective of the Conservative who sees everything in terms of money and fiscal benefit. Is there not a better way?

Mr Jones: There is, but the new clause that we are debating—I do not know whether the hon. Member for Peterborough would agree with this—refers only to married couples; it does not refer to civil partnerships, for example. I know that the new Conservative party is supposed to be modern and reflective, but what about people in a civil partnership who have children, whether from previous marriages or afterwards? Are we saying that that is a worse family unit than marriage? This debate is not about the tax system for those who are married and those who are not; it is about what is in the best interests of the child. Single parents—they may be separated, or their partner or spouse may have died, as my hon. Friend the Member for Brent North (Barry Gardiner) said—work very hard. This is about the child. The problem with the proposal is that it would reward people with no children.

Barry Gardiner: Does my hon. Friend accept that he has perhaps calumniated Georgian England—inadvertently, I am sure? Does he accept the wisdom of Jane Austen, who of course said:

"It is a truth universally acknowledged, that a single man in possession of a good fortune"

of £5,000 a year

"must be in want of a wife"?

My hon. Friend's suggestion that marriage was not as common in Georgian England as in Victorian England is somewhat belied by Austen and other authors of the age.

Mr Jones: Let us consider Georgian and Victorian England. It might have been fashionable for someone with £5,000 a year in Georgian England to be married, but in many post-industrial cities of northern—

Mr Deputy Speaker (Mr Nigel Evans): Order. I fear that we are straying a little far from the point. Any chance of getting back to the 21st century?

Mr Jones: I think this is an important point, Mr Deputy Speaker. The main thrust of the argument that has been made is that marriage, and taxation in marriage, has been consistent throughout history, but it has not. Like a lot of things in this country, it has been looked at through a Victorian prism that seems to bend the reality of what took place way back then. However, I will move on to my next point.

Helen Goodman: I should like to back up what my hon. Friend says. In the major study of marriage in England from 1550 to 1750, Lawrence Stone demonstrated that in a commercial society with a commercial attitude—

Mr Deputy Speaker: Order. We seem to be going even further back. Keep to the 21st century, please.

8.30 pm

Mr Jones: It is important to note that income tax was introduced in the 1790s. We need not go back to the 15th century, but my hon. Friend the Member for Bishop Auckland (Helen Goodman) makes a good point, which was made earlier—the tax system treated women and their income as the property of their husbands. The supporters of the new clause argue that it would strengthen society, but there is no evidence for that. The new clause will help many people who have no children. It would apply to married couples and even retired people.

Mr Stewart Jackson: To what does the hon. Gentleman attribute the fact that many more people in County Durham, Northumberland and the north-east of England generally are keen on getting married than in, say, the south of England and London? Are his constituents wrong in supporting the institution of marriage?

Mr Jones: No, not at all. Many things in the north-east are obviously better than anywhere else in the country, but the statistics show that the number of people getting married is going down. The Secretary of State for Work and Pensions seems to think that a tax break of £150 a year will encourage people to get married, but that is not the case at all. He misses the main point.

The MCA was abolished in the Budget speech by the then Chancellor in 1999, and withdrawn in April 2000. Only married couples who reached the age of 65 by that date would be able to continue to claim the MCA. The additional personal allowance was also withdrawn at that time. The allowance equalised the MCA so it was given to lone parents, whether single, divorced or widowed, caring for one or more children under the age of 16.

Importantly, the then Labour Government introduced the child tax credit, which was vital to ensure that support went to the children. The Centre for Social Justice report suggested that marriage was important for keeping families together, but that is not the case. The important thing is how we support children. By introducing the tax credit system, we lifted thousands of children out of poverty by helping the families, whether they were married or not.

The credit took the form of an allowance which was then set at £5,200, on which relief was given at 10%. Families eligible to claim the child tax credit were able to cut their annual income tax not by £150, as is proposed, but by £520 a year. In April 2002 the credit was increased in line with inflation, making it worth £10 a week more. That was the fairest way of supporting

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families. I do not question the Secretary of State's intention to help families, but the child tax credit was a far better way of doing it than through the married tax allowance.

The debate tonight has glossed over the cost of the proposal. We are told by the Government that we face hard times and that we must make every penny count. One reason given to explain why the proposal was not brought forward was the coalition Government; another was cost. The IFS estimated the cost of various options for introducing a transferable allowance based on different criteria. On the assumption that the allowance applied only at the basic rate of tax, which was due to be 20% in April 2008, the figures are eye-watering.

If the allowance applied to all married couples, the IFS estimates the cost at £3.2 billion. I am not sure where the Government would get such a sum from. If the allowance applied to all married couples but only half the personal allowance was transferred, that would cost £1.6 billion, so we are not talking about small amounts of money. If the object is to get that money to children, is this the best way? There is no realistic hope of the present Government doing this. I understand the annoyance of the hon. Member for Gainsborough, who thinks that he stood on a manifesto which will now not be implemented.

Stephen Pound: No one in this place would begrudge that sum if there was the slightest empirical evidence that it would be of any long-term benefit to society. There is no such evidence. Does my hon. Friend agree that that money could be far better spent on a raft of supportive mechanisms for families, particularly families with young children? That would ensure the longevity of the family unit.

Mr Jones: I agree. The money should be directed into Sure Start centres and the child tax credit, for example, but the Government are penalising single parents in some of their benefit proposals.

Another option that the IFS considered was targeting the allowance at married couples with dependant children or those receiving carer's allowance. The estimated cost of that was £1.5 billion. The final and cheapest option was that it would be given only to married couples with children under the age of six, which would cost £900 million. The various options illustrate the complexity of the policy and the questions that arise from it—whether it should apply to everyone or only to the groups that I outlined.

As the hon. Member for Gainsborough pointed out, whatever system is chosen, there are winners and losers. If we believe, as the hon. Member for Peterborough clearly does, that keeping people married is so important that everyone should get the allowance, the price tag is totally unaffordable, but doing anything less would undermine the main argument put forward.

It is worth recognising what that would translate into in cash terms. If it applied to the full personal allowance, the amount provided as an incentive to remain married would be quite meagre, at about £20 a week, which I am not sure is a great incentive. The rationale is that it needs to be fair and large enough to make a difference, but I do not think that a couple whose marriage is breaking down would stay together for an additional £20 a week. Whatever figure we come up with, I doubt whether it would actually make a real difference in determining not only whether a couple gets married in the first place, but whether they will separate after a period of marriage. When it comes to enabling families to stay together as a unit, clearly the important point is poverty. That pledge was made before the general election by the previous Prime Minister. I think that everyone, even those influenced by the darker forces on the traditional wing of the Conservative party, agrees that the modern family takes many forms.

Stephen Pound: My hon. Friend is young and has not been around for a enormously long time. When Mrs P and I were married in June 1976, virtually everyone got married just after the beginning of the financial year, which was a nonsensical system, with churches doubling the cost of altar servers. I assure him that one of the disadvantages of the married couple's allowance was the great logjam of spring weddings. Despite that, Mrs P and I are still together.

Mr Jones: I have not had the pleasure of meeting Mrs P, but she certainly deserves a medal for the longevity of her marriage to my hon. Friend.

Mr Leigh: I am not sure that that intervention was entirely helpful, because the hon. Member for Ealing North (Stephen Pound) has just proved that tax policy at that time did influence behaviour.

Mr Jones: It might have done, but clearly if it raised the cost of a wedding, any financial benefit that people got from their £150 would soon be used up as a result of the extra costs involved. It did nothing to ensure that people stayed together longer.

Stephen Pound: I appreciate that we are treading on you patience, Mr Deputy Speaker, but I should note that it was probably a fear of Father Padraig that kept Mrs P and I together for the first three decades, rather than any small financial advantage.

Mr Jones: I understand why my hon. Friend and Mrs P have stayed together. Although the allowance might be an incentive to get married, the important point is that it does nothing to ensure that people will stay together for longer than the tax year. As has been mentioned, what is proposed would be very unfair. What happens if someone loses a spouse though no fault of their own, for example as a result of a tragic accident? Why should someone who finds themselves suddenly bereaved through no fault of their own after an accidental death, possibly with young children, be penalised by the tax system? It would be very difficult to introduce flexibility into this system to take account of that, and if we compare that with the tax credit system we will see that the important point is to support families and their children.

I will turn to some of the statistics on marriage that the Conservative party is putting forward. The hon. Members for Gainsborough and for Mole Valley (Sir Paul Beresford) are not known as great state interventionists, but by arguing that the tax system should be used to encourage people to marry, they are suggesting that the

state should determine a certain model of behaviour. I find that very strange coming from Conservatives who deplore the nanny state and argue that the state should not interfere in people's lives. There is an inconsistency there that needs to be answered.

Mr Stewart Jackson: The charming Maggie Pound deserves a long-service medal at the very least for putting up with the hon. Member for Ealing North (Stephen Pound).

On the merits and logic of the argument that the hon. Member for North Durham (Mr Jones) is making, is he suggesting that there is no place for fiscal incentives in directing personal and public policy? If so, does he think that we should not fine motorists for breaking the speed limit, for instance, because that is the logical corollary of his last remark?

8.45 pm

Mr Jones: I am not saying that at all. I am saying that the hon. Gentleman, his party and, certainly, the more blue-blooded elements of it very strongly argue that the state should not intervene in people's lives, including, in some cases, motorists' lives, but what we have in new clause 5 is the right of the Tory party arguing for direct state intervention in something very personal: somebody's personal relationship.

Earlier, it was said that a tax system would encourage people to get married, but there is no evidence of that at all. In the late 1960s and '70s, when the old married man's tax allowance was in place, there was a record rise in divorces, but that was less to do with the tax system and more to do with the change in society and the law that clearly made it easier to get divorced or to choose not to marry at all. Again, the idea that £20 a week will encourage somebody not to divorce is quite ludicrous. All the studies find that we would need to offer a considerable amount of money to prevent people from divorcing.

My hon. Friend the Member for Bishop Auckland (Helen Goodman) raised the issue of international comparisons, somebody else mentioned Denmark and other countries and the hon. Member for Gainsborough mentioned the fact that we are one of the few countries not to recognise marriage in the tax system, but there is no evidence to suggest that taxation as an encouragement to get married does anything to hold the family unit together.

Clive Efford (Eltham) (Lab): I have listened to my hon. Friend's speech with a great deal of interest. On fiscal incentives for people to stay together, does he agree that the cost of running two separate households is a major financial consideration for people living apart? It far outweighs any fiscal benefit that the taxation system could deliver.

Mr Jones: I agree. The changes being made to housing benefit will not do anything to help families stay together. My hon. Friend is a London Member, so he will know that families will be forced to move out of central London because of the Government's changes to housing benefit rules. That is one of the inconsistencies of this Government. On the one hand they say that a tax break of £150, or £20 a week, will help to keep the social unit together, and on the other they—the same Minister, I hasten to add—pursue policies on housing benefit and other benefit changes that will not help at all to keep families together but will lead to the root cause of most of these issues: the poverty that affects such individuals.

I turn to some of the problems with the Bill as framed, and to what we have before us. New clause 5 is not the measure in the Conservative party's most recent election manifesto. This proposed change includes married couples but excludes civil partners, who would not be covered by the new clause. When there was an outcry and complaints about what had been proposed at the election, the Prime Minister included civil partners at the last minute.

People would have to opt in to this system and elect to transfer their part of an allowance. That would be very unfair to many people who do not understand tax codes. I have just got my annual tax return and I keep putting it to one side, as most people do, until the deadline arrives. Introducing a system whereby people have to elect to transfer a certain allowance may well help the more articulate middle-class people who can do that when they fill in the form, but I am not sure that some of the people on poor council housing estates in Glasgow whom the Secretary of State for Work and Pensions is trying to address will have the wherewithal or knowledge to do it even if they knew that the option was available.

The Government have told us that they wish to simplify the tax system, but the new clause would make it a lot more complicated. In trying to bolster marriage, it would help certain groups of people but not others. Whenever we do anything with the taxation system, we should try to make it as user-friendly as possible. If someone opted to move their allowance around, that would be quite complicated because people's incomes change throughout the year, so they might have a certain allowance available in one year but not another. The system would incur not only the £3 billion-plus cost of having it open to everyone but the cost of trying to work out how the tax office would administer it. In that respect, the new clause is not well thought out.

The Government have got themselves into a bit of a logjam on this. The Prime Minister is clearly committed to this policy. His Back Benchers are now worried that it cannot be implemented because of the coalition agreement. Huge amounts of public money would be used, but would it have any effect on child poverty? No, it would not, and neither would it affect most families. Moreover, it would help people without any children, including pensioners.

Kate Green (Stretford and Urmston) (Lab): Leaving aside couples where there are no children in the household, does my hon. Friend agree that married couples typically tend to come from the better-off social classes and that, while I am sure that this is not what the hon. Member for Congleton (Fiona Bruce) intends, a tax break for marriage would therefore benefit the better-off?

Mr Jones: My hon. Friend has great experience in this area, and she makes a clear point. People on lower incomes and possibly of lower educational standing than others will not look at the tax system and say, "I'm going to stay married because somehow I will be financially better off." That is why it is important to simplify the tax system.

[Mr Kevan Jones]

If we are looking to help children, this proposal would not do that. Indeed, some aspects would be detrimental to families, especially put alongside the Conservatives' existing proposals on changes to the tax and benefits system. We need an honest debate on the family, child poverty and how we can build communities. By investing in Sure Start and child tax credit, the last Labour Government raised a whole group of individuals out of poverty. That was the way to do it. If money is tight, it needs to be targeted very carefully.

The approach that has been put forward, which recognises marriage, is not targeted and will not have the effect that the Secretary of State for Work and Pensions wants. That is unfortunate, because I think that he is well intentioned and has just come to the wrong conclusions. It will be interesting to see whether the Government accept the new clause. I do not think that they will, because it is not what the Prime Minister and the Secretary of State for Work and Pensions outlined in the manifesto or in the lead-up to the general election. It will be interesting to see how much pressure the Liberal Democrats can bring to bear to ensure that this proposal never sees the light of day. The coalition agreement says that they can sit on their hands if it is brought forward.

In conclusion, the individuals who are trying to address this issue, including the hon. Member for Gainsborough who is well intentioned and thoughtful in trying to do the best for families, have got it wrong in thinking that the answer is marriage. The root cause of social breakdown is not that people are not married, but poverty. We need to ensure that not only the tax system, but the benefits system and everything else, supports families, whether the parents are married, single, in a civil partnership or whatever. As has been said, and as the modern part of the Conservative party recognises, the modern family comes in all shapes and sizes. One size does not fit all and one solution does not fit all. Giving a pathetic sum of money to support marriage will not relieve child poverty; nor will it ensure that people stay together longer if the taxman will raid their savings or income if they do not. I do not think that this is the answer, and if it goes to a vote I will oppose it.

Fiona Bruce (Congleton) (Con): Only a few days ago, on father's day, the Prime Minister stated:

> "I want us to recognise marriage in the tax system so as a country we show we value commitment".

I believe that the Government's commitment to introduce such a provision is genuine. It was in the Conservative manifesto, it is in the coalition agreement, and I trust that the Government will introduce it in this Parliament, just as they are addressing the couple penalty. I warmly congratulate the Government, and in particular my right hon. Friend the Secretary of State for Work and Pensions, on the work being done to address this subject.

Kate Green: I know that the hon. Lady and her colleagues feel strongly about the couple penalty. Does she not accept that the design of the benefits cap that her Government are proposing will bring in a couple penalty—something that I thought they were trying to remove?

Fiona Bruce: The Government are seeking to support families and stable communities. In supporting marriage, that is what we are seeking to do.

Mr Iain Wright: Will the hon. Lady define what she thinks a family is?

Fiona Bruce: Committed relationships.

Under the previous Conservative Government, Britain recognised marriage in the tax system. The Labour Government did away with that in their first term. Britain's fiscal arrangements effectively made it more challenging for people to marry than was the case in most other developed countries. Today we still live with that legacy. Apart from those in the UK, only 18% of citizens of OECD states live in countries that do not recognise marriage in the tax system. Most of them live in Turkey and Mexico. Our failure to recognise marriage puts us out of line with fellow developed countries, and that arrangement continues to be a cause for concern, for a number of reasons relating to both fairness and social well-being.

9 pm

Barry Gardiner: I notice from the amendment paper that new clause 5 is in the hon. Lady's name. Could she explain to the House why she did not move it?

Fiona Bruce: My hon. Friend the Member for Gainsborough (Mr Leigh) kindly moved it in my stead.

Is it fair—

Chris Leslie (Nottingham East) (Lab/Co-op): On a point of order, Mr Deputy Speaker. I do not wish in any way to dispute the hon. Lady's version of events, but I am quite sure that I distinctly heard her—maybe the official record will show this—say "not moved" when she was asked about new clause 5. Am I wrong in my recollection of that?

Mr Deputy Speaker (Mr Nigel Evans): That is not a matter for the Chair, but I am sure that the hon. Gentleman will be able to read *Hansard* and work it out for himself tomorrow. As a matter of record, as he knows, it is open to any Member to move a new clause, despite the fact that the Member who tabled it has decided not to move it.

Fiona Bruce: Is it fair that when incomes are equivalised, one-earner married couples with children—

Mr Kevan Jones: On a point of order, Mr Deputy Speaker. I am sorry, but like my hon. Friend the Member for Nottingham East (Chris Leslie), I heard the hon. Member for Congleton (Fiona Bruce) say "not moved". I think that I saw one of the Tory Whips at her beforehand, so I do not know whether they tried to persuade her not to have this debate, but I think we need to clarify this point before we move on.

Mr Deputy Speaker: The position has been made absolutely clear. Now can we please continue with the speech that is being made?

Fiona Bruce: Is it fair that when incomes are equivalised, one-earner married couples with children, on the average male wage, find themselves thrust into the poorer half of the population in income?

Chris Leslie: I apologise for interrupting the hon. Lady's flow, but this is really quite important. Did she or did she not say "not moved" at the beginning of the debate on new clause 5?

Fiona Bruce: I have already indicated that my hon. Friend the Member for Gainsborough kindly moved the new clause in my stead. I am very pleased that he did so.

Mr Kevan Jones: Why, because you're not up to it?

Mr Deputy Speaker: Order.

Fiona Bruce: If I may, I will move on.

On the subject of young people's aspirations, it is striking that surveys demonstrate that approximately 90% of young people aspire to marry, yet that is not reflected in the marriage figures. I am not suggesting for a minute that fiscal considerations are the only factor, but the Government should at least ensure that it is not more financially detrimental to marry in this country than in other developed OECD countries, if we are to be true to our determination to become the most family-friendly country in Europe.

As a Government, we should send out a clear and credible signal to young people that we value marriage and encourage their aspirations in that respect, particularly as marriage acts as a stabiliser not just for the individuals within it but for the wider community. The prevalence, for example, of the isolation and exclusion of the elderly is influenced by the wider breakdown of family and community networks, as the Centre for Social Justice stated in its "Fractured Families" report.

On social well-being, the current problems in our local communities resulting from our failure to recognise marriage are pressing. As we have already heard, in December 2006 the CSJ's report "Breakdown Britain" clearly resonated with the public. One of the key drivers of social challenges is family breakdown.

Kate Green: Will the hon. Lady give way?

Roberta Blackman-Woods (City of Durham) (Lab): Will the hon. Lady give way?

Fiona Bruce: No, I am going to continue now, because I have given way so many times that, as has been pointed out, it has interrupted the flow of my speech.

Family breakdown is an incredibly important challenge for the Government. The cost in human terms, especially in terms of children failing to fulfil their potential, is far too high. Although most single parents do a fantastic job in very difficult circumstances, and deserve support as they do so, the evidence is that on average, the children of married parents do better on significant measures such as educational attainment, health, likelihood of getting into trouble with the law, and alcohol and drug abuse.

The crucial thing to understand about British family breakdown is that the key is not only divorce, but the break-up of cohabiting relationships, which are far less stable than marriage. The CSJ report states:

"While marriage accounts for 54 per cent of births, the failure of marriages—ie divorce—accounts for only 20 per cent of break-ups and 14 per cent of the costs of family breakdown, among all families with children under five. Unmarried families account for 80 per cent of the break-ups and 86 per cent of the costs."

Mel Stride (Central Devon) (Con): My hon. Friend makes an extremely powerful case. Does she agree that Conservative Members are not denigrating forms of family other than those that involve marriage, but saying that we believe that marriage makes for a powerful start in life for children, and leads to better social outcomes on average?

Fiona Bruce: I agree with my hon. Friend in that respect—nor are Conservatives seeking to take away the support that we give to other family groups such as single parents. We are saying that there should be a tangible affirmation of the very important relationship of marriage.

A child born to cohabiting parents has nearly a one in two chance of living in a single-parent family by the time they reach the age of five, but a child born to married parents has only a one in 12 chance of finding themselves in that situation at that age.

Kate Green *rose—*

Roberta Blackman-Woods: Will the hon. Lady give way?

Fiona Bruce: No, because I took interventions from Opposition Members earlier.

The direct costs of family breakdown are variously calculated at between £24 billion and £41.6 billion per annum—a huge amount of money that cannot be ignored, especially in times such as these. When faced with such enormous figures, a provision such as the transferable tax allowance to support marriage, and in turn to support stable families, who in turn form an important element of promoting the stable communities that we all want and that are so very much needed today, is surely worth considering.

I am aware of the argument that the principal cause for those different life outcomes is not marriage but family income, but that analysis is too simplistic. No one is trying to argue that family income is not relevant—it is—but in my view, insufficient recognition has been given in recent years to the importance of family stability in promoting the health and well-being of children.

Mr David Burrowes (Enfield, Southgate) (Con): In my hon. Friend's careful preparation for her speech, did she analyse whether other countries have given similar recognition to marriage?

Fiona Bruce: I did indeed, and I shall refer to that before I close my speech.

The CSJ report "Fractured Families" demonstrates significant differences in family stability between married and unmarried couples in the early years of parenthood, after discounting other factors such as age, income, education and race. Even the least well-off 20% of married couples are more stable than all but the richest 20% of cohabiting couples.

It is appreciated that we do not need to preach or moralise, but if we are to be truly family-friendly we must ensure that choosing to marry is no more difficult in this country than it is in any other developed country.

Yasmin Qureshi (Bolton South East) (Lab): Will the hon. Lady give way?

Fiona Bruce: I will give way—[HON. MEMBERS: "No!"]

Moreover, if we rise to that challenge through the provision of a transferable allowance, as suggested by the new clause, we would do so in a way that makes it easier for one parent to stay at home for the children, which parents value and from which children benefit. That is also a matter of women's rights, for it is often women who will exercise greater choice and flexibility. Women want that choice.

A 2008 YouGov poll found that 88% of parents think that more should be done to help parents who wish to stay at home and bring up their children in the early years, and 97% of them agree that the Government should do more in this area. Furthermore—this is of huge importance—the relative costs of introducing a transferable allowance are small when compared with the huge costs of family breakdown. I quoted those figures earlier.

Roberta Blackman-Woods: Will the hon. Lady give way?

Fiona Bruce: The transferable allowance would help to reduce those costs, and would therefore be an investment very well made. The £550 million cost of the partially transferable allowance proposed by the Conservatives prior to the general election represents just 1.3% of the direct costs of family breakdown, as calculated by the Relationships Foundation—*[Interruption.]* And just 2.16% of the direct costs of family breakdown, as calculated by the same organisation—

Michael Connarty: Will the hon. Lady give way, in this so-called debate?

Fiona Bruce: No. [HON. MEMBERS: "Go on!"] I will not. *[Interruption.]*

Mr Deputy Speaker (Mr Nigel Evans): The hon. Lady should carry on.

Michael Connarty *rose—*

Fiona Bruce: I am going to conclude.

Michael Connarty *rose—*

Mr Deputy Speaker: Order. I ask the hon. Gentleman to resume his seat. Fiona Bruce has made it absolutely clear that she has no intention of giving way at this stage. I am sure that she will make it clear if she changes her mind.

Fiona Bruce: I fully accept that the Government's priority has been to clean up the terrible financial mess left by the previous Administration, which has necessarily involved difficult decisions, and I want to put on record today my support for the Government, who have not been afraid to grasp the nettle and make the difficult decisions that the previous Administration were incapable of making. Britain is on a much sounder footing today than was ever the case under the previous Administration, and I pay tribute to the Government's hard work in this respect. However, even in the current economic environment, I believe that new clause 5 would, as I have outlined, be an investment well worth making both fiscally and socially. The Government have said that they will recognise marriage in the tax system at the appropriate time. I suggest that that time is now, particularly given that it would still take Her Majesty's Revenue and Customs some considerable time to implement a transferable tax allowance, because of the IT and other implications.

Does the Minister agree that the increased tax burden on one-earner married couples on an average wage—it will soon be more than 50% greater than the OECD average burden on such families—commends the early introduction of the transferable allowance if we are to be, as we aspire to be, the most family-friendly country in Europe? What assessment has he made of the time it will take to make the necessary IT and other changes to give effect to the Government's commitment to introduce the transferable allowance? If he has not made such an assessment, will he do so? I ask the Government to bring forward this legislation not when they are ready, but sufficiently in advance of that, so that all IT and planning changes can be made first, and when the money is available, transferable allowances can become operational quickly, not one or more years later.

The transferable personal allowance was a key election commitment from many of us in the House and an important reason why people voted for the Conservative party. They are now looking for action. I very much look forward to what the Minister has to say, and I will conclude with a quotation from a speech given by the Chief Rabbi in another place earlier this year:

> "If the Jewish experience has anything to say to Britain today it is: recognise marriage, not just cohabitation, as in the best interests of the child. Do so in the tax system. Do so in the educational system. Do so in relationship support. Otherwise, our children will pay the price—financial, educational, medical and psychological—for generations to come. Without stable marriages we will not have strong families, and without strong families we will not have a big society."—[*Official Report, House of Lords,* 10 February 2011; Vol. 725, c. 366-7.]

Jim Shannon (Strangford) (DUP): Thank you for giving me the opportunity to speak this evening, Mr Deputy Speaker. For the first time in what I suppose is a long time, I will be at odds with some of my colleagues sitting on the Opposition Benches. They are surrounding me at the moment, and I suspect that I will say something that they might not be entirely happy with. None the less, that will not stop me making my point of view heard.

9.15 pm

I believe that marriage is good for society. That is my belief, and I am unapologetic about it. Like my hon. Friends the Members for North Antrim (Ian Paisley) and for South Antrim (Dr McCrea), I believe that a Christian marriage is good for society. Does that mean that other relationships are not right? No, it does not; but it does mean that marriage has an important part to play in society. Some of the research and the evidence that other Members have mentioned is clear on that too. The evidence indicates that marriage is associated with far better child development and adult well-being—ask those in a married relationship and the children they raise—although that does not mean that other children, from other relationships are not as good.

Kate Green: Does the hon. Gentleman not accept that the reason why children from married relationships so often do better is that their parents come from higher socio-economic backgrounds, not the fact of marriage itself?

Jim Shannon: The evidence from the constituency that I represent would indicate that that is not necessarily the case. Those who are perhaps worse off financially are in stable relationships as well. The reason I am speaking on this issue tonight is that I am reflecting not only my personal views, but—I believe—those of a large majority of the people whom I represent. I am here as the MP for Strangford to put that on the record and ensure that that opinion is well heard this evening. Many people might not like what I have to say, but hon. Members will have to accept that it is my opinion.

Barry Gardiner: I, too, believe that marriage is good for society, but surely what we have to consider this evening is whether the proposals before us would do anything to incentivise marriage and increase the number of people going into wedlock, and I do not believe for a moment that they will.

Jim Shannon: I do not believe that that is the intention of those who have put these proposals forward. I believe that they are about the unfairness in the taxation system that impacts directly on those in marital relationships. That is the reason. This is not about creating a financial incentive—other Members have suggested that it is about encouraging people to get married for an extra £150—and I do not believe for a second that it is.

Ian Paisley (North Antrim) (DUP): Does my hon. Friend agree that these proposals are not about incentivising or encouraging people to get married, but about saying to people who are married, "You will not be penalised financially"? Marriage is good for society, good for relationships and good for children, and it should be encouraged. We should not as a House try to pour scorn on the many married couples out there, whether they are unemployed married couples or wealthy married couples.

Jim Shannon: I thank my hon. Friend for his intervention and for the passion in his voice.

Mindful of those points, it is a minimal responsibility of policy makers to remove all obstacles to marriage resulting from fiscal policy. Indeed, there is a good case for considering what steps could be taken to support marriage. I believe that the proposal before us is one suggestion that we should be considering. In the light of that, I am delighted by what the Prime Minister has said. Some people in this Chamber would say, "If the Prime Minister supports it, we don't," but if the Prime Minister says something good, let us support it, whether he is the Prime Minister or not—and if one of my colleagues says that something is good, then that is good as well.

Mr Burrowes: The hon. Gentleman is making the case on behalf of his constituents and presenting his own personal view, but does he also recognise that a strong case has been made in those countries that recognise marriage in a way that this country does not?

Jim Shannon: I thank the hon. Gentleman for his intervention. Clearly that is the issue, because there are many countries right across the world that have tax breaks. Indeed, the Prime Minister has said:

> "Britain is almost the only country in Europe that doesn't recognise marriage in the tax system."

That was his comment back in 2007, but he reiterated the point in 2008 and 2010. There is clearly an issue to be addressed if we are to make comparisons with tax systems in other countries across Europe.

Barry Gardiner: I am grateful to the hon. Gentleman for giving way again; he is being extremely generous. I am delighted that he believes that this should not be about incentivising—*[Interruption.]*

Mr Deputy Speaker (Mr Nigel Evans): Order. Please could the hon. Gentleman direct his comments through the Chair? That will also mean that I can hear what he is saying.

Barry Gardiner: My apologies, Mr Deputy Speaker.

I am delighted that the hon. Gentleman has said that this measure is not about incentivising marriage, or about penalising people. Can he therefore explain why, under the proposals, a woman with children who has recently been widowed would suffer a financial loss at precisely the time when the family needed the money the most? That seems to me to be a fundamental flaw in the proposals.

Jim Shannon: The hon. Gentleman made that comment earlier to other speakers, and they responded to it. I accept that there are anomalies in all systems. In the short time that I have been in the House, I have spoken on many issues, and each one was something that my constituents told me that they wanted me to deal with. I am on record as having opposed changes to the education maintenance allowance, the employment and support allowance and incapacity benefit. I am also on record as opposing changes to the disability living allowance, among other changes in the benefit system. I have done that in this Chamber; if I see something wrong, I will take a stand on it. If I see an anomaly, I will do my best to address it. I cannot necessarily tell the House every detail of the matter, because I might not be aware of them, but if there is a wrong, it must be righted.

Ian Paisley: Does my hon. Friend also accept that it is all very well to say that there are anomalies, but that sometimes straw men are put up in these arguments? The fact is that if a pensioner, for example, loses a loved one, their tax credits and allowances go up, not down. We should not allow these straw men to be introduced into the debate.

Jim Shannon: I thank my hon. Friend for that contribution.

Yasmin Qureshi: No one is saying that there is anything wrong with marriage. Of course, one should encourage it. My parents were married, and I am married. No one is objecting to people getting married or saying that we should be telling people to get married. However, a fundamental problem with the new clause is that it effectively discriminates against one set of people. Why

[Yasmin Qureshi]

should a man and a woman who live together and have children be less well off or be discriminated against, compared with a married couple? Why would we wish to create discrimination between those groups of people?

Jim Shannon: People's interpretations of these issues are different; we see things in different ways and have different opinions. I do not necessarily agree with what the hon. Lady has said, but there are issues to be addressed.

Roberta Blackman-Woods: Does the hon. Gentleman accept that there is inconsistency among Conservative Members, in that they want to support marriage while taking away huge amounts of financial support from ordinary families?

Jim Shannon: I do not believe that there is an inconsistency in relation to this matter, although, with respect, I would disagree with certain other proposals relating to the benefit system.

Michael Connarty: I am grateful to my hon. Friend—I regard him as such—for giving way. I share his warmth about marriage, having spent the past 41 years married, although I am not sure that my wife would be quite so enthusiastic. He has, however, strayed beyond his own guidelines. He said that the provision was not about people marrying for a payment, yet he is now arguing that that is what he supports. Surely this should be about the responsibilities that people take on as a couple, especially when they have children, because that is the most burdensome time when they need the most help from the tax system. This is not about whether they decide to have one kind of a relationship or another. Whether they are married or unmarried, if they decide to be together and have children, they will be burdened with other costs.

Jim Shannon: I can tell the House that when I married, I married for love. I am one of those old-fashioned boys; that is just the way I am.

Mr Leigh: In the light of the intervention from the hon. Member for Linlithgow and East Falkirk (Michael Connarty), it is important to point out that we are not trying to penalise single-parent families or families in which there are two earners. All we are trying to do is remove the severe penalty on families in which there is only one earner, because our system is totally out of step with most of the rest of the world in that regard.

Jim Shannon: I thank the hon. Member for his contribution and for providing a bit of focus to this debate.

Given that the agreement pertains to a full Parliament, one ordinarily would not be concerned at the failure to action a commitment in just over a year. What we need is for legislative change to be approved by the coalition Government, to move forward and perhaps see this legislation coming through in two years. The latest publication of the international tax comparison, CARE's "The Taxation of Families 2009-10" puts things in a very different light. It demonstrates that we are now headed to a place where the tax burden on a married family with children with one earner on an average wage is growing so much that it will soon be more than 50% greater than the OECD average. That breaks new ground, taking us into territory that not even new Labour dreamt of occupying.

Some will no doubt respond by saying that this is a result of the tax burden having to increase on everyone in the context of the debt crisis. I understand that, but it is not exactly the case. Let me quote a director of an influential think-tank, who said:

> "Given that it will take some time between changing the law and implementing the actual recognition of marriage in the tax system, it is important that the Government makes this a priority, takes swift action. The change, or at least a recognition of it, should be made".

I very much hope that that report can be taken seriously, that the Government can look further at the issue and perhaps bring it forward in future legislation.

Kate Green: I just want to ask the hon. Gentleman which report he is referring to and which think-tank?

Jim Shannon: The think-tank is ResPublica.

As the hon. Member for Gainsborough (Mr Leigh) said earlier, the tax burden on single people with no dependants on the same wage has been falling and far from being 50% above the OECD average, it is now actually below it. That is reflected in the fact that the tax burden on a one-earner married couple on an average wage with two children is projected to rise from 73% to 80% of that of a single person on the same wage by 2012-13, while the equivalent average burden among OECD nations is 52%.

In this context, it is strange that the Government have started investing what will probably end up being almost £12 billion on increasing individual allowances to £10,000. There is a cost factor there and an agreement within the coalition on how that is going to happen. That will cost us all. It is a measure that will have a disproportionately positive effect on single people, yet the Government will not have brought forward a much cheaper transferable allowance policy.

I do not believe that the current situation is sustainable. It is now urgent that the Government introduce legislation to give effect to the transferable allowance. I hope that the Minister will be able to provide robust assurances on this point and a commitment to ensure that as the tax burden increases in the context of the current financial difficulties, it is allocated in a way that is fair, sensitive to family responsibilities and recognises the real strengths that marriage brings to society. I also trust that the Minister will address the important points raised by other hon. Members, including the need urgently to address the IT implications of recognising marriage in the tax system. There are changes to be made, there are costs and a system will need to be set up.

I urge Members to support new clause 5. I believe it is worthy of support. I understand that there are differences of opinion. This is probably the first time that I have disagreed with many colleagues on the Opposition Benches, but I believe in my heart that this is an issue of some importance.

Dr William McCrea (South Antrim) (DUP): Does hon. Friend accept that no one here needs to apologise for believing that this nation was richly blessed whenever it honoured marriage in legislation?

Jim Shannon: I thank my hon. Friend for putting the issue into perspective. We have no apologies to make; we believe in the sanctity of marriage; we believe it is important. Long may this House subscribe to that belief; we need to provide help and assistance to support marriage. We urge Members to support new clause 5.

Dan Rogerson: This has been a fascinating debate. It has been broad in its coverage of issues relating to marriage and social policy—although I must say that at times it has been as long as it has been broad—and it has strayed back into recent centuries in examining the institution of marriage. One common factor has emerged from it: Members in all parts of the House recognise the hugely beneficial effect of marriage on wider society in keeping families together and improving the quality of life, although some evidence presented by Members has raised questions about the quality of life during marriage.

9.30 pm

There is a legitimate debate to be had about how we, as a society, can support and encourage marriage. Where there has been a history of family breakdown, it provides a role model that can encourage people to invest time in building and strengthening relationships. I strongly believe that our education system could do more in that regard,. Sometimes such subjects are seen as a bit touchy-feely, and some of the supporters of the new clause might resist attempts to include them in the curriculum, but I think it important for us to do so.

Opposition Members have said that if the hon. Members for Congleton (Fiona Bruce) and for Gainsborough (Mr Leigh) are arguing that the new clause provides an incentive, it is a pretty weak one. That point was made three or four times by the hon. Member for North Durham (Mr Jones) during his considerable and weighty contribution. If the new clause is not about an incentive, I do not see how it can belong in a debate about the importance of valuing, encouraging and supporting marriage. There are other ways in which we could do that, and I hope that we will, both as a coalition Government and as a society.

As others have said, however, we also need to send all those who are building and fostering strong relationships, and raising children successfully, the message that they too are valued and valuable. The hon. Member for Gainsborough was at pains to emphasise that, but although I much enjoyed hearing what he had to say—he is a regular visitor to North Cornwall, and I always welcome him back so that he can spend his post-tax income there, just as I welcome the Prime Minister and many other Members—I was not convinced by it. As I said earlier, if the new clause provides a financial incentive it is clearly not a very big one, and if it does not, I do not really see what part it can play in a debate about the importance of supporting, encouraging and fostering marriage.

Andrew Selous (South West Bedfordshire) (Con): Does the hon. Gentleman not recognise that the transferability for which the new clause provides would enable parents, particularly women, to choose how they spend their time—to choose whether to work or to stay at home to look after children—and does he not think that providing that choice is a good idea?

Dan Rogerson: The hon. Gentleman has raised a useful point. However, given the existing pressures on families I do not think that the new clause is sufficient to allow that to happen, although it may be a step in the right direction. The argument presented by, mainly, Members in a particular corner of the Chamber is that on one hand that this is about incentives and on the other hand that it would make a financial difference, and I think there is a weakness at the heart of that argument.

Members have produced evidence relating to what happened at the time of the change in the tax system. My own marriage took place in 1999 and was not related to tax considerations; I am pleased to say that other factors were operating. I suspect that, given the way in which tax has risen and fallen in every Budget, if such decisions were based on tax policy we would see a huge flux in the nature of relationships and marriage.

Mr Leigh: The hon. Gentleman is making a perfectly honourable speech and his party's position is entirely consistent, but, as possibly the only Liberal Democrat speaking in the debate, will he confirm that, given the coalition agreement, he would be perfectly relaxed if our Government produced such a transferable allowance? Surely the Liberal Democrats could simply abstain.

Dan Rogerson: The hon. Gentleman knows that I am generally a relaxed person. We in Cornwall are famed for being laid back and not wanting the hectic pace of life that some other constituencies thrive on. I am focusing on the debate about the Government's policy in the Bill and whether the Government will choose to accept the new clause that the hon. Gentleman proposed in such an able and distinguished manner. I hope that the Government will not at this juncture look to act on the proposal in the new clause.

I am happy to update the House that during the course of the debate news reached me that Julia Goldsworthy, the former Member for Falmouth and Camborne, has announced her engagement, which I am delighted to hear. Whether she and Chris have been watching the debate and decided that this was it is unclear. I think it is unlikely, but I am delighted that the institution of marriage is taking a step forward in terms of our political life in Cornwall.

Hon. Members' speeches have made it clear that the new clause is an attempt to send a signal to a group of people in society, but I am not convinced that we should use the tax system to send a signal. There are other ways in which we could support marriage.

Mr Stewart Jackson: I concur that 1999 was a vintage year for nuptials, having been married myself that year. Surely there is a discrepancy in the hon. Gentleman's argument. By increments, he is seeking to direct fiscal policy in terms of taking poorer people out of tax—it is his party's policy, shared by many in my party, and it is in the coalition agreement. Surely he must recognise that there are perfectly good fiscal reasons for us to prevail on the Government to pursue the married tax allowance.

Dan Rogerson: There is certainly an important debate to be had, but it is not based on income or the tackling of poverty. It is a different argument, although of course an entirely legitimate one. It is just one that has failed to convince me at this juncture.

[Dan Rogerson]

In our long debate this evening we have explored the issues in some depth. Despite the excellent speech made by the hon. Member for Gainsborough, he has failed to convince me that the Government should act on his new clause.

Kate Green: This is an important debate and one that I am pleased to have the opportunity to speak in. The first thing to say is that it is important that we take great care with what the evidence tells us. That is in two respects.

Mr Stewart Jackson: The hon. Lady was not here earlier.

Kate Green: The hon. Gentleman is interrupting before I have even begun to expand on the evidence, but I shall be delighted to hear what evidence he has.

Mr Jackson: I merely had the temerity to point out that the hon. Lady did not grace us with her presence until about 20 minutes ago, so she was not in a position to hear the extremely articulate and well-made arguments made by my hon. Friend.

Kate Green: I am very sorry to have missed the contribution of the hon. Member for Gainsborough (Mr Leigh), but I should point out my own credentials—something that I do not often do. I bring to the House, if not exactly an interest, probably a bias. For four years I was proud to be the director of the National Council for One Parent Families. I worked with hon. Members, including Conservative Members, on what happens when relationships break down and children are involved. I know that I speak for hon. Members across the House when I say that our fundamental concern in this debate must be the well-being of children. I know that we come at that from different positions, but it is the debate that I think it is important we have this evening. The debate is not—however much hon. Members may, with the best of motives, care about it—about the social role of marriage and the societal messages that we send. I am interested in the well-being of children. It is incredibly important that we examine what we know about what marriage means for the well-being of children, what drives the factors that improve the well-being of children and the role of the financial position of families, and particularly of mothers, in the well-being of children.

I have had the pleasure of talking to hon. Members about this over many years, including Conservative Members. It is important for us as a House that we put it on record that this is what we really care about.

Andrew Selous: Will the hon. Lady give way?

Kate Green: I will with great pleasure give way to the hon. Gentleman, with whom I have had many important conversations on this point.

Andrew Selous: I acknowledge the hon. Lady's considerable expertise, as I have been the beneficiary of some of it in the past. Does she agree that we should not set up a position of false opposition on this matter, and that many single parents are probably passionate supporters of marriage and might well like to get married again? We need to be a bit careful how we relate to this issue.

Kate Green: The hon. Gentleman is absolutely right, because the majority of people, including young people, want to be married. Most people who become lone parents never set out to do so; they did not enter into relationships expecting or wanting those relationships to break down. However, people often find themselves, at least for a time, bringing up children on their own. My point is that the well-being of children when that relationship breaks down must be a priority for this House. He probably feels as strongly as I do about that, and I hope that hon. Members will focus their attention on it when considering the new clause.

I want to say two things about the evidence that has been mentioned and debated by hon. Members this evening, the first of which relates to the cause and effect evidence. I perhaps raised this clumsily in earlier interventions, when I sought to point out that, to some degree at least, married couples are a bit of a self-selecting category. There is a preponderance of marriage among those who already had more financial and social resources before they married. Our policy should adjust to that where children who come from different social backgrounds may be disadvantaged, rather than seek to reinforce some of the societal disadvantages which mean that there is a prevalence of marriage among higher socio-economic groups.

Dr McCrea: As a minister, I have been marrying couples for the past 42 years and I do not know where the hon. Lady is getting her statistics from, as they certainly do not reflect the reality in the Province. She gives the idea that people who enter into marriage are at the upper end of the financial stability scale, but the vast majority of people who have been married have been at the lower end of the scale or in between. The reality is certainly not what she is describing to the House tonight.

Kate Green: I cannot question the hon. Gentleman's evidence about Northern Ireland, but I can say that the position across the United Kingdom as a whole is that a higher rate of marriage correlates with people in higher socio-economic groups. We were helpfully reminded by the hon. Member for North Cornwall (Dan Rogerson) of an important question, which relates to the second point about the evidence: even if we could do something to spread the advantages of marriage across wider society, would a tax break do this? I have seen and heard no evidence, either this evening or during the many years that I have studied this subject, to show that a tax break persuades people to get married or to stay married. In that sense, particularly in these constrained fiscal circumstances, it seems extraordinary to spend public money on a mechanism that has no evidence to prove that it works effectively. There are real issues to address in respect of what the evidence shows us. Saying that does not devalue, in any way, the importance of marriage; I merely say that when we spend money, we need to know what outcome we expect it to achieve.

Mr Burrowes: I, too, recognise the hon. Lady's expertise. It is difficult in these debates to unite on what we are for. She opened her contribution by discussing children's well-being, and surely she would agree that there is evidence to suggest a correlation between children's well-being and marriage. This issue should not just be

the preserve of the few and the privileged; it should be an issue of social justice and extending it to the poorest, who can benefit from incentives and support in relation to marriage. That is what we are about, so surely we should unite in this House on that issue.

9.45 pm

Kate Green: With the greatest of respect to the hon. Gentleman—I understand what he says—we do not know and we have no evidence to tell us that it is the fact of marriage that gives those children that advantage. That is where the evidence falls down, with the greatest of respect to the strongly held views of Conservative Members and of DUP Members, too. The evidence does not tell us that the fact and existence of a marital relationship, if we strip out all other social and economic factors, makes the difference for children. Commitment might be one important factor but there is another important factor: conflict. We know that conflict, in married relationships or outside them, is extremely damaging for children, so it is dangerous for us pick out one aspect of relationships or familial structures and to say that it makes or breaks children's well-being. The evidence simply does not stack up to tell us that.

I said at the beginning of my speech that my concern was about the well-being of children in the context of the proposal to spend public money on supporting a particular kind of familial structure. I am concerned that we are diverting resources to families who are economically better off rather than to those who face the greatest risk of poverty.

The families who face the greatest risk of poverty today—hon. Members on both sides of the House agree on this point—are lone parent families. There are two possible policy responses to that, one of which is to try to stop those lone parent families becoming lone parent families. Saying that we should have fewer single parent families could be a policy response if we could see the mechanisms to achieve it and if we thought that it would genuinely work for children's well-being. In the absence of evidence that this tax break or other mechanisms can compel families to stay together, we must also consider the second policy response mechanism, which is how to improve the economic prospects of children growing up in single parent families, particularly in light of the fact that one in four children in this country will spend some time in such a family. I suggest that if we are considering where the pressure of public resources need to be focused, protecting the best interests of those children, irrespective of the marital situation of their parents, ought to be our priority.

Mr Stewart Jackson: The hon. Lady is very generous in giving way, but surely she is avoiding one central fact. We alone in Europe have a tax system that is biased against families with caring responsibilities in which one member chooses to stay at home to look after the children. That is the central fact that she is avoiding.

Kate Green: The hon. Gentleman raises a number of important points. First, I have been struck this evening by the interventions by Government Members about the opportunity for couples to make a choice—particularly that which many of them would like to see, which is for one parent in the couple, often the mother, to take some time out of the workplace to stay at home and care for children. They seem willing to spend money on offering that choice to mothers in couple relationships and to spend more on offering it to mothers in married couple relationships, but not to offer it to single mothers. The economic pressure on single mothers to go out to work to support their children is being ratcheted up by this Government. If it is right for children to have a parent at home for a time, not necessarily just when the children are very young, it must be right irrespective of the marital status of the parents. Government Members must think about the child-focused approach to deploying resources. If we think it right that parents should have the choice to be at home with their children, all parents must have that choice, not just those in married relationships.

In response to the interesting and important point made by the hon. Member for Peterborough (Mr Jackson) about what goes on in other European countries, let me say that one of the distinguishing factors is that the experience of poverty among lone parent families in this country and the much lower experience of such poverty in other European countries shows that one can design a fiscal system so that lone parenthood need not be a determinant of poverty. It need not lead families and children into poverty. This is about the redistributive choices that we make in our fiscal system. When we have such pressure on the public finances, making a choice to spend money on favouring a group of families, many of whom are already economically advantaged, rather than focusing spending on those who are most economically disadvantaged is a strange priority, particularly given that we have no evidence of the efficacy of spending money on keeping people married as a route to keeping them out of economic disadvantage.

Mr Kevan Jones: My hon. Friend talks about international comparisons, but does she agree that there is also no evidence in European countries or anywhere else that having a tax system that encourages marriage leads to more stable marriages or more coherent family units?

Kate Green: It is very clear that putting the weight of expectation for supporting marriage on the fiscal system is a very unrealistic and unlikely way of providing adequate support for strong couple relationships. Of course everybody wants strong couple relationships to be sustained and of course it is right to use every instrument of public policy that we can—cost-effectively and in terms of outcome—to do so, but the evidence about what sustains strong couple relationships is not that we should give tax breaks to the already better-off, and particularly not to the already better-off who do not have children, if we are concerned about child well-being. The evidence about what sustains strong couple relationships is about a much broader landscape of social and emotional support. It is about early relationship and social education in schools and ensuring we have strong services to support families in the community, including the universally welcome Sure Start services and the very good-quality child care and play facilities that can be available to support parents in raising their children.

To isolate money and spend it in the fiscal system rather than direct our attention to what genuinely supports strong family relationships and children in whatever family structure they are growing up is in my view a

[Kate Green]

misapplication of public funds, particularly at a time when those public funds are constrained. As hon. Members have pointed out, it is particularly strange to spend money on couples who have no children if we are concerned about child well-being, rather than to spend money in a way that specifically focuses on the well-being of kids. I am very concerned that the new clause would take money from those with higher levels of need and give it to many couples in lesser need. I accept that, as hon. Members on the Democratic Unionist Benches have said, some married couples are in low-income groups and in straitened circumstances, but in general we would be diverting resources to better-off families from lower-income families, and particularly from lower-income families with children.

Finally, let me address the issue of the couple penalty, about which we have heard a great deal and about which I am deeply sceptical. Let us start by remembering that there are economies of scale of living with another adult in one's household. It does not cost twice as much for two adults to live in a household as it costs one. The couple penalty that has been much talked about by Conservative Members fails to identify that the material circumstances of children in lone-parent families are measurably worse than those of children in couple families. Whatever the intellectual and fiscal modelling might suggest about a financial couple penalty, the reality—the outcome—is that there is no such couple penalty. Indeed, the penalty works in quite the opposite way. To seek to extend the material advantage that couples enjoy at the expense of single parents seems to me a strange choice for a Government who are particularly concerned about social mobility and improving the prospects of the most disadvantaged children.

I hope that hon. Members will consider the new clause very carefully and the fact that it simply fails to achieve the laudable goals of Members on the Government Benches to improve the prospects of some of our most disadvantaged children. I hope that they will look instead at how best we can direct resources to support parents who are bringing up children on their own, usually through no choice or fault of their own. I hope that they will relieve what is often a burden from the parents who are often proud to take on that burden and who deserve to be rewarded for taking it on, as they are the parents who stay and make the commitment. Surely they are the parents to whom we should be giving extra financial support if there is extra financial support to be made available. I really do plead with Members on the Conservative Benches, and with DUP Members who I think are giving them some support this evening, to think again about the likely effect of such a new clause and about the children who would lose out. I am sure that their intentions are honourable, but I am afraid that the results will be anything but.

Mr Stewart Jackson: It is a pleasure to follow the hon. Lady, who always makes an intelligent, cogent and reasonable case, but she is completely wrong. I had not intended to trouble the scorers this evening, but it is important that we have a proper debate on new clause 5, that it is not rushed through, and that this is not treated as a procedural issue that the House can dismiss lightly. It goes to the kernel of what my hon. Friends and I believe in. We did not come into politics at any level—in my case, more than 20 years ago—to make people poorer, to embed disadvantage, or to have a tax system that favours some over others.

My party has a strong tradition of small "l" liberal and progressive social reform, from Disraeli onwards. One of the more depressing aspects of the debate is the straw men—or straw people, I should say—who have been set up, and the caricatures of the Conservative party that have been paraded before us.

Fiona O'Donnell (East Lothian) (Lab): Will the hon. Gentleman give way?

Mr Jackson: Not at the moment; I may do so later. If a reasonable person from any other European country stumbled into the Chamber tonight, they would wonder why we were debating the issue. It is an existential issue of what we believe as public servants—as politicians—about the institution of marriage. That is not to traduce or do down the massive contribution that those who are, for a variety of reasons, single parents make to their family. They love their children and care about their family, and they are a part of the community. However, it is incumbent on us to say what we think is right. I commend the courage and dedication of my hon. Friend the Member for Gainsborough (Mr Leigh), who is willing to be unfashionable sometimes and speak out on what he believes is right.

This is a totemic issue, because my party put it in its election manifesto. It recapitulated that point in the coalition agreement and has argued for this specific policy, so it is not one that we can lightly cast aside as irrelevant now that we are in a coalition in which there must be give and take. Many of us have always believed that it is vital to take poorer working people out of tax. We heard about a cornucopia of so-called Tory errors going back to the minimum wage. Let me remind Opposition Members that the gap between the richest and poorest 10% widened under the Labour Government. A former very senior Government member professed that he was

"intensely relaxed about people getting filthy rich";

that is a fact. No one has a monopoly on care and compassion for people.

It cannot be wrong to look at examples in other European countries, see that their fiscal policy decisions work, and decide to look at a similar policy. I like, respect and trust the Exchequer Secretary to the Treasury; he is a decent man of his word. He will have heard the strength of views and the passion on the Conservative Benches. He will also have heard the filibustering by the hon. Member for North Durham (Mr Jones), which reached a nadir when he effectively said in his final remarks that people were essentially too thick to fill in their tax forms. I know that filibustering is an art form, and he has perfected it, but that is gilding the lily and taking things to a ludicrous length. This is not a subject for knockabout politics; it is about real changes to support people.

Mr Burrowes: My hon. Friend makes a good and important case. Many people quite properly raise concerns about the gap between the rich and the poor growing over the years, but why do the same people not also raise concerns about the position of one-earner married couples on an average wage with two children? Their

tax burden has increased over the years, too. Why are people not rising up and expressing concern about that discrimination, which will lead to real child poverty if we do not deal with it?

10 pm

Mr Jackson: My hon. Friend has a long tradition of concentrating on this issue in his professional work in family law before he came to the House, and he knows what he is talking about. He is right and astute in his observation. The proposal is about ameliorating unfairness, as well as having a progressive tax policy to reward what we think is right. The hon. Member for Stretford and Urmston (Kate Green), in her usual decorous way, skipped the key issue, which is that European countries are making such tax changes or have established them, and we have not. It is incumbent on her to make the case why they are all wrong and we are right.

Andrew Selous: Does my hon. Friend agree that in this case the United Kingdom is the odd country out? As he so powerfully said, we need to join the mainstream of Europe on this matter.

Mr Jackson: My hon. Friend makes an intelligent point, with which I wholeheartedly agree.

Reference was made earlier to the Centre for Social Justice report of May 2011. The hon. Member for North Durham, who is ambling along the Back Benches towards his place, did not refute the causal link and the difference between marriage and cohabitation and some of their negative socio-economic impacts.

Mr Kevan Jones: I do not know whether the hon. Gentleman was listening; I said nothing of the sort. I said that a possible reason for marriage break-up was poverty, but the link that he is making by suggesting that marriage break-down somehow leads to poverty is not the point that I was making at all.

Mr Jackson: The hon. Gentleman is trying the patience of the House. We will have a look at *Hansard* tomorrow to see what he said. He did not refute the details and facts that I put before the House in my interventions on him and others.

Mr Jones: I know the hon. Gentleman is not a good listener. He is drawing the conclusion that poverty, and things such as drug abuse among children of single parents and others, is a result of the fact that their parents are not married. What I said, and what is clear from the work of the Secretary of State for Work and Pensions, is that the root cause is poverty, not whether people are married or not married.

Mr Jackson: My capacity to listen is in inverse proportion to the length of the hon. Gentleman's peroration. Given that he spoke for an hour, at the end, like many others, I lost the will to live. I expect better of the hon. Gentleman because he has given some very informative speeches over the years. Sadly, that was not the case tonight. I am sure he is distressed at my observations.

The hon. Gentleman failed to take on board any of the comments that were made or the facts that were presented. A study by the Bristol Community Family Trust in December 2010 demonstrated that cohabiting couples accounted for 80% of family break-ups, whereas divorce accounted for only 20% of break-ups. He did not specifically seek to break the causal link that I was making. One in 11 married couples break up before their child is five, compared with one in three unmarried couples. None of us wants to see the dire social consequences of family breakdown. There is a consensus across this country about it, from the Prime Minister down.

Kate Green: Accepting at face value what the hon. Gentleman says—that cohabiting couples are more likely to separate than married couples—what evidence can he give us that a financial inducement would work to keep those cohabiting couples together?

Mr Jackson: I expected better of the hon. Lady, who is learned, intelligent and usually erudite, than rejigging the caricature, "Put a ring on your finger and get an extra 20 quid a week." That has never been our argument. We seek to influence private behaviour with public policy, and I used the example of speeding fines and points on a licence as policies that are likely to influence future behaviour. As I said to the hon. Member for North Cornwall (Dan Rogerson), who is no longer in his place, the Liberal Democrats made a manifesto commitment, which we have accepted, to take more poorer working people out of tax. That commitment was made on the same basis. The point I keep coming back to, and which I repeat for the hon. Member for Stretford and Urmston, is that the international comparators support my case and not hers.

Helen Goodman: Will the hon. Gentleman give way?

Mr Jackson: I will not give way for the time being.

We all wish to deal with the problem of family breakdown, and I genuinely believe that this would be an important pointer and signal that we are in line with other countries and cognisant of international comparators. The hon. Member for North Durham painted a picture of a wonderful land of milk and honey, a Valhalla, after 13 years of the Labour Government, but it is worth repeating that in 2007, under a Labour Administration, a UNICEF report on child well-being placed Britain bottom in a league table of 21 countries. Members should listen not only to me on that point but to Mr Justice Coleridge from the family division of the High Court, who in 2009 summarised the position thus:

> "The breakdown of families in this country is on a scale, depth and breadth which few of us could have imagined even a decade ago... almost all of society's ills can be traced directly to the collapse of family life... it is a never ending carnival of human misery."

The Whips are imploring me to conclude my comments—I know it is not my aftershave—so I will do so, as I am always receptive to the admonitions of my hon. Friend the Member for Rochford and Southend East (James Duddridge). We have had an excellent debate and I believe that my hon. Friend the Exchequer Secretary has listened. This is an important point of principle for Members on this side of the House and for many others, including hon. Gentlemen and Ladies from Northern Ireland on the other side of the Chamber. It is a totemic issue, and this Conservative-led coalition Government must, and I believe will, deliver on this promise.

Michael Connarty: In the contributions that I have heard via the live feed and in the Chamber, sadly there seem to have been moral overtones that echo speeches in a Victorian Parliament. If moral judgments are behind those arguments and people think that they this is a moral vote, I am quite sad about that. It might be a political strategy, however. Many political strategies were put forward by the Conservative leadership at the election, but hopefully they will not be reflected in the legislation put though this House. I hope that the contribution from the hon. Member for North Cornwall (Dan Rogerson) is more reflective of the coalition, which means that the Government will not do what the new clause proposes.

It is very important that people listening to this debate realise what the proposals are. After the advances that this country has made, in the recognition of civil partnerships, for example, this proposal is about spouses and spouses alone, not civil partners. It is attacking the progress that has been made, which is now being copied across Europe. It does not relate to people of the same gender in firm and committed relationships, which shows that it is not a forward movement at all. It is an attempt to throw out and make a moral judgment on the things that have been done by the joint agreement of this House to advance society's value of firm and committed partnerships. That is what is important.

Andrew Gwynne: Will my hon. Friend give way?

Michael Connarty: Not yet.

It is not just a matter of putting a marriage partnership or a firm partnership ahead of any other. My hon. Friend the Member for Stretford and Urmston (Kate Green) spoke strongly and has worked hard on single parenthood, but I happen to believe, in most cases but not all, that a partnership provides a much stronger place for children to grow up in than that provided by any single person—male or female—who has to go it alone. Therefore, our society has a lot of value when we can encourage partnerships.

We still have the oddest situation in Europe—and among many other countries outside Europe—because we do not recognise de facto partnerships. De facto partnerships are not civil marriages but agreements by people without either a civil or Church marriage to remain in a relationship and to commit to themselves and to any offspring.

My son lives in Australia, and he shared a de facto partnership for a number of years, recognising that if he or his partner had died their pension would have transferred to the other. In this country I have friends who, like me and my spouse, have been together for 41 years. They have had to get married because they might be coming to the end of their lives—not for a long time, I hope—and their pensions would have died with them.

That was a moral judgment which the previous Labour Government made, and it was shameful, because we should have had civil partnerships for all who wished to have them, and we should have recognised de facto partnerships as much as same-gender partnerships. That is how we should have looked at things, but we should not give cash incentives, as the new clause seeks. Indeed, that was the contradiction in the contribution from the hon. Member for Strangford (Jim Shannon), because he said that he was not about incentivising partnerships through finances and then spoke on behalf of the new clause—which would incentivise partnerships.

Mr Burrowes: Will the hon. Gentleman give way?

Michael Connarty: I have a call from my hon. Friend the Member for Denton and Reddish (Andrew Gwynne) first.

That is what is wrong with the new clause. It is about spouses, it is backward looking and moralistic and it will not help children at all. It is sad that one in five marriages breaks down and that civil partnerships break down, so we must encourage people through the way we finance them and help them to keep their relationships together, because finances as much as personal fall-outs break down relationships.

Andrew Gwynne: I agree wholeheartedly that families come in different shapes and sizes, and we need to respect and reflect that in public policy. Is not that why the previous Labour Government were absolutely right to target limited resources on tackling child poverty, irrespective of the child's family background?

Michael Connarty: My hon. Friend has made that point before, and he puts it better than I could.

My mother, who now has sadly passed away, was soured by the Labour Government very early on when we took away the additional money for single parents. From then on, every time I went to her house on a Sunday, she would start by saying, "Welcome," and then she would say, "You and your Tony Blair," and for the rest of my visit berate me for what we had not got right. She was a great touchstone, however, because she saw that the defence of children and the future of children were important, not the rest.

The new clause is a backwards step, but I am hopeful that the Minister will not support it and that such legislation will never get through. It states that only marriage—not any other relationship—is good enough or as good as we would wish.

Mr Burrowes: The hon. Gentleman is experienced in European affairs, given his chairmanship of the European Scrutiny Committee and his general interest in European matters, so I have a question. Why do France, Germany and Italy all recognise marriage in the taxation system? Indeed, let us widen that question. Why do only 24% of OECD citizens live in countries that do not recognise marriage in the taxation system? Has he ever asked why our European neighbours recognise marriage but we do not?

Michael Connarty: People must ask those Governments, but many recognise de facto partnerships as well, and their recognition is based on not just the marriage to which the new clause refers with "spouses". That is the point. This is about one small group that we in this country used to see as a backward thing. We have moved beyond that now, and it is time we put it behind us. Perhaps others will catch up with us soon enough when they realise that it is partnerships that matter, not specifically spouses in a formal marriage.

10.15 pm

Mr Chope: In making a brief contribution to this very important debate, I congratulate my hon. Friend the Member for Gainsborough (Mr Leigh) on getting it going. It came as a bit of surprise when my hon. Friend the Member for Congleton (Fiona Bruce) did not speak to the new clause, but I am delighted that she subsequently joined the debate to speak in support of it.

I come at this subject on the basis that the Prime Minister supports exactly what I support: recognising marriage in the tax system. He promised that the Government would recognise marriage in the tax system after the general election, and this debate rightly puts the focus on how that commitment will be implemented. I hope that when the Minister responds, he will say exactly when that is going to happen. Over a year ago, on 2 June 2010, the Prime Minister said:

> "I believe that we should bring forward proposals to recognise marriage in the tax system. Those in our happy coalition will have the right to abstain on them, I am happy to say, but I support marriage. We support so many other things in the tax system, including Christmas parties and parking bicycles at work, so why do we not recognise marriage?"—[*Official Report*, 2 June 2010; Vol. 510, c. 428.]

Those were excellent words from my right hon. Friend. Then, some three or four months later—

Mr Kevan Jones *rose—*

Mr Chope: No, I am not going to allow anybody to interfere with the words of the Prime Minister.

On 5 October 2010, the Prime Minister said:

> "I have always supported the idea of supporting marriage through the tax system, specifically supporting the idea of a transferable tax allowance. The idea of a transferable tax allowance is in the coalition agreement."

That is where my hon. Friend's new clause comes in, because it calls for just that. One is entitled to ask why, having had two Budgets since the general election, we still do not have proposals to implement that very important pledge.

Labour Members are misrepresenting this proposal as an attempt to build new privileges for those who are in a marital relationship, but, as has been brought out time and again during the debate, the question is what we are going to do to prevent those who are married from suffering disadvantage under the tax system. That is what we are trying to put right with the new clause.

Helen Goodman: Labour Members would be far more sympathetic to the case that the hon. Gentleman and his colleagues are making in saying that they do not have negative attitudes towards single-parent families if they had not voted for the Welfare Reform Bill, which requires lone parents to pay to get the services of the Child Support Agency.

Mr Chope: Speaking for myself, I do not have negative attitudes towards single-parent families, but I do feel that single-parent families should not be advantaged in the tax system as compared with married families. That is the problem that we have at the moment, and that is what we are trying to put right in the new clause.

I am lucky in that my constituency is in an area described thus in a headline in last week's local paper: "East Dorset is a place for love and marriage". The article says:

> "Married couples in East Dorset stick together. Latest...figures show that 65 per cent of marriages in the area last, well above the national average",

with the seventh highest rate of marriage survival in the country. Even so, fewer than two out of three marriages survive, but that is a lot better than in many other parts of the country.

I am not suggesting that the tax system is causing marital breakdown, but I am saying that we should follow the very strong lead of our Prime Minister and put pressure on the coalition Government to implement their commitment to recognise marriage in the tax system.

John Glen (Salisbury) (Con): Is not the real issue the calibration of the compromise? Most new Government Back Benchers recognise that in a coalition there has to be compromise. At the same time as we see moves forward on the individual allowance for our Liberal Democrat colleagues, we need to see some progress along the lines that my hon. Friend is setting out. The key issue is that there appears to be an imbalance in the compromise.

Mr Chope: My hon. Friend makes a very good point. We are seeking a route towards a destination. The Prime Minister set out the clear destination, but so far we do not seem to have made any progress towards achieving it. What was set out in detail on the Conservative website at the time of the election was a very modest proposal, which talked about a small proportion of the tax allowance being transferable, with quite a tight maximum income threshold in order for people to be eligible. Even that modest proposal has not yet been put forward by the Government in the Finance Bill so that we can support it and implement it.

Mr Kevan Jones: The hon. Gentleman has talked about the Prime Minister's support for this proposal. Does he recognise that the Prime Minister included civil partnerships in what he said? If we agreed to this proposal tonight, civil partnerships would be excluded, which is clearly at odds with what the Prime Minister wants.

Mr Chope: If there is a defect in the wording of the new clause and it fails to recognise everything that the Prime Minister said—he certainly referred specifically to civil partnerships—the hon. Gentleman may have a point about that, but he does not have a point about much else, in my submission.

Mr Leigh: I am happy to make the concession to the hon. Member for Linlithgow and East Falkirk (Michael Connarty), who spoke at some length on this point, that if the new clause is defective, I am happy to withdraw it and for the Government to bring back a new clause that includes civil partnerships. I make it absolutely clear that we have nothing against civil partnerships.

Mr Chope: My final point is that there is a read-across between the new clause and the conundrum that the Government face in the debate about the withdrawal of

[Mr Chope]

child benefit from families that comprise at least one higher rate taxpayer. That issue is causing a lot of angst among our constituents, particularly for parents in single income households in which one parent stays at home to look after the children. As I have said in correspondence with the Minister, in some cases one parent stays at home to look after a disabled child. If there is one parent who is the breadwinner and he is a higher rate taxpayer on an income of about £45,000 or £50,000, he will be above the threshold and will be deprived of his child benefit.

Michael Connarty: Will the hon. Gentleman give way?

Mr Chope: I will give way in a minute.

In comparison, a household with two people earning between £35,000 and £40,000 each, which has a much higher income, will keep its child benefit. That is not fair. In response to correspondence, the Minister has said that there has to be a bit of rough justice and that to introduce a system of transferability of allowances and entitlements would be very complicated. However, that is exactly what was proposed by the Prime Minister with the transferability of tax allowances, and that is what is proposed in the new clause. That is of significance, because there is a read-across from this other thorny policy issue that faces the Government.

I hope that we will have a positive response from the Minister, and that he will spell out in detail when and how the Prime Minister's pledges to the country will be implemented.

Chris Leslie: What on earth is going on with the Tories this evening? It is a perplexing situation, because Conservative Members usually accuse Labour Members of filibustering in an open-ended Finance Bill debate, but not at all this evening. Instead we seem to have a private family dispute breaking out.

Chris Ruane (Vale of Clwyd) (Lab): Divorce in the air.

Chris Leslie: There could be, who knows? We had the unedifying spectacle, at the beginning of the debate, of the hon. Member for Congleton (Fiona Bruce), in whose name the new clause was tabled, not moving it, and the hon. Member for Gainsborough (Mr Leigh) swiftly getting to his feet and deciding to move it. Three hours later, here we are. I am not quite sure whether the hon. Member for Congleton had reached some sort of deal with the Whips—it did not look like a particularly friendly deal at the time, but maybe she had a concession from Ministers and they are going to announce, finally, some movement on their election pledges. It is all very strange behaviour.

As my hon. Friends have said, it is very peculiar, at a time when millions of families, pensioners and others are being hit hard by deep spending cuts and tax rises, that the first priority of so many Conservative Members is to advocate an unfair tax cut with no apparent benefit to society. It would be a multi-billion-pound marriage tax break that would penalise those who are separated, widowed or divorced, many of whom are already being hit hard by cuts to tax credits and child care.

Mr Stewart Jackson: Will the hon. Gentleman give way?

Chris Leslie: Well, why not? More from the hon. Gentleman.

Mr Jackson: On the subject of unfairness, would the hon. Gentleman like to apologise for the fact that in the financial year 2007-08, under his party's Government, the tax burden on one-earner married couples with two children, on the average wage, rose to 44% greater than the OECD average? That is a matter of fairness. Does he think any responsible party should ignore it?

Chris Leslie: I am not quite sure what the hon. Gentleman's point is. Maybe in the cool light of day that intervention will have more light shed on it. In his contribution earlier, he asserted that there was a causal link between marriage and the socio-economic well-being of society, child well-being and so forth. He may well have a set of statistics in which he sees a correlation, but I am sure he understands the difference between causal and correlative effect. It may well be that car ownership has a similar correlation with child well-being, but that does not mean that setting up the tax system to the advantage of a particular institution will necessarily have the outcome that he seeks.

My hon. Friends the Members for Stretford and Urmston (Kate Green), for North Durham (Mr Jones) and others have overwhelmingly proved that we need a tax and benefits system focused on need and on poverty alleviation, particularly poverty among children. That must be the driving force behind a sane and rational tax system. We do not want a system with the peculiarities and idiosyncrasies that Conservative Members advocate.

Mr Kevan Jones: Does my hon. Friend agree that one causal link might be with poverty? The hon. Member for Christchurch (Mr Chope) says that couples in Dorset stay together longer, but might that not have a lot to do with the affluent nature of that part of the world compared with, say, inner-city Glasgow?

Chris Leslie: Absolutely. Of course that is the case. It is so obvious that it is surprising that Conservative Members cannot see it. What is worse is that the new clause that they have moved—or rather, that one of them has moved—would cost more than £4 billion. It would cost £4.1 billion to create a personal allowance transferable between all couples, married and unmarried. That would be the price tag of new clause 5. That is the equivalent of a penny on income tax, a penny on employee national insurance rates, a 1% increase in VAT or putting VAT on fuel and power, as we know the Government sometimes like to do. If Conservative Members advocate spending that amount of money, surely it would be better to target it on the basis of need and where it would have the best and most direct benefit to society.

There is a long history of the transferability of personal allowances, and I will not go through it.

Helen Goodman: Oh, go on!

Chris Leslie: I know that many of my hon. Friends would like to me to elucidate some of that history, but we have already been through various centuries in this evening's debate. Suffice it to say that it was a Conservative

Government who eventually phased out the married couple's allowance, and indeed the current Lord Chancellor who said:

"Now that husbands and wives are taxed independently—one of the best taxation reforms in recent years—the married couple's allowance is a bit of an anomaly."—[*Official Report*, 30 November 1993; Vol. 233, c. 935.]

My hon. Friend the Member for Stretford and Urmston was absolutely right when she highlighted Labour's policy shift towards helping the children and families in greatest need, particularly through the tax credit system. That was one of the greatest changes made by the previous Labour Government, and one that we should be proudest of.

10.30 pm

The Conservatives have made a number of manifesto commitments on the transferability of personal allowances: they made such a pledge as far back as their 2001 election manifesto, and the Work and Pensions Secretary reiterated it in Centre for Social Justice reports. It comes up again and again, even as recently as the most recent general election, when a similar, albeit smaller, measure was proposed.

The Liberal Democrats, however, have always been firmly against such a measure; at least, that appeared to be the case. Indeed, as my hon. Friend the Member for North Durham said, no less a person than the Deputy Prime Minister said that the proposal was

"a throwback to the Edwardian era",

adding:

"Miriam and I got married for love, not for three quid a week. It's patronising drivel."

This is one of those rare occasions when I agree with the Deputy Prime Minister.

The hon. Member for Christchurch (Mr Chope) highlighted child benefit and taxation for higher earners. The two issues are inextricably linked, because when challenged about his decision at the Conservative party conference, the Prime Minister said, "Oh well. Don't worry. We're going to be making moves on a transferable married couples allowance." Of course we never saw such a proposal then, and we still do not know how the child benefit taxation arrangement will be implemented. That would be a major change to the independent taxation system.

Mr Chope: Will the hon. Gentleman give way?

Chris Leslie: This is the final intervention that I will take.

Mr Chope: I am sure that if the hon. Gentleman waits, he will hear a major announcement on that issue from the Minister very shortly.

Chris Leslie: The hon. Gentleman could have speeded that up by not intervening.

I shall finish by saying that, clearly, there are major problems with the transferable allowance. It is costly and not targeted, and it is unfair to those without a marriage certificate, whether they are divorced, widowed, single or in a couple. There are a host of anomalies and unintended consequences, as several of my hon. Friends have said. For instance, if a husband is killed in a tragic road accident, his widow and children will be left without support, and so on. The proposal undermines the principle of independent taxation, but most of all, we should focus our tax and benefits system on need and on the alleviation of poverty. I sincerely hope that the House will reject new clause 5.

The Exchequer Secretary to the Treasury (Mr David Gauke): As we have heard, new clause 5 would introduce transferable personal allowances for married couples, allowing one spouse in all married couples to transfer unused personal allowance to the other. I am very grateful to my hon. Friend the Member for Congleton (Fiona Bruce) for tabling the new clause. It highlights an important point: that marriage is a positive institution, and one that the Government are committed to support.

We are keen to send a clear message that family and marriage matters, and that strong and healthy families help to create a strong and healthy society. In little more than a year, this Government have proved our determination to tackle the wider issues that can affect family stability.

Fiona O'Donnell: What message would the measure send to the woman who came my surgery on Friday, fleeing an abusive relationship to keep herself and her children safe?

Mr Gauke: It is of course important that we, as a society, do everything that we can for a woman in the circumstances that the hon. Lady describes. However, the Government also believe that the institution of marriage provides something to society that should be recognised. That is the thinking behind our policy. Of course we must help those in abusive relationships and do all we can to support them, but that does not preclude taking steps to support the institution of marriage. The Government recognise that.

Thomas Docherty: Like the Minister, I am a fan of the institution of marriage, but what does it say about the institution that the Government feel that they need to support it like this?

Mr Gauke: If the hon. Gentleman is prepared to be patient, I will set out the Government's position.

If we are to address poverty, it is important that we address not just poverty but the causes of poverty—to coin a phrase—and ensure that work pays, and that is what our welfare reform programme is designed to do. It is also important that we take steps to ensure that the family and marriage are recognised, and that we do what we can to support stable relationships.

Ian Austin (Dudley North) (Lab): Under the Minister's proposals, if a man abandoned his wife and children and got remarried, would he continue to receive the tax allowance? If a woman were widowed, would she lose it?

Mr Gauke: Let me set out—[Hon. Members: "Ah!"] Let me set out the point. As has been said many times during this debate, marriage is recognised in the vast majority of countries. The previous Government introduced the transferable nil-rate band for inheritance, which was specifically designed to assist married couples and civil partnerships. If the Labour party is against any kind of recognition of marriage within the tax system—

Ian Austin *rose—*

Mr Gauke: Let me finish this point. If the Labour party is against any kind of recognition of marriage within the tax system, why did it introduce the transferable nil-rate band for inheritance tax?

Ian Austin *rose—*

Mr Gauke: Perhaps the hon. Gentleman will explain. *[Interruption.]*

Ian Austin: Would a woman whose husband was killed in Afghanistan lose this benefit?

Mr Gauke: As I sat down to give way to the hon. Member for Dudley North (Ian Austin), the shadow Chancellor said, "You don't have to be married to benefit from the transferable nil-rate band." He is absolutely right. As I said, it applies to married couples and those in a civil partnership. That is exactly what I said earlier. As the hon. Member for Dudley North pointed out, it is important that we support widows in the circumstances he mentioned. Does that mean, though, that we should never do anything for married couples? It does not necessarily follow.

I want to put this in the wider context of what we are doing to help strong and stable families. For example, the Department for Education has announced plans to spend £30 million on relationship support to deliver better support for couples in relationship distress. However, as hon. Members will be aware, the Government have made it clear that we intend to introduce proposals to recognise marriage and civil partnerships in the tax system. As the Prime Minister said recently, this will show that as a country we value commitment. I certainly agree, therefore, with the intentions behind the new clause.

Although the Government support the principle behind the new clause, now is not the appropriate time to bring forward such a measure. It would entail significant and immediate costs to the Exchequer, its scope is wider than the Conservative party manifesto pledge and the cost, we estimate, would be more than £4 billion. It would also necessitate substantial implementation costs.

Clive Efford: Will the Minister give way?

Mr Gauke: I will give way again, but I am keen to make progress.

Clive Efford: Will the Minister comment on what message this sends to teachers planning to strike on Thursday? On the day when the Secretary of State for Education was dragged to the House to explain what he was doing to avoid the strike, the priority of Back-Bench Conservative MPs is to propose a motion that would cost more than £4 billion a year, yet teachers are being told that the Government will not negotiate over increases in their pension fund contributions. What message does that send to those teachers?

Mr Gauke: We have heard a lot in this debate about single parents. One group that will be affected if teachers go on strike and schools close on Thursday will be single working parents, who will face substantial disruption in dealing with child care. I hope that Members in all parts of the House will strongly urge teachers to go to work on Thursday.

Mr Leigh: I am quite prepared to accept that we are only Back Benchers and that the new clause may be defective, but I would be prepared not to force it to a vote if my hon. Friend now gives a firm and solemn pledge that during this Parliament the Government will honour our manifesto pledge to recognise marriage in the tax system. If my hon. Friend gives me that pledge, I will not force the new clause to a vote; if he does not give that pledge now, I will force it to a vote.

Mr Gauke: As always, my hon. Friend is very forceful in the points that he makes. Let me make a little progress; whether he considers it to be sufficient progress we shall wait and see.

Ian Lucas (Wrexham) (Lab) *rose—*

Mr Gauke: I am going to make some progress.

Clearly, £4 billion is a significant amount of money. Any decision to introduce a mechanism to recognise marriage in the tax system will need to be taken in the context of the wider public finances, so whatever proposals the Government make will balance the benefit to society with the cost to the Exchequer. We will consider a range of options.

There are also some issues with the drafting of new clause 5. Some seemingly minor elements, such as the lack of a commencement date, make the new clause administratively difficult for two reasons. First, lead-in times for an effectively implemented mechanism will be lengthy because HMRC will need to design and put in place new processes—a point that a number of hon. Members have recognised. We will factor that into our thinking. The Government and HMRC understand the need for a workable way of delivering this, and we are actively engaged in that process. Secondly, the lack of a commencement date means that those who qualify could, technically, claim for at least the last four years, which could substantially increase the cost.

As we have heard, the new clause also makes no mention of civil partnerships, which we believe must be included. There is much that HMRC will need to prepare before the Government are able to meet their commitment, but hon. Members can rest assured that the Government are considering all those points. Let me say to my hon. Friend the Member for Gainsborough (Mr Leigh) that the Government remain committed to exactly what we said in the coalition agreement. I support the principle behind the new clause.

Labour introduced a mechanism in the tax system to recognise the advantages of cycling to work, and although I have nothing against cycling to work, it seems to me that marriage is more important to society, so the idea that the proposal before us would somehow represent a strange or unusual element in the tax system is, I am afraid, wrong. However, it is not practical to implement it at this time, and such changes need to be made within the boundaries of improved fiscal stability. Therefore, although I will reluctantly ask my hon. Friend to withdraw new clause 5, I can assure my hon. Friends that this is not an issue that we have forgotten about; rather, it is a commitment that we will keep.

Mr Leigh: I am afraid that the Minister has not answered the specific question that I asked him. It is not good enough to say that we will honour a commitment, but then give no date for when that commitment will be honoured. I am very sorry, but there is not a cigarette paper between what my hon. Friends and I are proposing in new clause 5 and what the Prime Minister said, which I shall repeat:

"I believe that we should bring forward proposals to recognise marriage in the tax system. Those in our happy coalition"—

notice that he mentioned the coalition, because this is about now, in this Parliament; he was not talking about some time in the future—

"will have the right to abstain on them, I am happy to say, but I support marriage. We support so many other things in the tax system, including Christmas parties and parking bicycles at work, so why do we not recognise marriage?"—[*Official Report*, 2 June 2010; Vol. 510, c. 428.]

10.45 pm

I repeat: why is politics held in such contempt? It is because politicians go to the people at general elections and promise things—

Ian Austin *rose*—

Mr Leigh: I am not going to give way, because the House wants to come to a decision on this.

The House is held in such contempt because we make pledges and then we do not carry them out. We made a solemn pledge before the election, and we repeated it after the election—

Ian Austin: Nonsense!

Mr Leigh: I will not be shouted down by the hon. Gentleman. He was not here for most of the debate anyway.

We made that pledge, and we should now respect it. I was hoping to be able to say that the new clause was defective, and that we would be quite happy to withdraw it and to redraft it to enable civil partnerships to be recognised. We would be quite happy if the Minister then said that it could be introduced during the course of this Parliament. However, he has not said that. I am afraid that he has not answered the points that we have put to him. We had an hour's speech by the hon. Member for North Durham (Mr Jones), most of which did not address what we are trying to say. I want to end by saying that none of us is trying to penalise two-earner families or single parents. We are simply trying to remove the severe penalty that this country imposes on one-earner families. The United Kingdom is completely out of step with most of the world in that regard. Nothing in our proposal is radical; it is sensible and it is right, and I think that we should now have a Division on it.

Question put, That the clause be read a Second time.

The House proceeded to a Division.

Mr Speaker: Order. Open the doors for a further minute, owing to the extreme congestion in one Division Lobby.

The House having divided: Ayes 23, Noes 473.

Division No. 307] **[10.46 pm**

AYES

Bruce, Fiona
Campbell, Mr Gregory
Carswell, Mr Douglas
Chope, Mr Christopher
Davies, Philip
Dobbin, Jim
Dodds, rh Mr Nigel
Donaldson, rh Mr Jeffrey M.
Dorries, Nadine
Field, rh Mr Frank
Henderson, Gordon
Hoey, Kate
Leigh, Mr Edward
McCartney, Karl
McCrea, Dr William
Nuttall, Mr David
Offord, Mr Matthew
Paisley, Ian
Reckless, Mark
Shannon, Jim
Simpson, David
Turner, Mr Andrew
Vickers, Martin

Tellers for the Ayes:
Mr Peter Bone and
Mr Philip Hollobone

NOES

Abrahams, Debbie
Adams, Nigel
Afriyie, Adam
Ainsworth, rh Mr Bob
Aldous, Peter
Alexander, rh Mr Douglas
Alexander, Heidi
Ali, Rushanara
Anderson, Mr David
Andrew, Stuart
Arbuthnot, rh Mr James
Ashworth, Jon
Austin, Ian
Bacon, Mr Richard
Bailey, Mr Adrian
Bain, Mr William
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Balls, rh Ed
Banks, Gordon
Barclay, Stephen
Baron, Mr John
Barron, rh Mr Kevin
Bayley, Hugh
Bebb, Guto
Beckett, rh Margaret
Begg, Dame Anne
Beith, rh Sir Alan
Benn, rh Hilary
Benton, Mr Joe
Beresford, Sir Paul
Berry, Jake
Betts, Mr Clive
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackman-Woods, Roberta
Blears, rh Hazel
Blenkinsop, Tom
Blomfield, Paul
Blunkett, rh Mr David
Blunt, Mr Crispin
Boles, Nick
Bottomley, Sir Peter
Bradley, Karen
Bradshaw, rh Mr Ben
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Brennan, Kevin
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Brown, Lyn
Brown, rh Mr Nicholas
Browne, Mr Jeremy
Bruce, rh Malcolm
Bryant, Chris
Buckland, Mr Robert
Burden, Richard
Burley, Mr Aidan
Burns, Conor
Burns, rh Mr Simon
Burstow, Paul
Byles, Dan
Byrne, rh Mr Liam
Cairns, Alun
Campbell, Mr Alan
Campbell, rh Sir Menzies
Carmichael, rh Mr Alistair
Carmichael, Neil
Caton, Martin
Chapman, Mrs Jenny
Chishti, Rehman
Clappison, Mr James
Clwyd, rh Ann
Coaker, Vernon
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Connarty, Michael
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Crausby, Mr David
Creagh, Mary
Creasy, Stella
Crockart, Mike
Crouch, Tracey
Cryer, John
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Dakin, Nic
Danczuk, Simon
Davey, Mr Edward
David, Mr Wayne

Davies, David T. C. *(Monmouth)*
Davies, Geraint
Davies, Glyn
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dobson, rh Frank
Docherty, Thomas
Donohoe, Mr Brian H.
Dorrell, rh Mr Stephen
Dowd, Jim
Doyle-Price, Jackie
Drax, Richard
Dromey, Jack
Duddridge, James
Dugher, Michael
Duncan, rh Mr Alan
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Durkan, Mark
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Ellis, Michael
Ellison, Jane
Ellman, Mrs Louise
Ellwood, Mr Tobias
Engel, Natascha
Esterson, Bill
Eustice, George
Evans, Chris
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Featherstone, Lynne
Field, Mr Mark
Fitzpatrick, Jim
Flello, Robert
Flynn, Paul
Foster, rh Mr Don
Fovargue, Yvonne
Fox, rh Dr Liam
Francis, Dr Hywel
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Gardiner, Barry
Garnier, Mr Edward
Garnier, Mark
Gauke, Mr David
George, Andrew
Gibb, Mr Nick
Gilbert, Stephen
Glass, Pat
Glindon, Mrs Mary
Godsiff, Mr Roger
Goggins, rh Paul
Goldsmith, Zac
Goodman, Helen
Goodwill, Mr Robert
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Damian
Green, Kate
Greening, Justine
Greenwood, Lilian
Griffith, Nia
Griffiths, Andrew
Gummer, Ben
Gwynne, Andrew
Gyimah, Mr Sam
Hain, rh Mr Peter
Halfon, Robert
Hames, Duncan
Hamilton, Mr David
Hamilton, Fabian
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Matthew
Hancock, Mr Mike
Hands, Greg
Hanson, rh Mr David
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Havard, Mr Dai
Hayes, Mr John
Heald, Oliver
Healey, rh John
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Hendrick, Mark
Hendry, Charles
Herbert, rh Nick
Heyes, David
Hinds, Damian
Hoban, Mr Mark
Hodgson, Mrs Sharon
Hollingbery, George
Holloway, Mr Adam
Hopkins, Kelvin
Hopkins, Kris
Horwood, Martin
Hosie, Stewart
Howarth, rh Mr George
Howell, John
Hughes, rh Simon
Huhne, rh Chris
Hunter, Mark
Huppert, Dr Julian
Jackson, Glenda
James, Margot
James, Mrs Siân C.
Jarvis, Dan
Javid, Sajid
Johnson, Diana
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Mr Marcus
Jones, Susan Elan
Jowell, rh Tessa
Kawczynski, Daniel
Kelly, Chris
Kendall, Liz
Kennedy, rh Mr Charles
Khan, rh Sadiq
Kirby, Simon
Knight, rh Mr Greg
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lammy, rh Mr David
Lansley, rh Mr Andrew
Latham, Pauline
Lavery, Ian
Laws, rh Mr David
Lazarowicz, Mark
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Leech, Mr John
Leslie, Charlotte
Leslie, Chris
Lewis, Brandon
Lewis, Dr Julian
Lilley, rh Mr Peter
Lloyd, Stephen
Lloyd, Tony
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Lucas, Caroline
Lucas, Ian
Luff, Peter
Lumley, Karen
Macleod, Mary
Mactaggart, Fiona
Mahmood, Shabana
Main, Mrs Anne
Mann, John
Marsden, Mr Gordon
Maude, rh Mr Francis
Maynard, Paul
McCabe, Steve
McCann, Mr Michael
McCarthy, Kerry
McCartney, Jason
McClymont, Gregg
McDonagh, Siobhain
McDonnell, John
McFadden, rh Mr Pat
McGovern, Alison
McGovern, Jim
McIntosh, Miss Anne
McKinnell, Catherine
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Meacher, rh Mr Michael
Meale, Sir Alan
Mensch, Mrs Louise
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Michael, rh Alun
Miliband, rh David
Miller, Andrew
Mills, Nigel
Milton, Anne
Moon, Mrs Madeleine
Moore, rh Michael
Mordaunt, Penny
Morden, Jessica
Morgan, Nicky
Morrice, Graeme *(Livingston)*
Morris, Anne Marie
Morris, David
Morris, Grahame M. *(Easington)*
Morris, James
Mosley, Stephen
Mowat, David
Mudie, Mr George
Munn, Meg
Munt, Tessa
Murphy, rh Paul
Murray, Sheryll
Murrison, Dr Andrew
Nandy, Lisa
Nash, Pamela
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
O'Brien, Mr Stephen
O'Donnell, Fiona
Ollerenshaw, Eric
Osborne, rh Mr George
Ottaway, Richard
Owen, Albert
Paice, rh Mr James
Parish, Neil
Pawsey, Mark
Pearce, Teresa
Penning, Mike
Penrose, John
Percy, Andrew
Perkins, Toby
Perry, Claire
Phillips, Stephen
Phillipson, Bridget
Pincher, Christopher
Poulter, Dr Daniel
Pound, Stephen
Prisk, Mr Mark
Pritchard, Mark
Pugh, John
Raab, Mr Dominic
Raynsford, rh Mr Nick
Redwood, rh Mr John
Reed, Mr Jamie
Rees-Mogg, Jacob
Reevell, Simon
Reeves, Rachel
Reid, Mr Alan
Reynolds, Jonathan
Riordan, Mrs Linda
Ritchie, Ms Margaret
Robathan, rh Mr Andrew
Robertson, Hugh
Robertson, John
Robertson, Mr Laurence
Robinson, Mr Geoffrey
Rogerson, Dan
Rosindell, Andrew
Rotheram, Steve
Roy, Lindsay
Ruane, Chris
Rudd, Amber
Ruffley, Mr David
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Seabeck, Alison
Sharma, Alok
Sharma, Mr Virendra
Shelbrooke, Alec

Sheridan, Jim
Shuker, Gavin
Simpson, Mr Keith
Skidmore, Chris
Skinner, Mr Dennis
Slaughter, Mr Andy
Smith, rh Mr Andrew
Smith, Angela
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Nick
Smith, Owen
Smith, Sir Robert
Soubry, Anna
Spellar, rh Mr John
Spencer, Mr Mark
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Straw, rh Mr Jack
Stride, Mel
Stringer, Graham
Stuart, Ms Gisela
Stuart, Mr Graham
Sturdy, Julian
Sutcliffe, Mr Gerry
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Swire, rh Mr Hugo
Syms, Mr Robert
Tami, Mark
Teather, Sarah
Thomas, Mr Gareth
Thornberry, Emily
Thurso, John
Timms, rh Stephen
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Trickett, Jon
Truss, Elizabeth
Turner, Karl
Twigg, Stephen
Tyrie, Mr Andrew
Umunna, Mr Chuka
Uppal, Paul
Vara, Mr Shailesh
Vaz, Valerie
Villiers, rh Mrs Theresa
Walker, Mr Robin
Wallace, Mr Ben
Walley, Joan
Walter, Mr Robert
Ward, Mr David
Watkinson, Angela
Watson, Mr Tom
Watts, Mr Dave
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Whittaker, Craig
Wiggin, Bill
Williams, Hywel
Williams, Mr Mark
Williams, Roger
Williams, Stephen
Williamson, Chris
Willott, Jenny
Wilson, Phil
Wilson, Mr Rob
Winnick, Mr David
Winterton, rh Ms Rosie
Wollaston, Dr Sarah
Wood, Mike
Woodcock, John
Wright, David
Wright, Mr Iain
Wright, Jeremy
Wright, Simon
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Noes:
Norman Lamb and Stephen Crabb

Question accordingly negatived.

Mr Bone: On a point of order, Mr. Speaker. A very unusual thing just occurred during the Division. I was one of the tellers. The doors were locked at the appropriate time, then unbelievably, they were unlocked again. Given the closeness of the result, do you think that the vote should be taken again?

Mr Speaker: I see no reason for it to be taken again, but I am strikingly impressed by the fact that, although it is three minutes past 11 o'clock, the sense of humour for which the hon. Member for Wellingborough (Mr Bone) is renowned throughout the House has not deserted him. However, it is only fair to say that the Chair has discretion to allow the vote to continue for slightly longer in particular circumstances. A very large number of Members were seeking to get through one Lobby so I extended the time. I think we will leave it there, and I am grateful to the hon. Gentleman for the manner in which he has raised his point of order.

New Clause 6

RATE OF VALUE ADDED TAX

'(1) In section 2(1) of the Value Added Tax Act 1994 (rate of VAT), for "20 per cent" substitute "17.5 per cent".

(2) In section 21(4) of that Act (restriction on value of imported goods), for "25 per cent" substitute "28.58 per cent".

(3) The amendment made by subsections (1) and (2) has effect in relation to any supply made on or after 30 August 2011 and any acquisition or importation taking place on or after that date.'.—*(Jonathan Edwards.)*

Brought up, and read the First time.

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): I beg to move, That the clause be read a Second time.

Mr Speaker: With this it will be convenient to discuss the following:

New clause 9—*Value Added Tax (Change of Rate) Order 2011*—

'(1) The Chancellor of the Exchequer shall make an order under the powers conferred by sections 2(2) and 21(7) of the Value Added Tax Act 1994 that in section 2(1) of the Value Added Tax Act 1994 (rate of VAT), the rate of tax charged by virtue of that section shall be decreased by 12.5 per cent.

(2) In section 21(4) (value of imported goods) of the Value Added Tax Act 1994 for "25" substitute "28.58".

(3) This Order shall be known as The Value Added Tax (Change of Rate) Order 2011 and shall come into force on 30 August 2011.'.

New clause 10—*VAT*—

'The Treasury shall, within three months of the passing of this Act, report to Parliament its assessment of the impact of the rate of VAT on UK economic growth.'.

Jonathan Edwards: Diolch yn fawr, Mr Speaker. I had an hour-long speech prepared for this debate, but as it is going well past my bedtime, I will try to keep my remarks as short as possible.

I move this new clause with a sense of déjà vu, as only last July I closed a Finance Bill debate on an amendment tabled by my hon. Friend the Member for Dundee East (Stewart Hosie) that aimed to overturn the decision in the emergency Budget to raise VAT to 20% from January this year. Many of the arguments I made then remain relevant, but I will resist the temptation to air the same speech twice. Interestingly, that debate *[Interruption]*—

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. Too many conversations are going on in the Chamber, and I am sure that everybody wants to hear the hon. Gentleman.

Jonathan Edwards: Thank you very much, Mr Deputy Speaker.

Interestingly, when the House divided on that amendments the Labour party abstained. Since then, it seems that the official Opposition's main critique of the UK Government's economic policy has been based on the Treasury's VAT policy. I hope that when we divide later the Labour Front-Bench team will set aside its usual partisan approach to votes in this place and will walk through the Lobby with us. As I see the shadow Minister, the right hon. Member for Delyn (Mr Hanson), grinning, I hope that that will be the case.

[Jonathan Edwards]

In the 2010 general election, Plaid Cymru campaigned against a VAT increase—unlike the Liberal Democrats, who had their tax bombshell poster, we meant it. That is why we tabled an amendment to prevent the increase last year and why we have done the same again this year. Last year, I said that there was both a social and economic reason why the increase in VAT was a bad idea, and I hope to concentrate on those reasons during my speech. We are against the ideological cuts and the rush to achieve a zero deficit within one parliamentary term with the net result of hundreds of thousands of lost jobs and unimaginable pain across our communities. We have consistently expressed our concern at the possibility of what the former Monetary Policy Committee member, David Blanchflower, called a "death spiral"; whereby cuts in expenditure become cuts in receipts.

A country's economy is not like a family budget. Although it is good public relations, making misleading references of this sort is a very dangerous game for the UK Government to continue to play. In the case of the state there is a direct link between expenditure and income. Indeed, an overt reduction in expenditure can lead to a reduction in income and an increase in the deficit. Some would argue that we are in that situation already, even before the real cuts start to bite.

The state cannot cut its expenditure and assume that its income will remain constant. We are talking about intrinsic fine balances, which is why it always makes more sense for a state to change its expenditure levels modestly, rather than go cold turkey, as is favoured by the current Government. Four main elements drive economic growth: public sector expenditure; exports; private investment; and the key element as far as today's debate on VAT is concerned, which is household spending.

VAT is, in essence, a tax on consumption. Economic growth in the Labour years was largely driven by consumer spending, resulting in a situation whereby personal debt levels in the UK have rocketed to an unsustainable 100% of gross value added, at £1.4 trillion.

Matthew Hancock (West Suffolk) (Con): I am listening to the hon. Gentleman's argument. Given that cutting VAT appears to be the only economic policy of the Labour party, is he not surprised that the party tabled its amendment so late that it was not selected and that the leader of the Labour party did not sign up to its amendment?

Jonathan Edwards: The hon. Gentleman makes an interesting point and I hope that the shadow Minister will be able to address it much better than I could.

Debt charities such as Citizens Advice report that the amount of debt problems dealt with by the service continues to increase, as the human cost of the recession feeds into the system. There is a long-term economic case for addressing this unsustainable situation by reducing the personal debt caused by consumption in the economy. My preference, however, would be to change the banking code and make it more difficult for lenders to seduce consumers into debts that they cannot service, rather than directly to reduce the purchasing powers of individuals via the use of VAT. I note that new clause 11 has been selected for debate and it covers associated matters.

The major issue faced by the economy is a lack of demand. Personal household debt, built up during the last decade, will be a severe economic headwind facing the UK economy for the foreseeable future. The increase in VAT exacerbates the situation, as we can see today from the revised growth figures for the first three months of 2011, which show that consumer spending is falling at its fastest rate since the second quarter of 2009, a decline of 0.6%. Real household disposable income is 2.7% lower than it was last year, the biggest annual fall since 1977.

Growth in consumer spending will be key if the UK Government are to meet the economic growth forecasts they have set in order to achieve their fiscal consolidation targets. The January VAT increase will stymie the consumer-led growth on which the Government depend.

In the past, my party has argued against VAT being used as an economic stimulus, which was the aim of the previous Labour Government when they cut VAT by 2.5% in 2008-09. In our view, there were more effective ways of stimulating the economy, not least investing in capital infrastructure and putting proper money in people's pockets and in their pay packets rather than just hoping that they would spend the small change from VAT. With the increase in standard VAT from 17.5% to 20% and the stagnating economic recovery from the recession, the circumstances have changed. This is no longer about merely keeping the tills ringing, but about keeping families in their homes.

Christopher Pincher (Tamworth) (Con): I have listened carefully and with interest to the hon. Gentleman's new clause. Can he tell the House when he informed the shadow Cabinet that he was going to table this clause and whether he has had any advice on it from the shadow Chancellor?

Jonathan Edwards: The hon. Gentleman will be aware that I am in a different party from those on the shadow Front Bench and we do not normally negotiate on the clauses we table. I can only assume that my staff are more effective.

Richard Banks, the chief executive of UK Asset Resolution, said that the UK economy faced a tsunami of repossessions once interest rates rise. Increases will come sooner rather than later, partly as a result of the VAT increase. The increase in inflation has come about for a variety of international reasons, including the slow devaluation of the pound and increases in basic food and oil prices, but we have a 2.1% increase in prices across the board and I am sure that many businesses have racked up their prices by greater amounts. The increase in VAT is adding to the inflationary pressures on the economy and it therefore seems strange that the Treasury is using a fiscal measure that is playing its part in increasing inflation and will inevitably at some stage lead to a tightening of monetary policy, creating a further major headwind for the economy. It is the economic equivalent of shooting oneself in the foot.

John Hemming: I congratulate the hon. Gentleman on being more efficient than the official Opposition. However, he is proposing to reduce VAT in this financial year, which would mean an increase in the deficit and

therefore an increase in the borrowing. Where would we borrow the money from and how much interest would we pay?

Jonathan Edwards: As the hon. Gentleman rightly says, I am proposing a temporary cut and I am endeavouring to convey that the priority of the Treasury should be securing sustained economic growth. In my view, the increase in VAT is hindering that. That is my key point.

Older people and pensioners who thought that they had enough to live comfortably for the rest of their lives now find themselves with very little interest but high inflationary costs in their everyday life. The Government's attempts to save money by changing indexation from the retail prices index to the consumer prices index means that any benefits people receive are lower than the real world cost, rather than keeping up with it.

Families who are stretched by the costs of their daily living are dealing with wage freezes but finding that the cost of living is rising dramatically. Young families find it hard to save to buy a house, and others live in worry about the base rate increasing and being unable to cover their mortgage. The VAT change last year is reported to have taken £450 from each family with children across the UK.

11.15 pm

The UK economy is not growing and people's standards of living are being compromised. Confidence amongst individuals and families is falling—that is key when we are looking at future economic growth prospects. Economic growth forecasts are being downgraded by all around except the Government and the unanimous response to today's revised figures is that we are in for a period of subdued growth at best. As I say, the situation now is different from that of nearly three years ago when the VAT cut was first used as a part of fiscal policy. Back then, we were preventing the situation from getting worse and the recession from deepening; now we are looking at how we can generate growth. Part of the Institute for Fiscal Studies' reason for backing policies such as a temporary VAT cut is that there is a time frame—people can see an end and know that they must spend to take advantage of it, as advocated by my new clause 9.

Alun Cairns: I give the hon. Gentleman and his party credit for having had consistent policy on this matter, but has he had any indication about where the official Opposition stand on his amendment? There has been some indecision within the official Opposition, with policies being announced without the shadow Cabinet knowing about them.

Jonathan Edwards: We will have to wait and see. I just hope that my words are powerful enough to entice them to come through the Lobby with us, but I am afraid we will have to wait until a little later in the evening.

I was talking about one positive reason for a temporary VAT cut, but that would not be my main, or only, consideration. The purpose behind the cut would be to help the millions of ordinary people who would benefit from not having to pay those extra pennies and pounds every day to the Government, which they could then use to spend or save elsewhere as they saw fit. They could spend them on other goods and stimulate the economy in that way or they could keep them to pay off their debts. At the moment, many costs have been factored into the margins of businesses and many businesses have not yet raised their prices to meet this new inflation from both VAT and other spending increases. If we can keep prices down through the use of a temporary VAT cut and keep high street prices down with it, we will help families. On the other hand, if we can secure the margins for shops and companies, we will help business. I hope that Government Members will agree with that point. Either scenario would be a win-win situation for families and business. Negating a key element of inflationary pressure would also enable monetary policy to be kept loose for longer, which I would imagine is a key objective for the Treasury and the Monetary Policy Committee.

In closing last year's debate on the effect that the VAT increase would have on the budgets of public sector organisations, the devolved Governments and charities, I asked the Government what analysis they had made of the impact that increasing VAT would have on the operating costs of those bodies, as one study had estimated that increasing VAT would cost charities alone an extra £150 million per annum. I would be grateful if the Minister addressed that specific point in winding up. We will be pushing for a division on new clause 9, as it would introduce a temporary reduction and is more likely to generate support across the House. New clause 6 would be our preferred solution in the long term, but I will not push it to a vote tonight.

Ian Swales: I rise to speak against new clause 6 and I note that we have had no costings from its proposer, the hon. Member for Carmarthen East and Dinefwr (Jonathan Edwards). I would be interested to find out what he thinks the policy would cost. I can report that there was no dancing in the streets of Redcar when the VAT was reduced from 17.5% to 15%, and neither have we had riots in the streets about the rises from 15% to 17.5% and then to 20%.

Ian Lucas: There may not have been dancing in the streets, but after that reduction in VAT there was economic growth—something that has not happened as a result of the hon. Gentleman's new-found friends' policy, which he is now following, but which he refuted and rejected in order to get elected.

Ian Swales: I thank the hon. Gentleman for that intervention. I believe that the policy that his Government followed cost £12 billion; it would be difficult to spend £12 billion and not give some stimulus to the economy. I shall come to my view on that in a moment.

There was hysteria about the VAT rate among Labour Members, but if people in the street were not shouting about it, it is worth asking why. Our predecessors in this place knew that putting VAT on everything would be a very regressive measure, so they did not do that. They recognised that the basic costs of living should be VAT-free. In fact, when it was first introduced in 1979, some reporters described it as a luxury tax. Let us just think about all the things that are VAT-free: rent, mortgages, council tax, water costs, fares on buses, trains and planes, prescriptions, dental and optical care, newspapers, magazines, books, betting, bingo, the lottery, postage, TV licences, children's clothes and shoes and, above all, food. Although gas and electricity were originally VAT-free, they now have a fixed VAT rate of 5%.

Ian Lucas: Because of the Labour Government.

Ian Swales: Yes, absolutely. This Government have made no changes on any of those items, nor will the new clause lower the cost of those items. Of course, that list covers the vast bulk of the weekly bills of lower-income families and pensioners. In fact, I am sure that many pensioners do not pay any standard VAT in many a typical week.

Toby Perkins (Chesterfield) (Lab): It is hard to know where to start, given the number of areas on which the hon. Gentleman is wrong, but let me just point out one. The increase in VAT affects the cost of absolutely everything. As it is on fuel, it adds to the cost of getting food to our properties. VAT impacts on the cost of every single thing. It is an indiscriminate tax that hits the pensioner, the unemployed, and the single mother just the same is it does the millionaire in his castle.

Ian Swales: I thank the hon. Gentleman for his intervention. I just read out a long list of items that are VAT-free; that was the point of what I was saying.

Clive Efford: Those items were VAT-free when the hon. Gentleman made his pledge at the general election. When he stood for election, he said that the poorest people in society were affected most by increases in VAT, and that it was therefore a regressive tax. He was right then, and that point is still right now. Why, then, is it correct and appropriate for the poorest people in our communities to pay for the deficit that was run up by the richest bankers in the country?

Ian Swales: The hon. Gentleman has strayed off the topic of the new clause, but on my party's policy on VAT, obviously we are between a rock and a hard place, due to the economic state of the country. We had some very difficult choices to make, and a progressive expenditure tax is the right answer.

Sir Menzies Campbell (North East Fife) (LD): My hon. Friend points out that difficult choices had to be made; indeed, they would undoubtedly have had to be made if a Labour Government had been returned. Does he recall that it was the policy of the last Labour Chancellor of the Exchequer to raise VAT to 19%?

Ian Swales: I thank my right hon. and learned Friend for reminding me of that fact. One of the things that have been absent from Labour Members is alternative policies to those being pursued by the Government.

The week after VAT was reduced by 2.5%, Cristiano Ronaldo, the premiership footballer, saved £4,000 on the cost of his new Ferrari. He will also have made massive savings on many of his other purchases during that period. I doubt whether any constituent of mine saved £4,000 as a result of VAT being reduced.

VAT as applied in this country is a progressive tax on spending. The more people spend, the more they pay, so the inconvenient truth is that cuts in VAT benefit people in proportion to how wealthy they are.

Nic Dakin (Scunthorpe) (Lab): Does the hon. Gentleman think that when Save the Children says that

"the discount rate and exemptions doesn't take into account the incomes of people buying goods and services—so they are not enough to make VAT fairer",

Save the Children has got it wrong?

Ian Swales: I understand that charities have an issue with VAT, and I understand that Save the Children is right in its analysis. I am talking about the effect on personal spending.

The concept of a progressive spending tax is well understood across Europe. New clause 6 would take VAT in the UK back to a level where, among EU countries, only Cyprus and Luxembourg would have a lower rate. We have not heard from the Opposition parties how they plan to finance the cut in VAT.

Nia Griffith (Llanelli) (Lab): Can the hon. Gentleman think of any other way in which people who can afford a Ferrari could contribute to the tax system?

Ian Swales: Well, £4,000 extra VAT is obviously one way that they are contributing as a result of this Government's policies.

The hon. Member for Nottingham East (Chris Leslie) said in the previous debate that the important focus of the tax and benefit system is on need and alleviation of poverty. I believe that VAT increases, which impact on the wealthy more than on the poor, are a good way of doing that.

Kelvin Hopkins (Luton North) (Lab): The hon. Gentleman keeps referring to VAT as a progressive tax. It is a flat tax, proportionate all the way up the income scale. Progressive taxes have increasing rates at higher incomes.

Ian Swales: Technically, VAT is a progressive spending tax because the average rate paid increases the more one spends. That is the definition of a progressive tax.

Kate Green: Does the hon. Gentleman accept that in relation to the proportion of a household income rather than its expenditure, VAT is a regressive tax? That is why we on the Opposition Benches are opposed to it.

Ian Swales: No, I do not accept that, because of the long list of items that are VAT-free. If everything had VAT applied, I would agree with the hon. Lady.

We have had no view about how the Opposition would fund the proposed cut in VAT. If they wished to borrow, which presumably is the answer, there are many options which are fairer to pensioners and the less well-off and more likely to encourage economic growth. Reducing VAT would be a flawed policy, just as it was last time, and I urge the House to reject new clause 6.

Mr David Hanson (Delyn) (Lab): I shall speak to new clause 10, but before I do so, may I remind the hon. Member for Redcar (Ian Swales) that he fought an election on the Tory tax bombshell? I remember pictures of the Deputy Prime Minister, the right hon. Member for Sheffield, Hallam (Mr Clegg), standing in front of a poster that referred to a Tory tax bombshell—

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. I am sure the right hon. Gentleman would want to speak through the Chair.

Mr Hanson: I remember the hon. Member for Redcar standing with the Deputy Prime Minister in front of a poster that said "Tory tax bombshell". I find it amazing

to hear the hon. Gentleman speak this evening as an apologist for the Conservative Government's imposition of VAT on people in Britain.

New clause 10 calls for a review of the assessment of the impact of VAT on UK economic growth over the next three months. As Members know, last Tuesday we voted on a Labour motion, which was opposed by the Liberal Democrats, to cut VAT on a temporary basis to 17.5% while economic growth is restored. The Conservative party voted against that motion, which would have ensured that we had the VAT cut proposed today.

Mr Gauke: The right hon. Gentleman will be aware that tax law is made in Finance Bills. Given that we are debating such a Bill, will he explain why the official Opposition have not brought forward their own proposals, in a form that could be selected, to cut VAT on a temporary basis, or have they abandoned that policy?

11.30 pm

Mr Hanson: The policy is clear. If the Exchequer Secretary looks at new clause 10, he will see that we want an assessment of the impact of VAT that looks at how we should deal with the question of VAT across the whole UK. Let me start by saying that we have a deficit reduction plan, as he knows, and a plan to save resources to tackle the deficit, and we have a plan to ensure that we meet the needs of this country. He will know that we have consistently supported opposition to the Government's VAT rise since they brought it forward.

Alun Cairns: I note that the right hon. Gentleman is speaking to new clause 10, which is very different from the proposal made to the House only a week ago. Is this yet another shift in official Opposition policy?

Mr Hanson: The hon. Gentleman cannot get away from the fact that he has imposed a VAT rise on businesses, families and hard-working people in Vale of Glamorgan and elsewhere in the UK, and he could have avoided that tax in different ways. On the same evening that the Conservative party has proposed tax relief on support for private medical insurance—*[Interruption.]* Well, I may be mistaken, but I believe that the hon. Members for Christchurch (Mr Chope) and for North East Hertfordshire (Oliver Heald) are Conservative Members of Parliament. The hon. Member for Vale of Glamorgan (Alun Cairns) has imposed a VAT rise on his constituents that is unfair, damaging business and will damage the UK economy.

Christopher Pincher: We all feel very sorry for the right hon. Gentleman, sitting there having to speak to new clause 10. Last week he proposed cutting VAT, but this week he simply wants to assess it. What will his policy be next week?

Mr Hanson: The policy is exactly the same week in, week out. We have opposed the VAT increase and the hon. Gentleman has voted for it. Last week we supported a temporary cut to help the economy and he opposed it. We are calling for a review of the impact of VAT on businesses and families, and tonight he will oppose it. This is an important debate and we have an opportunity tonight to assess the impact of VAT and look at the issues that affect constituents.

Harriett Baldwin (West Worcestershire) (Con): New clause 16, which is on the amendment paper in the right hon. Gentleman's name, has not been selected for debate. Will he explain why it was late and unable to be selected?

Mr Hanson: The hon. Lady will know that we have tabled several amendments to the Finance Bill. Mr Speaker chose not to select new clause 16, but he did select new clause 10, which calls for a review of the impact of VAT on things that are important to my hon. Friends' constituents and hers: family incomes, businesses and jobs. If she looks at what the leader of her party said during the general election—*[Interruption.]* Perhaps the hon. Member for Chelsea and Fulham (Greg Hands) should listen to this, because during the general election the then Leader of the Opposition said during the Cameron Direct campaign in Exeter:

> "You could try, as you say, to put it on VAT, sales tax, but again if you look at the effect of sales tax, it's very regressive, it hits the poorest the hardest."

I agree with the Prime Minister. Does the hon. Member for Chelsea and Fulham agree with his right hon. Friend?

John Hemming: On the point about hitting the poorest hardest, does the right hon. Gentleman not accept that the poorest people, those on means-tested benefits, receive an up-rating for the cost of living, which is in fact in excess of the extra VAT, and so benefit by 1% in excess of the extra cost of VAT?

Mr Hanson: I am afraid that every Labour Member believes that VAT is a regressive tax that hits the poorest hardest. When the Conservative party—

Mr Gauke *rose—*

Mr Hanson: Wait. When the Conservative party—*[Interruption.]*

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. Mr Hemming, you have had one intervention. If the shadow Minister is not giving way, you should respect that.

Mr Hanson: When the Conservative party, supported by Liberals who at the general election opposed VAT increases, imposes VAT increases, it does so on businesses and on jobs and hardest on the poorest people in our society. I will now give way to the Minister so that he can explain that.

Mr Gauke: The right hon. Gentleman says that every Labour Member opposes the increase in VAT. Will he explain, first, why so few of them voted against it last year and, secondly, why the previous Chancellor, the right hon. Member for Edinburgh South West (Mr Darling), according to Peter Mandelson's memoirs, was in favour of raising VAT to 19%?

Mr Hanson: I have great respect for my right hon. Friend the Member for Edinburgh South West (Mr Darling), and he is a very good friend of mine, but the issue tonight is that no Labour Government increased VAT above 17.5%. Indeed, the same Chancellor of the Exchequer, my right hon. Friend, in similar circumstances to those that we face now, when there is pressure on jobs, on businesses and on incomes, temporarily reduced VAT to help hard-working families to cope.

Andrew Gwynne: My right hon. Friend is absolutely right to draw the House's attention to new clause 10. All it asks for is an impact assessment of the rate of VAT on UK economic growth. Is it not the case that, since the VAT rate was increased, consumer confidence has flatlined and retail sales have fallen?

Mr Hanson: It is very interesting that my hon. Friend makes that point about the VAT increase, because following that reckless gamble, inflation, which was 3.1% in September, was 4.5% in April and May, hitting savings, pensions, incomes, jobs and people's livelihoods. He will know that confidence is important and that consumer confidence is now at minus 31%. Overall confidence was three points lower in April than in March, and lower than at any time since spring 2009.

Stephen Williams (Bristol West) (LD): Confidence is a measure of sentiment and opinion, but spending power is a fact, so will the right hon. Gentleman explain how in January, February, March and April consumer expenditure went up?

Mr Hanson: The hon. Gentleman will know that the Office for Budget Responsibility and every independent forecaster have already shown that growth in the economy has flatlined over the past 12 months, following the impact of the Labour Government's measures at the end of their time in office at the beginning of 2010. Since then, growth has flatlined and unemployment is projected to increase by 200,000 over the next year.

Stephen Williams: I thank the right hon. Gentleman for giving me a second chance to pose my question to him. The Library's statistics show that, in the four months since VAT was increased, consumer expenditure in shops increased month after month, so how can he say that consumer confidence has declined? That is not about economic growth, which is how he answered my first question; it is about consumer confidence and spending. Will he deal with that point, please?

Mr Hanson: I suppose that is why the Federation of Master Builders only today—*[Interruption.]* Just for the record, on my uttering "Federation of Master Builders", Conservative Members fell about with laughter, but the FMB's members build houses and employ people in the construction industry. Only today—in a brief dated today—it stated:

> "The situation for small construction firms has been made more perilous by the VAT increase at the start of the year,"

and that we risk

> "11,400 construction job losses and 34,000 total potential job losses"

because of the VAT increase. The hon. Member for Bristol West (Stephen Williams) and his colleagues may recall that the OBR expects some 200,000 additional people to become unemployed this year. The lack of consumer confidence, the impact of VAT and the lack of consumer spending will be critical to those potential job losses in the community.

Kelvin Hopkins: The Tories have a track record on this. My right hon. Friend may recall that in 1979 they raised VAT from 8% to 15%, massively deflating the economy. Unemployment rose by 2 million and a fifth of manufacturing industry disappeared, and it was all down to that policy.

Mr Hanson: I remember that very well. The Conservatives said at that general election that they would not double VAT. They did not double it, but they increased it by 7%. Perhaps the Liberal Democrats have learned some lessons about breaking election promises.

Alun Cairns: I seem to remember that Labour opposed all those increases in VAT, but not once did it reverse them. Is that true?

Mr Hanson: No, I think we did. I have been here quite a few years now, and I recall that in 1993 the Conservative Government increased VAT on fuel and had to reduce it because of measures supported by the Labour party in opposition. The hon. Gentleman may not remember that.

Ben Gummer (Ipswich) (Con): Will the right hon. Gentleman give way?

Mr Hanson: In a moment. Let me try to return to some of the key points of the debate.

Ian Lucas: Government Members seem to view the British construction industry with some levity. In a debate this morning on the crisis in the construction industry, no Liberal Democrats turned up and one Tory Back Bencher turned up 20 minutes late. The increase in VAT has had a massive impact on the construction industry, as one will hear from any representative group and anyone involved in the sector. Government Members are in complete denial about the madness of the policy that they are pursuing and the firms that they are driving into bankruptcy.

Mr Hanson: I am grateful to my hon. Friend for those comments. He will know that the Conservative party's VAT increase alone will cost the average family with children £450 this year—far more than they will gain through any increases in tax thresholds.

John Hemming *rose—*

Mr Hanson: If the hon. Gentleman will allow me, I should like to try to make some progress. I have been very generous in giving way so far.

Although unemployment has fallen by a couple of hundred thousand in the past few months, and that is very welcome, the OBR has said that the lack of consumer confidence, the impact of VAT increases and the long-term lack of economic growth will hit employment hard. Average UK unemployment at the moment is about 7.7%, but for those of us who represent seats in Wales, the east midlands, Scotland, the north-west, London, Yorkshire and Humberside, the west midlands and the north-east, it is well above that level. That is partly because of the impact of the VAT increase on retail sales and manufacturing in our communities. When the Government introduced the increase in January this year, the chairman of the Federation of Small Businesses, John Walker, said:

> "A recent FSB survey shows that 70% of businesses are worried about the VAT increase, with almost half of respondents going to have to increase prices as a result and 45% believing it will decrease their turnover".

The situation with regard to jobs is very important.

Diana Johnson (Kingston upon Hull North) (Lab): In my constituency, 85 claimants of jobseeker's allowance are chasing every vacancy. Would not a reduction in VAT assist those people?

Mr Hanson: My hon. Friend's region of Yorkshire and Humberside has a 9.2% unemployment rate overall, compared with 5.7% in the south-east of England. For someone who is unemployed, the figure is 100% wherever they are. Nevertheless, there are regions of the United Kingdom where many people are chasing jobs, there is a lack of consumer confidence, traditional manufacturing and the retail industry are being hit by a lack of demand, and growth is not occurring, and the VAT increase has been damaging to all those things.

Ian Swales: I have listened carefully to the right hon. Gentleman's speech and that of the hon. Member for Carmarthen East and Dinefwr (Jonathan Edwards). Neither has contained details of the cost of such a reduction in VAT. Once we know that figure, we will be able to give many ways in which our economy could be stimulated with such an amount of money. We are still not sure where it is coming from. Reducing the price of Italian sports cars and round-the-world cruises is only one option.

11.45 pm

Mr Hanson: The hon. Gentleman shows his complete ignorance of the impact that value added tax has on ordinary working people and their families. The rise in VAT is costing ordinary working people in Redcar and every other constituency an additional £450 each this year. Low-paid people will bear the brunt of that. I look forward to going back to Redcar with hon. Friends from the north-east and explaining what the hon. Gentleman is doing about those concerns.

Malcolm Bruce (Gordon) (LD): The Labour party is keen on cutting taxes and on opposing cuts in expenditure. Consequently, it would widen the deficit, which is already at record levels. The consequence of that would be an increase in interest rates. Does the right hon. Gentleman not think that the retail trade and consumers would be more concerned about an increase in interest rates than a rise in VAT?

Mr Hanson: At the beginning of my speech, I said that we had a deficit reduction plan at the last election. When I was a Minister at the Home Office in the previous Government, we forwarded plans for £1.5 billion-worth of expenditure cuts. The Conservative-led Government are cutting £2.5 billion in that Department, which is why we are losing police officers and police community support officers, and why I fear that crime will go up. There was a plan. There were certainly issues that we had to tackle, and we will tackle them. The way in which the Government propose to tackle the deficit goes too far, too fast and too deep. It is being done in an unfair way that hits the poorest people hardest, and it will damage the long-term business interests of the United Kingdom.

Mr Geoffrey Robinson (Coventry North West) (Lab): Does my right hon. Friend agree not only that the coalition Government's policies will deflate the economy, but that they are missing their own deficit reduction targets? They are so far from meeting them that they will have to borrow £46 billion more than it forecast, although they have not yet corrected the figure.

Mr Hanson: My hon. Friend is absolutely correct. The Conservative-Liberal Government are missing their borrowing targets and will have to increase borrowing by £46 billion because unemployment will rise over the next year and because we have lower growth. There is lower growth, in part, because of a lack of confidence, which has happened, in part, because of the rise in value added tax. It is an unfair tax that hits the poorest people hardest.

John Hemming *rose—*

Mr Hanson: Before I let the hon. Gentleman intervene, I ask him whether he will contradict the right hon. Member for Bermondsey and Old Southwark (Simon Hughes), who said:

"I hope we don't have a VAT increase because it is the most regressive form of tax, it penalises the poor at the same rate as the rich."

Perhaps the hon. Gentleman will agree with his right hon. Friend.

John Hemming: I agree with my hon. Friend the Member for Redcar (Ian Swales), who is an accountant, that on the basis of expenditure deciles VAT is a mildly progressive tax. I ask the right hon. Gentleman, whose name appears above unselected new clause, 16, which would put VAT up to 20% once things improve, why the Labour party, having opposed VAT at 20%, now believes that it should be at 20% in the long term.

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. We are not going to get bogged down in the VAT figures. We need to talk about the new clauses in the group. We are drifting into parts where we should not be.

Mr Hanson: I remind the hon. Member for Birmingham, Yardley (John Hemming) that new clause 10 calls for a review of the impact of value added tax on businesses and families over the next three months. Labour Members voted last week for a temporary reduction in VAT. Labour policy is to have a temporary reduction to tackle the real issues that we all face in our constituencies in relation to jobs, living standards and the future of our businesses.

Toby Perkins: I am listening to the debate with tremendous interest. There is a determined gaggle of Liberal Democrats here, arguing in the strongest possible terms that the manifesto that they have just fought an election on was totally wrong. Has my right hon. Friend ever known such a passionate rejection of a policy by Members who told us only a year earlier that we should be voting for it?

Mr Hanson: The most passionate rejection that I have seen in recent years was in Chesterfield, of my hon. Friend's predecessor. He stood just next to where I am now before the election, when I was Police Minister, calling for more police and more expenditure. Yet now, the Liberal Democrats are saying that we should have had less expenditure.

[Mr Hanson]

I accept that I am going slightly wide of the issue of VAT, Mr Deputy Speaker, so I will return to it. VAT hits not just families or businesses but public services. The national health service in England will be hit by an extra £250 million a year because of the rise in VAT. A CT body scanner that cost £700,000 before the rise in VAT will now cost £17,500 more. A fully equipped ambulance that would have cost £225,000 will cost an extra £5,500. There is about £3 million a year of expenditure by each NHS trust on locum doctors, which will increase by £75,000. A Government who want to cut public spending are levying additional costs on the health service in England.

In my own region, in Wales, the actual cost of the increase in VAT to NHS budgets since 1 January is estimated at £13.2 million. For colleagues in Scotland, I add that Scottish health boards have been saddled with an extra £71 million of costs because of the VAT increase. At a time of decreasing public spending and squeezed budgets, we need to review the matter over the next few months and consider whether the VAT increase is causing even more difficulty.

Bill Esterson (Sefton Central) (Lab): My right hon. Friend is explaining in incredible detail the danger that the VAT increase is causing. I wish to bring to his attention the effect that it is having on pensioners in my constituency, one of whom wrote to me to express his outrage. I cannot repeat what he said, because he swore in his e-mail, but he said that

"if these costs were not so damaging it could be laughable."

Does my right hon. Friend agree?

Mr Hanson: I do agree with my hon. Friend's concerns.

Time is pressing, so I will move on. I know that we have a lot of time, but I want to ensure that my right hon. and hon. Friends have an opportunity to speak.

Ian Lucas: There is another sector that is being hit extremely hard by the VAT increase—the third sector, the charitable sector. Government Members regularly profess to support hospices, but hospices in my constituency are having to raise more money to pay the extra costs that that lot have imposed upon them.

Mr Hanson: My hon. Friend is absolutely right. It is not just charities and the voluntary sector that are affected, but Welsh and other universities. In Wales alone, there will be £3.5 million extra VAT for universities to pay this year. Housing associations are affected, and the chief executives of the National Housing Federation and of the Homes and Communities Agency have said that the rise will cost an additional half a million a year in VAT.

Roger Williams (Brecon and Radnorshire) (LD): Does the right hon. Gentleman agree that the problem for charities, which the hon. Member for Wrexham (Ian Lucas) mentioned, would exist whether VAT was 17.5% or 20%? The Labour party did not attend to the problem when it was in government.

Mr Hanson: Not just Labour MPs are concerned about this increase. The hon. Member for Colchester (Bob Russell), a Lib Dem MP, said in a debate last year that he wants to help charities that have been hit by this move.

We all accept that VAT is a difficult issue for charities, but it has been made more difficult by an extra 2.5% increase at a time of squeezed budgets, and when the Government are asking more of the charitable sector by cutting public sector spending generally. That issue of great concern was highlighted by my hon. Friend the Member for Wrexham (Ian Lucas).

Nic Dakin: Further education and sixth-form colleges will also be hit by that additional cost, but in this very Bill, the Government are taking measures to protect academies from the same sort of penalty. Does my right hon. Friend think that that is a little rich?

Mr Hanson: I do. My hon. Friend spent many a happy hour in Committee discussing those very issues.

If the Government are not interested in master builders and the voluntary sector, and if they are not interested in the impact on public sector operations such as hospitals, schools and universities, perhaps they will listen to the British Retail Consortium, which states:

"Increasing the VAT rate to 20 per cent would cost 163,000 jobs over four years and reduce consumer spending by £3.6 billion over the same period."

Only today, there were job losses at Jane Norman. There have been job losses at Habitat, Focus DIY, HMV, Mothercare, Comet and HomeForm.

Chris Ruane: And Thorntons.

Mr Hanson: There have also been job losses at Borders. There have been job losses across the board in the retail sector as a result of the impact of the VAT increase.

Stephen Williams: I thought I heard the right hon. Gentleman say Borders, but Borders went bust under the previous Labour Government. Would he like to retract that?

Chris Ruane: I said Thorntons.

Mr Hanson: I misheard my hon. Friend the Member for Vale of Clwyd (Chris Ruane). I thought he said Borders, but he said Thorntons, which has today lost 10,000 jobs. It may be of some interest to the hon. Member for Bristol West (Stephen Williams) that those jobs have been hit, as has the confidence in the retail sector, by VAT increases.

My hon. Friend the Member for Wrexham mentioned charities. Earlier this year, Sue Ryder, the charity, stated:

"Today's rise in VAT to 20% will cut the amount of social care that charities can deliver".

That has an impact.

What is the impact on fuel of the VAT rise? People with a typical family car will pay £1.35 more to fill up their tank, as will people moving goods around the country. The VAT increase has hit the retail sector and we see job losses across the board, but there is also concern from the tourism sector. Just recently, on 6 June, the British Hospitality Association stated that the high level of UK VAT is a deterrent to tourism growth. Once again, those are the impacts on growth, jobs and public services.

Mark Durkan (Foyle) (SDLP): My right hon. Friend refers to the impact of the higher rate of VAT on the tourism sector. Of course, in Ireland, from next week for 18 months, VAT in the tourism sector will be reduced

to 9%. It has already been reduced to 7% in Germany and 5.5% in France. Is that an argument for taking a more sector-targeted approach to VAT reductions? Will the assessment proposed in new clause 10 allow for consideration to be given to a more articulate way of applying VAT, rather than having general, standard reductions across the board on all products, regardless of whether they are imports or the products of home businesses?

Mr Hanson: If my hon. Friend looks at new clause 10, he will see that it calls for a general review of VAT and the impact on the economy. Out of that review could come, for example, a temporary reduction to 17.5%, as was called for by my right hon. Friend the Member for Morley and Outwood (Ed Balls), or there could be changes for certain sectors. The review could look at a range of issues to assess the impact of the increase on growth, jobs and living standards.

Sir Robert Smith (West Aberdeenshire and Kincardine) (LD): Given the arguments that the right hon. Gentleman is making, how does he intend to vote on the new clause moved by the hon. Member for Caernarfon?

12 midnight

Mr Hanson: The hon. Member for Caernarfon has not moved a new clause—the hon. Member for Carmarthen East and Dinefwr (Jonathan Edwards) moved it. However, we will not be supporting it because it does not give an end date for the potential VAT reduction. It would be a permanent reduction. We want a review of the impact of VAT on business, jobs and living standards.

Mr Gauke: I am trying to understand the Labour party's position. If it believed in the policy announced by the shadow Chancellor a week or so ago, it would want first to reduce VAT, and then to make a decision on when to increase it. I do not understand, therefore, why it is not supporting the new clause, which takes that first step—it does what the Labour party want to do.

Mr Hanson: I will try again, slowly. The new clause calls for a permanent cut in VAT to 17.5%. It does not do what my right hon. Friend the Member for Morley and Outwood wishes to do—what we voted on last Tuesday—which is to implement a temporary cut in VAT until we secure strong growth.

Christopher Pincher: Will the right hon. Gentleman give way?

Mr Hanson: In a moment. The new clause does not do what we said we would do, which is implement a temporary reduction. We have tried, through new clause 10, to ensure that we have a review of all the issues I have mentioned—of tourism, business, jobs and families—so that we can come to conclusions about sectoral reductions and a temporary reduction to help employment.

Jonathan Edwards: May I clarify my position? I have a note from the House of Commons Library to me:

> "NC9 finds an alternative way of doing the same thing as NC6 (i.e. decreasing the rate of VAT), only on an exclusively temporary basis. It does this by means of the Economic Regulator, which is a mechanism that allows for changing the rate of excise duties like VAT on a temporary basis without having to use primary legislation."

Surely, it cannot be clearer than that.

Mr Hanson: Unfortunately, we are making legislation, not just research notes, and unfortunately what the hon. Gentleman's new clause states is not what he believes he said just now.

Christopher Pincher: The right hon. Gentleman says that new clause 10 will make the VAT cut permanent. Is he saying, therefore, that there will never be another Budget before this House? Not only does he seem to have no policy, he does not understand parliamentary procedure.

Mr Hanson: With due respect to the hon. Gentleman, you and I, Mr Deputy Speaker, have been here 19 years and three months. I have been here long enough to understand a few matters of parliamentary procedure. The hon. Gentleman needs to go back to Tamworth and explain to his constituents why, by increasing VAT, he is adding £450 to people's annual VAT bill; why he is hitting retail sales and retail shops in his constituency; why he is impacting on businesses in his constituency; and why the VAT increase in his constituency will put up the cost of the health service, education, housing and jobs. He needs to reflect on those issues as part of this debate.

In conclusion, we have today an opportunity to vote for new clause 10, which would give us a chance to consider the impact of VAT, to come to conclusions on the points I have made today and to ensure that we can properly assess the best way to implement our VAT reduction so that it helps create jobs, build growth and not stifle our economy. This Conservative-Liberal Democrat Government have not only broken their promises on VAT to the electorate, but put at risk growth, jobs and family living standards. Most abominably of all, however, with this rise they have hit the poorest hardest. We have consistently opposed the rise to 20%, and we want it reviewed. We ask hon. Members to vote for new clause 10 tonight, and I look forward to my right hon. and hon. Friends joining me in the Lobby at the end of the debate.

Catherine McKinnell (Newcastle upon Tyne North) (Lab): I want to outline my support for new clause 10, and for reviewing the impact of VAT within three months of passing the Bill. The increase in VAT is having a real impact on the spending power of people in my constituency, many of whom are really feeling the pinch of inflation, pay freezes, and rising energy and food bills, and for thousands of people across the north-east, this all comes at a time when many of them are facing redundancy.

The previous Labour Government's decision to reduce VAT temporarily to 15% was judged by the independent Institute for Fiscal Studies to be an effective stimulus, putting additional money into people's pockets, and helping to support an increase in consumer confidence, a return to economic growth and a fall in unemployment, all of which are needed now. Of course we must reduce the deficit, but I do not accept that the right way to do so is on such a scale and at such an intensity that ideological deficit reduction is delivered at the expense of economic growth and job creation. Indeed, there is widespread and well founded concern that this will only make it harder to get the deficit down in the long term. Finding ways to kick-start economic growth must therefore be a priority. It is therefore vital that the impact of VAT be kept under review.

[Catherine McKinnell]

Finding a means of kick-starting growth is vital, particularly for regions such as the north-east, where I fear we risk a lost generation of young people if new economic and employment opportunities are not created, and created quickly. A key concern in my region remains the level of youth unemployment, with around 19% of 16 to 24-year-olds in the north-east not in education, employment or training, compared with the national rate of around 15%. Of particular concern is the fact that over the last 12 months the north-east has seen a 10% increase in the number of 18 to 24-year-olds claiming jobseeker's allowance. Only Northern Ireland, Scotland and London have also experienced such rises over the same period, and then only to a maximum of 4%. With measures such as the previous Government's future jobs fund axed by the coalition and nothing lined up to take its place specifically to support the long-term unemployed into work, we need to consider as many steps as possible to kick-start economic growth and increase employment opportunities for young people. Keeping VAT under review is vital to ensuring that.

The coalition's decision to increase VAT to 20% in January has hit many businesses hard, particularly as that VAT hike helped to push fuel prices up to record levels. Let me take just one example from my constituency. The owner of a small electrical services company in Gosforth has made clear to me the impact of high fuel prices on his firm, which he says have hit the small business sector hardest. From its base in Newcastle upon Tyne North, his company carries out most aspects of domestic electrical work and small commercial work, travelling across the Tyneside, Northumberland and Durham areas.

Gordon Birtwistle (Burnley) (LD): Will the hon. Lady give way?

Catherine McKinnell: I will give way in one moment.

The owner of the company has an expanding network of clients from the private and voluntary sectors, and he would therefore like to be able to take on his first employees within the next 12 months. However, he has said that the cost of fuel and running a second van will be a significant influence on whether he decides to take on new staff, which he would like to do, thereby doing his bit to help the economy recover. That is just one example of a local company in my constituency really feeling the impact of high fuel prices, which are hugely affected by the rise in VAT, but there are others. They include the small driving school in Lemington that saw fuel costs rise by £20 a week over the last year, the self-employed businessman from Fawdon whose work requires him to travel around 10,000 miles a year, and the young man from Gosforth who set up a Facebook page on the issue and has 475,000 supporters. All those companies are affected by the rise in VAT. The Government must make a commitment to keep it under review, to ensure that all steps are taken to help businesses survive and thrive through these difficult times, and to support those that wish to expand and create new employment opportunities to be able to do so.

Gordon Birtwistle *rose—*

Chris Ruane: You're doing their dirty work! Look! There's three times as many of them—

Mr Deputy Speaker (Mr Nigel Evans): Order. We cannot have any shouting. We want to listen to Catherine McKinnell.

Catherine McKinnell: Thank you, Mr Deputy Speaker. I will give way to one of my friends from the north-east, who I am sure has something relevant to say.

Ian Swales: As a fellow north-east Member, I congratulate the hon. Lady on her speech. I believe that the previous VAT cut cost £12 billion. She makes a persuasive case for the need to stimulate the economy. Does she think that borrowing £12 billion and then cutting VAT is the best option from all the choices available?

Catherine McKinnell: The fact is that the current rate of 20% is hurting, and it is not working. Growth has stalled. We need to return to growth, particularly in the north-east, and I would have thought that the hon. Gentleman would support such a move.

A sector that has faced particular difficulties over recent months and years is the construction industry. It is thought that one in five of the firms going into administration are from that sector, and research recently undertaken by the *Financial Times* has found that construction orders have fallen by 40% in the past 12 months. That is an alarming figure. It is really worrying, when we consider that construction makes up around 10% of the UK economy, and that some 80% of the materials used by the industry are procured from within the UK, creating an economic stimulus and jobs in other sectors.

The construction industry is one clear example of how public spending can support private sector growth and jobs. Indeed, it is estimated that every £1 spent on construction leads to an increase in gross domestic product of nearly £3 and stimulates growth elsewhere in the economy worth nearly £2. The maths is simple. It is widely accepted that coalition decisions to cancel projects such as Labour's Building Schools for the Future programme, to cut the housing and regeneration budget by 70%, to end the HomeBuy Direct scheme, and to scrap regional spatial strategies, are having, and will continue to have, a seriously detrimental effect on the construction sector.

The coalition's VAT rise is also having a considerable adverse impact on many small and medium-sized construction firms, particularly when combined with the draconian cuts that the Government are imposing on public spending. Indeed, at the time of the VAT rise the Federation of Master Builders—an organisation to be taken very seriously—expressed its concern that 11,400 jobs would be lost in the construction sector alone over the next decade as a direct result of the coalition's decision to hike VAT to 20%. The impact of VAT must be kept under review.

Household income in the north-east is the lowest in England, and a temporary reduction in VAT would have a positive impact on the spending power of people living in my city and region, helping to support local businesses, local economic growth and local jobs. Such a reduction could not come at a more apposite time, given that my region is facing the policies of what Kevin Rowan, the regional secretary of the Northern TUC, has recently described as a "profoundly anti-Northern Government".

That is a description I would agree with, in the light of the impact of some of the coalition's policies highlighted by Mr Rowan. They include the abolition of One North East and the planned sale of its assets to finance national Government administration—something that is not happening in London. Furthermore, job creation is simply not keeping up with job losses, with up to 19 jobseekers applying for every vacancy in some areas of the region. The north has the highest unemployment rates in the UK, and it is seeing cuts in disability benefits that will have a disproportionate impact on former industrial heartlands, as well as cuts in tax credits, the abolition of area-based grants and local government cuts significantly higher than those in many councils in the south-east. It is for those reasons that I support the proposal for the Government to undertake an assessment of the impact on UK growth of the rise in the rate of VAT.

John Hemming: Well, here we are: the Opposition have said that they really hate the idea of having VAT at 20%, and that that is a dreadful proposal. What are they proposing instead? They are proposing a review.

Thomas Docherty: Can the hon. Gentleman remind me whether he agreed with his party leader when he said, during the election campaign, that a VAT rise would hit families the hardest?

John Hemming: My right hon. Friend the Member for Twickenham (Vince Cable) was quite clear when he said that the party did not rule out an increase in VAT, when he was asked that specific question—[HON. MEMBERS: "Oh!"] The then Chancellor supported an increase in VAT to 19%, and the present Opposition now support a long-term VAT rate of 20%. The reason why they will not support new clause 9 is that the change it proposes is not temporary but permanent. Labour Members cannot criticise us for accepting a long-term VAT rate of 20% if they want the same long-term rate themselves. There is an argument about whether the stimulus that would, admittedly, result from a temporary cut in VAT would be in the long-term interests of the country, but it is a complex one. However, it is clear that we need to keep the deficit under control.

We have heard criticism from the Opposition today that the Office for Budget Responsibility has indicated that we might be borrowing more money than was originally forecast. The Opposition criticise us for the fact that the OBR forecasts higher borrowing. The Opposition's solution, however, is even higher borrowing. They identify a problem and then put forward a policy proposal to make that problem worse. It is an absurd situation.

12.15 am

The real problem that economies face, as we see with the situation in Greece, is that as the deficit goes up, the people lending the country money to keep it going become increasingly concerned and the interest rate goes up, so it is not just the amount of interest on the amount of deficit in each year that goes up, as the rate of interest goes up, too. That is why people end up in the state that Greece has ended up in.

Ian Lucas: The hon. Gentleman ought to have listened to the debate earlier, particularly to the very good speech by my hon. Friend the Member for Newcastle upon Tyne North (Catherine McKinnell), who explained that for every pound that is spent in the construction sector, £3 is injected into the economy. That would lead to three times as much being put into the economy for every pound spent in the construction sector. That means we should encourage that sector, not decimate it as the Conservatives are doing as we speak.

John Hemming: We should remember that VAT does not apply. I declare an interest, as a VAT-registered person. People who understand how VAT works will know that people who charge VAT can reclaim it on their inputs. We have to look at the details. On the hon. Gentleman's further point, yes, there is an economic multiplier that has an effect. As demand is increased, there is a multiplier effect. At the same time, we have to look at the long-term effect on the deficit, the debt and the interest paid. As interest rates go up, wider damage is done to the whole of society.

It is true that in an ideal world we would not have higher rates of VAT. In an ideal world everything would be nice, and there would no problems and no difficult decisions to take. We have to get a balance. It is very pleasing to see that the official Opposition now accept that VAT should be 20% in the long term.

Clive Efford: There used to be a time when the hon. Gentleman was fond of quoting the Institute for Fiscal Studies, which called the VAT cut "an effective stimulus". As for the construction industry, does he not recognise the figures showing a 19% increase in the number of business failures in the construction industry in the first three months of this year—since the increase was imposed?

John Hemming: There is no VAT on new build. The hon. Gentleman's party believes that the VAT rate should be 20% in the long term; I thank him for agreeing with us about that.

The Government, essentially, have to bring the deficit under control to keep interest rates under control—and that is what we are doing.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Nigel Evans): Is the hon. Member giving way, or has he finished?

John Hemming: I thought I had finished.

Mr Deputy Speaker: That is good enough for me.

Nia Griffith: I am delighted to be given this opportunity to speak, perhaps a little sooner than anticipated. I shall speak to new clause 10 and I specifically remind Members that it is about having an assessment of the impact of the VAT rate on UK economic growth. That is the area on which I shall focus; it is what we need to talk about if we want to get this country back on its feet.

We are not asking for a knee-jerk reaction. We recognise that there is a complex relationship between the various different fiscal measures that can be taken—between VAT and all the other types of fiscal measures. We also recognise the importance of a changing environment, as events elsewhere might affect our ability to export, for example, and economic events in different countries will impact on our economy in all sorts of ways.

[Nia Griffith]

Let us look at what has happened recently. We have massive inflation and businesses are having real difficulty. They are being badly squeezed. They are experiencing rising costs, rising costs and more rising costs, and they are having to make difficult judgments about how many of those costs they can pass on to consumers before they begin losing sales. Their difficulties have been compounded by the fact that they have had to contend with a higher VAT rate since January. They are making calculations daily. The costs of their raw materials are changing constantly. They must keep asking themselves, "What must we do in order to keep afloat?", but the problem is, of course, that many of them are going under.

Gordon Birtwistle: Will the hon. Lady give way?

Nia Griffith: I will if the hon. Gentleman is going to ask a sensible question.

Gordon Birtwistle: Does the hon. Lady agree that businesses—*[Interruption.]* I was asking the hon. Lady, not the animal in front of her. Does the hon. Lady agree that businesses can reclaim the VAT that they are charged?

Nia Griffith: I fully understand that businesses reclaim the VAT, but the consumer purchases the end product for a composite price that reflects everything that has been done to produce the thing in the first place, as well as the transport costs—that was explained by my hon. Friend the Member for Chesterfield (Toby Perkins)—and, of course, the VAT. The customer pays the VAT in the end, but the business has already been affected by the rise in costs that it is incurring, which do not include VAT. The price of raw materials, particularly fuel, has risen, and every business is being squeezed to the limit. Every penny counts, and businesses are asking themselves, "At what point can I put the price up? At what point does the purchaser not buy?"

Many of my hon. Friends have mentioned the impact on hard-pressed families, and they have indeed been hit very hard. The hon. Member for Redcar (Ian Swales) recited a long list of goods that do not attract VAT. Was he suggesting that every middle-income and lower-income family should exist solely on food and children's clothing? Has he not thought of the numerous household items—

Stephen Williams: Will the hon. Lady give way?

Nia Griffith: I will, on that point.

Stephen Williams: The hon. Lady's Front-Bench colleague, the right hon. Member for Delyn (Mr Hanson), said that there would be a £450 increase per "hard-pressed family", if I may use her phrase. That means that families would have to spend £18,000 a year on VATable items—not VAT-exempt or zero-rateable items. Can the hon. Lady give us an example of the sort of items on which those hard-pressed families would spend £18,000 a year?

Nia Griffith: When we arrived at the £450 figure, we were taking account of the total impact of all the tax changes introduced in the emergency Budget last June. However, if Members look around their bathrooms and kitchens, they will see numerous items that do not last for ever and need to be repaired. For example, adults will need to replace some items of clothing.

Catherine McKinnell: Does my hon. Friend share my confusion about the fact that during the election the Liberal Democrats campaigned against the Tory VAT bombshell, yet tonight they seem to be the only Members present who are defending the Tories' increase in VAT?

Nia Griffith: I find that extraordinary, and I also find it extraordinary that the Tories seem to have so little comprehension of the impact of the increase. As I have said, many household items need to be replaced.

Andrew Gwynne: Is not the real purpose of new clause 10 to enable us to assess whether the impact of the VAT increase is indeed returning growth to the economy, and does not the evidence so far suggest that the economy is going into reverse as a result of the Government's measures?

Nia Griffith: Absolutely. I shall say more about that shortly.

Mr Hanson: My hon. Friend, like myself, is a Welsh Member of Parliament. May I draw her attention to a press release last year entitled "Welsh Lib. Dem MPs want VAT rise impact to be assessed". The hon. Member for Brecon and Radnorshire (Roger Williams) said:

"we are worried about the proposed increase in VAT. ... We need to carry out this work so that we can lessen the impact of any increase in VAT."

The hon. Gentleman said that they were

"particularly concerned about the impact on the voluntary sector"

and on hard-pressed rural areas.

Nia Griffith: That is an extraordinary statement, especially as I can remember the most surreal experience of being in a studio in Cardiff and the hon. Member for Brecon and Radnorshire (Roger Williams) popping up on a screen from some distant place to defend the increase in VAT. So what is the position of the Liberal Democrats? I really do not know. One minute they say one thing about an assessment, the next minute they pop up on a screen defending to the hilt every statement in the Budget last June. I do not know what the position of Welsh Liberal Democrat Members is.

Albert Owen (Ynys Môn) (Lab): My hon. Friend is making a strong point about small businesses being unable to absorb the VAT increase. She asked about the position of the Liberal Democrats. They are on the wrong side of the argument and they are here tonight to defend the Tory rise in VAT. It is an absolute disgrace, and Welsh businesses and businesses throughout the UK will punish them at the next election.

Nia Griffith: My hon. Friend is right.

Let us move on from the small items such as mobile phone bills and the VAT on them—it might be someone's only phone if they do not have a landline. Let us move to the other end of the scale and what are called the big ticket purchases such as replacing a car or refurbishing a kitchen. They are things that people do not have to do now, but they may choose to do; perhaps they intend to do them in the next few years. The Labour Government introduced the car scrappage scheme, which spurred on people who were thinking of replacing their car in the next couple of years to bring that purchase forward. It

meant that money that was available, which some people had put by in savings, was fed into the economy and made a difference.

Mrs Madeleine Moon (Bridgend) (Lab): Does my hon. Friend remember that the car scrappage scheme was particularly effective in Wales, where the Ford factory found that the majority of cars bought under the scheme were Fords. So jobs were kept in Wales? The Welsh Liberal Democrats want to take those jobs away from Welsh workers.

Nia Griffith: The whole point of an active Government who take an interest in re-igniting the economy was absolutely that—to create jobs and ensure wealth creation so that we would be in a better position to pay back quickly—

Ian Swales: Can the hon. Lady confirm that she is now proposing a cut in VAT and car scrappage schemes and other measures to stimulate the economy? Or is she offering a choice?

Nia Griffith: I am asking about the Government's growth strategies. I am trying to explain by giving some examples of how Governments can stimulate the economy and make a difference. They can choose to kick-start the economy or to allow it to go spiralling down and unemployment to increase. These are active choices that a Government can make. We are asking in our new clause for a proper assessment of the effect of the increase in VAT on what is happening now in the economy.

Andrew Gwynne: My hon. Friend has been generous in giving way. She talks about the Government's growth strategy. It appears to me that they have neither a coherent strategy nor, apparently, growth.

Nia Griffith: That is precisely the problem. In spring 2010 we were beginning to come out of the recession, the economy was growing, inflation was low, and unemployment was coming down. Under Labour's plan, the economy was set to grow strongly. In fact, as more people were getting back into work, borrowing ended up £21 billion lower last year than had been forecast.

Bill Esterson: I am sure that my hon. Friend is aware that the Treasury is set to borrow £46 billion more than it planned last autumn as a result of slower growth. I am sure that she agrees that without growth the deficit will continue to rise. Surely that is why we are right in the new clause to call for an investigation of the impact of the measures on growth. Clearly, the Liberal Democrats do not understand the impact of the rise in VAT.

12.30 am

Nia Griffith: That is precisely the point. There is a huge contrast between an economy that was growing and doing better than the forecasts had predicted, and a situation where there has been no growth since last October. As my hon. Friend pointed out, the Office for Budget Responsibility now predicts that the Government will have to borrow £46 billion more over the coming years than was forecast last autumn after the spending review. Worse, they are failing to get Britain back to work, which is probably pushing up the benefits bill this Parliament by more than £12 billion. That not only makes the deficit worse, but makes the lives of the people involved infinitely more miserable.

Clive Efford: My hon. Friend cannot have failed to notice that only one Back-Bench Conservative Member is present—

Chris Ruane: No, he is a Parliamentary Private Secretary.

Clive Efford: Yes, he is a PPS. By contrast, nearly a dozen Liberal Democrat Members have been present. That is nearly as many Liberal MPs as positions their party has taken on VAT. I have here positions set out by not only the hon. Member for Brecon and Radnorshire (Roger Williams), but the hon. Member for North Cornwall (Dan Rogerson), who called for a review, and a Liberal Democrat activist, who called for a cut in VAT on tourism in that part of the world. Just how many positions do the Liberal Democrats have on VAT?

Nia Griffith: The whole point is that our new clause calls for a proper assessment to be made to see what the actual effect of the current VAT rate is on the economy, given the lack of growth and the lack of a plan for growth. The important thing is to carry out that impact assessment and work out the best growth strategy, because nothing is coming from this Government in order to put things right.

What has been happening in the news recently? Everybody must be aware of the crisis we are facing on our high streets and in store after store. This is happening to TJ Hughes and its 57 stores, to Jane Norman's 90 stores and 100-plus concessions, to Habitat, and to HomeForm, which covers Möben Kitchens and Dolphin Bathrooms. Some 5,300 jobs are in the balance, and now we hear about what is happening to Thorntons and Comet. Judith McKenna, chair of the CBI's distributive trades panel, has commented:

> "After a year of growth, high street sales volumes fizzled out in June....Shoppers are budgeting hard and cutting back on their discretionary spending, such as on clothes and big ticket household goods."

She is the CBI's chief financial officer.

Alison McGovern (Wirral South) (Lab): I thank my hon. Friend for mentioning TJ Hughes in her speech, because all this will have a great impact on its home in Merseyside. Does she agree that it demonstrates a problem with the Government's approach to VAT, which is that the inflationary expectations they have built into the economy are damaging not only the people who will lose their jobs at TJ Hughes, but high streets throughout Merseyside and up and down our country?

Nia Griffith: I wish to correct what I said, because Judith McKenna is chair of the CBI distributive trades panel and ASDA's chief financial officer.

The point is that the message is being given clearly from all our retail people. The CBI's retail sales index fell to its weakest level in a year. Why was that? It was because anxious shoppers are cutting back on purchases of clothing, groceries and big-ticket items, as everybody is being squeezed.

Mr Robinson: Does my hon. Friend agree that the gist of what she is a saying in a general and good contribution is that the Government have managed to combine a deflationary economic policy with inflation at double the rate they forecast? Such a policy does not stand up. Is not the core of this their overall deflationary policy, of which an increase in VAT was the central part?

Nia Griffith: Absolutely. That is now having a devastating impact on the economy, on businesses and on individual families. In our new clause, we are asking for a proper impact assessment of the effect of the VAT rate on growth in the UK. Let us see whether the Government can come up with something more constructive and find a way to drive the economy forward.

Jonathan Edwards: I thank my parliamentary neighbour for giving way. Is she saying that the evidence is already there that the VAT rise is hurting the economy, as I believe it is, or that we need a review to see whether it is doing so?

Nia Griffith: I am saying that any fiscal measure is interdependent on other fiscal measures and the Government need to decide how their growth strategy will work and how the VAT rate will fit into that, in addition to any other fiscal measures they wish to take. I am not promoting any one particular measure, but there needs to be some form of stimulus because at the moment we are spiralling downwards and seeing increases in the debt and the deficit, in the benefits bill and in the number of people who are out of work. We would like to see increases in the number of jobs and in the number of businesses that are picking up and we would like to see the deficit come down so that we can get Britain back to work and get people back into jobs. The problem at the moment is that the policies with which we are being presented seem to do precisely the opposite, as was ably explained by my hon. Friend the Member for Coventry North West (Mr Robinson) a moment ago.

We need a proper assessment and we need proper decisions to be made on the basis of it to help our economy to grow.

Roberta Blackman-Woods: I want to support new clause 10. It is very important that the assessment of VAT considers the effects of the rise on both individuals and businesses. We need to consider both categories to understand fully the impact that the rise could have on economic growth. I know from sitting through the last debate that the Conservative and Liberal Democrat parties have no understanding and no idea of the pressures that are being placed on family budgets. This debate seems to be showing that they do not have any understanding of the stresses and strains being put on businesses in constituencies such as mine. In fact, as my hon. Friends have said, the Government seem to have very little understanding of what is happening to businesses across the north of this country.

I know from my constituency postbag and I hear from my local citizens advice bureau that more and more people are looking for advice not only because they are concerned that they might lose their jobs, which is affecting a large number of people in my constituency and the neighbouring areas, but because those who are in work are experiencing increasing rises in food, energy and petrol prices while facing a cut in wages in order to keep themselves in employment. If we add those factors together, we can see that consumers are concerned about the future, which is affecting what they purchase on the high street. That has a huge impact on all our constituencies and we have heard tonight of many examples of businesses in the retail sector that are falling daily.

Mr Kevan Jones: Does my hon. Friend agree that a vivid example of that can be seen when one walks through the centre of the fine city of Durham? An increasing number of shops are closed with no trade taking place at all.

Roberta Blackman-Woods: I am grateful to my hon. Friend for making that point and I shall come to the city of Durham in just a moment or two.

The situation that I am describing, with reducing consumer confidence and increasing stresses on business, would definitely be helped by a reduction in VAT, even if it were temporary.

Hywel Williams (Arfon) (PC): May I congratulate the hon. Lady on making such a fine and powerful case in favour of the new clauses tabled by my hon. Friend the Member for Carmarthen East and Dinefwr (Jonathan Edwards)? Given the case that she is making, why do we need yet another review?

Roberta Blackman-Woods: That is an interesting point, but as my right hon. Friend the Member for Delyn (Mr Hanson) said earlier from the Front Bench, we would like to see a time scale and an end point.

As I was saying, we need a full assessment about whether a reduction in VAT would really help to turn around areas such as the one I represent. I also want to know exactly what the impact is on growth, and I will come to that in a moment or two. I want to take up the point that my hon. Friend the Member for North Durham (Mr Jones) made point about retail, but my argument is that almost every single sector in Durham is being affected by the rise in VAT that was brought in by the parties in government. We are a constituency that has a large public sector not because it is crowding out the private sector, which is the mantra we always hear from the Government parties, but because it is an administrative centre and so has a large number of public sector jobs. However, the public sector is being hit by public expenditure cuts as well as by the rise in VAT.

Bill Esterson: The situation that my hon. Friend describes is also typical of my constituency, where we have a very high level of people working in the public sector who are threatened with job losses from the parties in government. We also have a large number of small businesses that depend on those public sector workers for their custom. Those businesss are finding, as other Members have mentioned, that the VAT rise makes it very difficult for them to keep prices at the same level, and that has made it very difficult for them to trade effectively.

Roberta Blackman-Woods: My hon. Friend makes an excellent point, which clearly demonstrates a major problem in the economic strategy of the parties in government, which show no understanding of the links

between spending in the public sector and private sector businesses. That is a very great shame and is to the detriment of business in many areas.

My hon. Friend the Member for North Durham has talked about the great impact on retail businesses in my constituency, and I am concerned about the ability of some businesses in the city centre to keep going. I have been talking to the head of one of the construction businesses in my constituency, which has been a very vibrant business in the past, and he told me that it is not only flatlining but might be about to go bust. That is extraordinary because it is a major company, but jobs in the construction sector are drying up. Other hon. Members have made this important point, which shows the lack of growth strategy from the parties in government. I would like there to be some consideration about whether a reduction in VAT could help to push down inflation and could lead to a boost in job creation, particularly in areas such as mine.

Mrs Moon: Does my hon. Friend accept that part of the problem is that some of the smaller construction companies do not feel able to take on a young apprentice and help them to train, thereby giving them that initial start in business that might help them to see a future? Instead, those people cannot find work and feel that there is no hope, and that desperation is placing a huge depression over many of our communities.

Roberta Blackman-Woods: My hon. Friend makes an excellent point. As a result of the insecurity that a number of businesses face, they are more reluctant than they were to give young people—and older workers—apprenticeships.

12.45 am

Roger Williams: The hon. Lady makes an important point about the construction industry, but does she agree that some of the problems in that industry were due to the previous Government's abolition of the industrial buildings tax allowance, and indeed the agricultural buildings tax allowance, which led to a contraction in the construction industry?

Roberta Blackman-Woods: The previous Government's investment in the economy led in my constituency to a huge growth in construction jobs for those working on not only fine public-sector projects such as our new hospital and our new school, but new housing. That has just disappeared. The really serious point that I am making is that there is no growth strategy from the Government parties to ensure growth in construction jobs in my constituency—in fact, quite the opposite. We know from national figures that there is an effect on the construction sector right across the country.

Ian Paisley: Does the hon. Lady agree that there are a number of cash-flow issues that affect the entire business sector, and particularly the construction industry? There is a lack of cash flow from banks to business; from business to business, which means that debts are not paid; and of course from business to consumer, and from consumer back to business. Does she agree that the measures that are being proposed are among a cocktail of measures that need to be introduced if we are to start to address the nation's economic crisis?

Roberta Blackman-Woods: The hon. Gentleman makes an interesting point. He describes very well the downward spiral that businesses can get into unless there is a clear strategy in place to counter the deflationary measures in the economy, and we are simply not seeing that from the Government parties.

Mr Robinson: Does my hon. Friend agree, having listened to the minor carps of Liberal Members, that the essential difference between our policy and theirs seems to be on the issue of aggregate demand in the economy? All that the Government have done is reduce it by cancelling overnight Building Schools for the Future. That has halved the demand for construction in my constituency, and denied two crucial schools new buildings that they desperately need.

Roberta Blackman-Woods: My hon. Friend makes an excellent point, and reduced demand, not just from sectors but from individuals, appears to be very damaging for communities such as mine.

I want to talk about tourism in my constituency. Tourism was mentioned earlier; we know that VAT rises have really had an impact on the tourism industry, and cities such as mine are suffering because of that. People do not have as much disposable income as they did, so they are not spending as much on leisure, and that has an impact on tourism.

Mr Kevan Jones: It took the Minister with responsibility for tourism a year to visit the north-east; he finally turned up in the north-east last week. Is my hon. Friend as concerned as I am not just about the effect of VAT on tourism in Durham, but about the fact that the Minister had no answers whatever when it came to the issue of replacing One North East's marketing campaign to promote tourism? He basically said to local businesses that they had to get on with it themselves.

Roberta Blackman-Woods: I am not sure that I am surprised that that was the answer from the Minister with responsibility for tourism. I shall come on to the regional development agency in a moment or two.

Stewart Hosie (Dundee East) (SNP): For the past 10 minutes, the hon. Lady has been making a very good speech. She has said that virtually every sector in her constituency is under pressure. She was worried that businesses might not even be able to keep going. She spoke about a construction company that is under huge pressure. She described the inflationary impact of the VAT rise. She spoke about the downward spiral for businesses, and the impact of the VAT rise on tourism. Would she please explain, then, why she will not vote tonight for a temporary decrease? Has Labour changed its position? Does the shadow Chancellor not know what he is doing? Is he having a fight with his party's leader, or is this just the normal Labour shambles?

Roberta Blackman-Woods: I can only suppose that the hon. Gentleman was not listening to the answer that I gave earlier to his colleague, who made the same point.

Hywel Williams: Will the hon. Lady give way?

Roberta Blackman-Woods: I had better make progress as others want to speak. I have been quite generous in giving way.

In conclusion, I shall deal with the issue of growth and why it is so necessary for us to monitor the impact of the rise in VAT on the economy, on families and on the whole country. I make a plea for the Government to look particularly at how that is impacting on growth in the north. It was reckless of the Government to get rid of a regional development agency in the north-east that had a very good plan in place for promoting growth and identifying sectors of the economy that would benefit from public sector investment that would lever in private sector investment. We have no growth strategy in place from the Government, and that is having a huge impact. I would like that to be examined alongside the impact of the VAT increase.

Toby Perkins: This is not the first time that I have been involved in passionate debate at 12.50 am, but under normal circumstances it has taken place in a rather less rarefied environment than we are currently enjoying. I shall speak to new clause 10 and the need to assess the impact of VAT on a range of things. We should remember that the Bill follows the Budget for growth, as it was described at the time. One has to ask whether that has been investigated by the Advertising Standards Authority, because since the Budget for growth we have seen growth continuing to flatline.

We saw three months of negative growth at the back end of 2010, which was blamed on the wrong kind of snow. In early 2011, we were expecting a huge boom, with all the people who had been unable to get out to the shops in December rushing out in January and getting the economy moving, but of course it did not happen. The Chancellor's Budget for growth was a damp squib.

At every level the Chancellor has demonstrated that he just does not get it. He does not get the challenges facing working people or the challenges facing business. He does not understand the cause of the banking crisis and the collapse of the banking model. He does not understand the need for growth and how the Government can stimulate it. Most importantly, he does not understand that the public and the private sector need to co-exist and depend on each other in a constructive economy.

There is no taxation that does not have knock-on effects. The knock-on effects of VAT are phenomenal. The Institute of Economic Affairs described the VAT increase as "bad economics". If people do not choose to listen to the Institute of Economic Affairs, perhaps they want to listen instead to the economic genius who was advising Norman Lamont when we were led into black Monday. In January this year, the Prime Minister said about VAT:

> "If you look at the effect as compared with people's income then, yes, it is regressive."

That was at least consistent—it was exactly what he had said in opposition. But what about the Deputy Prime Minister? We all remember him. Back in the old days, when he was still pretending to be a progressive, we remember him with his giant Tory tax bombshell. We have been told tonight that those signs did not mean that he was against a VAT rise, or that the Liberal Democrats would not introduce such a tax bombshell; he was simply warning us that it was coming and that we should beware. A lot of Liberal Democrat leaflets were delivered in Chesterfield, and I thought at the time that they were describing the impact of the VAT increase as a bad thing, but today those of us who have never visited Planet Clegg have been put straight. The impact of VAT on the cost of living is significant, and increasing the cost of living has a dramatic impact on people's capacity to spend money and support the economic growth that we need.

Jon Ashworth (Leicester South) (Lab): One of the effects of the VAT increase is its contribution to inflation, which is currently running at twice the rate of earnings growth. The Bank of England has suggested that inflation will hit 5% later this year because of increases in utility prices, which are a result of the VAT increase. Many of my constituents are feeling particularly hit by that. Is that also the case in Chesterfield?

Toby Perkins: Absolutely. My hon. Friend makes an important point. The impact is being felt on the cost of everything, even items on which VAT is not charged, because businesses and members of the public are having to spend more on others items. There is the impact on fuel and heating costs and the downward pressure on wages, as we see the failure to achieve economic growth and the public sector being told that it will have no wage increases for two years and that pension contributions will increase. All those impacts are contributing to people spending more on VAT and having less money.

Andrew Gwynne: New clause 10 proposes an assessment of the impact of VAT on the economy, and of course we can now make a direct comparison with a fairly recent period when the previous Labour Government introduced a temporary cut in VAT and got the economy growing again. Is it not the case that we need to make that assessment so that we can see where this Government are getting it so badly wrong?

Toby Perkins: Absolutely. The new clause could not be more reasonable. It is impossible to imagine even having a vote on it, because I cannot see how anyone could argue against the need for an assessment when there is so little growth in our economy.

Ian Paisley: Does the hon. Gentleman agree that we need a much more strategic approach to this? We have the ludicrous situation that our taxation policies affect even our international relations. For example, we have lent £7 billion to our nearest and dearest—by which I mean expensive—neighbour, the Irish Republic, which allows it to reduce its internal taxation and reduce to a matter of pennies its aviation tax, yet our taxation continues to increase, which ruins business opportunities in our country. We need a more strategic approach so that if we lend money overseas we can ensure that it does not undermine taxation policy in this country.

Toby Perkins: That is an interesting point. We had the ludicrous situation of the Chancellor claiming that our country was on the verge of bankruptcy, but at the same time giving money to a country that was genuinely in a very difficult position. His credibility is really damaged when, for political gain, he says things that he knows are not true, and that every serious economist knows are not true. No one seriously believes that he

would have lent money to the Irish if he thought that this country was on the verge of bankruptcy. What we saw in Ireland was what would have happened if we had followed the dangerous policies that the Conservative party proposed in 2008, which were to start cutting when the recession was at its worst. It is precisely for that reason that there is now so little economic confidence.

I am

Susan Elan Jones (Clwyd South) (Lab): Having tried on three occasions to intervene on speeches by Conservative Members, and on each occasion been told no, I am grateful to my hon. Friend for accepting this intervention.

On VAT, Conservative Members bleat that it is not possible to secure any rebate on VAT because the Europeans will not let us, but does my hon. Friend recall that the French managed to do so for their own restaurateurs? What is it about Conservative Members' being so gutless and spineless that they will not argue our case in Europe in order to do something that would actually improve life for people in this country—especially as they brought in the VAT increase in the first place?

Toby Perkins: If I had had any idea that my hon. Friend so desperately wanted to intervene I would have given way earlier, but I am pleased to have been able to make her dream come true. The strong point that she makes, and on which Members should reflect, is precisely why my right hon. Friend the Member for Delyn (Mr Hanson) suggests that we assess the impact of the VAT increase.

I am not trying to get into a class war thing, but one reason why the Chancellor has got things so wrong and why so many of his policies seem so out of kilter is that he has no concept of what people can actually buy with a half-decent salary. That is one reason why, at the drop of a hat, he introduced the changes to child benefit. As someone who was loaded the day he was born, he has no idea of the difference between a salary of £50,000 a year, £20,000 a year or £12,000 a year; he just knows that they are a lot less than he has, and that people on £50,000 seem to earn more than the average so they are probably okay.

Mr Kevan Jones: Has my hon. Friend noticed that the same applies to the majority of the Cabinet? I understand that among both its Conservative and Liberal Democrat members there are some 20 millionaires, so they say that we are all in it together, but they are clearly not.

Toby Perkins: My hon. Friend makes a valuable point. No one is suggesting that because someone is wealthy they do not have a right to go into politics, just as we would never keep someone out of politics because they were poor—*[Interruption.]* Well, we would never do so! The central point, however, is that when the policies that the Government pursue seem so directly to hit the most deprived people, to attack pensioners and, particularly, to attack women as they have on so many different occasions, people will understandably look at the background of the people making those decisions. When people hear them in opposition say that they recognise that VAT is a regressive tax, but see them go into government and try to claim something different, they will understandably question their credibility.

VAT hits the poor, the workless and pensioners. Are those really the people the Chancellor wants in his sights?

Chris Ruane: Yes.

Toby Perkins: Absolutely. The VAT cut, like so many other Government policies, is hitting women hardest.

I do not know, Mr Speaker, whether you ever have the opportunity to visit the Conservativehome website, but if anyone does so today they will see an article entitled "The Conservatives are losing female supporters. Why?" We have had many debates that could have given them the answer, but basically every single economic policy that they have introduced has had an adverse effect on women. Women are more likely to be public sector workers; women have been badly hit by the pension changes; women are more likely to be impacted by the VAT increase; and women often manage the family budget and have noticed acutely the increase in and squeeze on the amount that they have to spend. The Conservatives are trying to analyse why women are deserting them, and we can lead them to the answer without the need for them to do much research at all.

The challenges that business face are significant. Before coming to this place, I was running my own business. Confidence is low. When customers are worried about whether they will be able to afford to pay their mortgage, they will not be spending money on anything that they do not need. The banks are not lending, public sector organisations are not buying from the private sector because they have less money, and IT suppliers are finding that they are not getting the business they relied on from the public sector. At the same time, public sector employees are not contributing to the private sector by buying all the things they would be buying if they had confidence in the security of their jobs. The cuts to the public sector are having a dramatic effect on the private sector.

We have had a Budget for growth that has led to no growth. We now need an assessment of the impact of the VAT increase so that we can understand fully the reasons we are not getting growth in the economy. We need to make decisions based on getting people back to work, getting money in people's pockets, and seeing the economy grow back in the way that every single one of us wants it to.

Kate Green: It is a pleasure to follow my hon. Friend the Member for Chesterfield (Toby Perkins) and to echo many of his remarks.

I appreciate that it is late, and I will keep my remarks brief, but it would be remiss of me not to speak up on behalf of my constituents to express the genuine concerns about the impact on businesses and families of the Government's fiscal policies, including, in particular, their policy on VAT.

The impact on families, especially the poorest families, of the Government's fiscal measures is a cause of considerable concern. The other day, the Institute for Fiscal Studies told us that inflation is having a 60% greater impact on poorer families than on better-off households. The poorest fifth of families now face an inflation rate of 4.3%, compared with the richest fifth, for whom it is only 2.7%, and the higher rate is hitting pensioners especially harshly. I suspect that we all know this from

[Kate Green]

standing on the doorsteps in our constituencies and listening to families talk about the pressures they are facing in managing the rising cost of living and the difficulties they are experiencing in making ends meet. Families across the piece are beginning to feel the squeeze that is resulting from the Government's policies, and there is no doubt that the VAT increase is a significant element in that.

I am sorry that the hon. Member for Redcar (Ian Swales) is not in the Chamber, because there are one or two important points about VAT that we need to ensure that Conservative Members understand. First, VAT is a regressive tax because it hits the lowest income deciles disproportionately harshly. That is because it is a flat-rate tax that it is taken away from the poorest families at the same rate as from the better-off. All the sleight of hand that looks at expenditure deciles misses the point that families with lower disposable incomes are seeing more of their income eaten up on non-discretionary spend, where costs are rising.

My hon. Friend the Member for Llanelli (Nia Griffith) rightly pointed out that we are talking about spend not on luxuries but on household basics. We recognise that food and children's clothes are exempt from VAT, but let us remember all the other household basics that families will still have to go out and buy: soap powder, washing-up liquid, shampoo, shoe repairs. These are not items of frivolous luxury but everyday expenditures that families have to meet. In addition, as families rightly seek to enter or stay in the labour market, there are the costs for adults of buying clothes and equipment for work. VAT is a regressive tax that harshly hits ordinary families on tight budgets, and that is an important first consideration for Conservative Members to bear in mind.

Secondly, as many of my hon. Friends have said, we need to think about the impact that the VAT rise is having on the economy as a whole. That is the thrust of new clause 10. Here again, there is a basic lesson in economics that my hon. Friends have been trying to get across. Some Government Members have said that businesses can reclaim VAT. That neglects the fact that VAT, wherever it is applied in the product chain, ends up being charged somewhere. It ends up being charged when the consumer goes out and buys the goods. It does not somehow disappear in the course of VAT recovery, but is charged ultimately to the customer, who is now faced with spending more on essential items and having less to spend on additional items. That is having a damaging effect on business, manufacturing, retail and jobs. That is the point that I and my hon. Friends have been trying to get across.

It is a pity that the hon. Member for Redcar has only just arrived as I finish this helpful, if rather basic lesson in elementary economics. You will not want me to repeat it all at this time of night, Mr Speaker, so perhaps the hon. Gentleman can read the *Official Report* tomorrow to gain the benefit of what I and my hon. Friends have been trying to get across.

As I said, I want to make a few remarks about the impact that this policy is having in my constituency. I have talked about the impact that it is having on families in my constituency. Hon. Members have alluded to the impact that it has had on HomeForm, which is a substantial business based in Old Trafford in my constituency. It has been forced into financial difficulties, and I am very concerned about that. I am also concerned about an exceptionally important and large retail centre in my constituency, the Trafford centre, with which hon. Members may be familiar. I am concerned about jobs at the Trafford centre, particularly because of the nature of those jobs. They are exactly the kind of jobs that low-income families and those who can manage only a few hours of work are reliant on: part-time jobs, shift jobs and low-skilled jobs. Those are the jobs that are being put at risk and those are the jobs that do something—not very much, but something—to keep families on modest incomes afloat.

I am concerned that there is an impact on families, an impact on industry, an impact on retail and an impact on jobs. As my colleagues have said, that translates into a fall in consumer confidence and a fall in retail growth. We are concerned therefore about the damaging effect on the economy overall.

As the House is aware, we are asking simply for an assessment of the economic impact of the Government's VAT rise. I think that that is a reasonable thing to ask for, particularly given the Chancellor's apparent greater open-mindedness towards the economic impact of the 50% income tax rate introduced by the last Labour Government for those with incomes of more than £150,000. It was interesting to hear him say explicitly in his Budget statement in March this year that he regards that as "a temporary measure" and that he is concerned about what its broader impact may be. We are asking simply that VAT—a tax that affects all families, all households, all businesses and our economy as a whole—be subject to the same degree of scrutiny and review. I am at a loss to understand why a responsible Government would not want to take on board new clause 10 and support us in the Lobby this evening.

Mr Gauke: We have had an interesting debate. I must admit that I am surprised that on the subject of VAT cuts I am responding principally to the hon. Member for Carmarthen East and Dinefwr (Jonathan Edwards) and that it is he who tabled the new clause calling for a VAT cut. After all, it was only on 16 June that, with much fanfare, the shadow Chancellor announced the Opposition's flagship policy of a cut in VAT—the first paragraph to appear on the blank sheet that is Labour policy. Yet with an opportunity to legislate for that very policy today, the official Opposition failed to get around to tabling their new clause until the day before the debate—too late for selection.

1.15 am

We could speculate as to why that is the case. Perhaps the Labour party has reconsidered its policy. After all, by the time of Treasury questions on 21 June the shadow Ministers were refusing to raise the policy in the Chamber, and on 22 June various shadow Ministers were quoted in the *Financial Times* as complaining about not being consulted, and were admonished for doing their politics on the record. Of course, the previous Chancellor, the right hon. Member for Edinburgh South West (Mr Darling), failed to support the policy on eight occasions. In an Opposition day debate, Labour Back Benchers failed to mention it at all. Perhaps the policy

has been quietly dropped, replaced by the more modest new clause 10, which we heard from the right hon. Member for Delyn (Mr Hanson) suggests an assessment of the impact of the VAT rate on UK economic performance.

Of course, there was new clause 16, which was not selected. Was the delay in tabling it because of indecisiveness? Do the Opposition want to put forward that policy or not? Perhaps there was a delay in the process as it was cleared through the shadow Cabinet—we know how the shadow Chancellor likes to do that. Perhaps it was waiting for consent from the right hon. Member for Dulwich and West Norwood (Tessa Jowell). Or perhaps it was incompetence. It is, after all, difficult in opposition. There are no officials to help, and there are deadlines to meet. Somehow, however, the formidable Westminster machine that is Plaid Cymru managed to get its new clause in on time. When the shadow Chancellor was appointed, we heard much about how he was a ruthless street-fighter, how he was endlessly harrying the Government, how he would set the agenda and how he would imaginatively exploit parliamentary opportunities to the full. Six months on, he cannot even get his key new clause tabled in time. This is the man who wants to run the economy.

On the subject of VAT policy, what have we heard from the official Opposition? First we learned that the right hon. Member for Edinburgh South West was in favour of raising VAT to 19%, then the official Opposition abstained on the increase to 20%. Then they had a policy of cutting VAT on road fuel, which turned out to be illegal, so whereas we got on with cutting taxes on road fuel, the Opposition would have engaged in endless negotiations on a derogation. Then, last week, we heard the policy of cutting VAT on a temporary basis, even if the Opposition are not entirely sure about it. This week we learn that they are not going to vote in favour of that policy. What the hon. Member for Carmarthen East and Dinefwr said is correct—his new clause would be a temporary policy, yet the official Opposition are not going to support it. In other words, in 12 months we have had three shadow Chancellors and five different policies on VAT.

I can be clear about our position. I know that hon. Members have heard this before, but I will say it again. This Government inherited an exceptional fiscal challenge—the largest deficit in post-war history, and the state borrowing £1 in every £4 that it spent. We have undertaken a programme of fiscal consolidation, and the VAT increase is a necessary part of that plan. Current economic conditions and events in Europe reinforce the view that fiscal consolidation is the right course of action for the UK, and the evidence shows that the plan is working. The economy is growing and will grow further. We have the advantage of interest rates on a par with Germany's, even though we are borrowing more than Greece and Portugal.

Mr Robinson: How can the Exchequer Secretary say that the economy is working and growing? It flatlined for six months, and according to his own Office for Budget Responsibility, the prognosis is that we will borrow £46 billion more over the period of the deficit reduction plan, and that unemployment will rise by 200,000 over the same period. How can he pretend that the plan is working?

Mr Gauke: The fact is, the economy grew in the first quarter of this year, after the VAT increase, unemployment fell this year at the fastest rate since 2000, and borrowing is falling. The plan is working. I am afraid that Opposition attempts to talk the economy down are not working. In difficult international conditions, the economy is growing.

Raising the rate of VAT was a difficult decision to take, but it was the right decision, and the responsible thing to do. The Opposition proposal is reckless: an unfunded VAT cut to the tune of £12 billion a year, and £51 billion over the Parliament. How do the Opposition propose to fill that gap? Would they revert to their tax on jobs? Do they think that that would stimulate growth?

Deficit reduction, in which the VAT increase plays an important role, is a prerequisite for sustained economic growth. At the June Budget and in the spending review, the Chancellor set out a credible plan to reduce the deficit. According the OBR, the plan is consistent with medium-term growth, achieving the mandate in 2014-15, a year earlier than required. The International Monetary Fund continues to back the Government's consolidation plans, and to advise against changing course. It considered whether it is time to adjust macro-economic policy, and its conclusion is that the answer is no.

Events in Europe and around the world in the past few weeks have shown how important it is for countries with large deficits, such as the UK, to have a credible plan to deal with their debts. The Government have a credible plan. The British economy is recovering, output is growing and new private sector jobs are being created. We have set out why we have made those changes and explained what is required. We are putting our economy on a path of sustainable growth. I urge hon. Members not to press the new clauses to Divisions, and to support the Government's plans for this country.

Jonathan Edwards: We have had a very interesting debate, although I find myself somewhat confused by the voting intentions of hon. Members. We will see in a few moments.

I shall not press new clause 6 to a Division, because it proposes a permanent reduction in VAT. New clause 9, however, proposes a temporary reduction, no matter what Labour Front Benchers say, and I will press that to a Division. Those who do not join us in the Lobby for the Division on new clause 9 will not be able to say with any credibility that they oppose the January VAT increase.

I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 9

VALUE ADDED TAX (CHANGE OF RATE) ORDER 2011

'(1) The Chancellor of the Exchequer shall make an order under the powers conferred by sections 2(2) and 21(7) of the Value Added Tax Act 1994 that in section 2(1) of the Value Added Tax Act 1994 (rate of VAT), the rate of tax charged by virtue of that section shall be decreased by 12.5 per cent.

(2) In section 21(4) (value of imported goods) of the Value Added Tax Act 1994 for "25" substitute "28.58".

(3) This Order shall be known as The Value Added Tax (Change of Rate) Order 2011 and shall come into force on 30 August 2011.'.—*(Jonathan Edwards.)*

Brought up, and read the First time.

Question put, That the clause be read a Second time.

The House divided: Ayes 10, Noes 293.

Division No. 308] **[1.22 am**

AYES

Edwards, Jonathan
Hopkins, Kelvin
Lucas, Caroline
McCrea, Dr William
Owen, Albert
Paisley, Ian
Shannon, Jim
Skinner, Mr Dennis
Williams, Hywel
Wood, Mike

Tellers for the Ayes:
Dr Eilidh Whiteford and Stewart Hosie

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Amess, Mr David
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Baron, Mr John
Bebb, Guto
Beith, rh Sir Alan
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bottomley, Sir Peter
Bradley, Karen
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Browne, Mr Jeremy
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burrowes, Mr David
Burstow, Paul
Byles, Dan
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, rh Mr Alistair
Carmichael, Neil
Carswell, Mr Douglas
Chishti, Rehman
Chope, Mr Christopher
Clappison, Mr James
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Crockart, Mike
Crouch, Tracey
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Dorries, Nadine
Doyle-Price, Jackie
Drax, Richard
Duddridge, James
Duncan, rh Mr Alan
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Featherstone, Lynne
Field, Mr Mark
Foster, rh Mr Don
Fox, rh Dr Liam
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mr Edward
Garnier, Mark
Gauke, Mr David
Gibb, Mr Nick
Gilbert, Stephen
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Damian
Greening, Justine
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, Robert
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Matthew
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Horwood, Martin
Howell, John
Hughes, rh Simon
Hunter, Mark
Huppert, Dr Julian
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kelly, Chris
Kirby, Simon
Knight, rh Mr Greg
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lansley, rh Mr Andrew
Latham, Pauline
Laws, rh Mr David
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Lewis, Brandon
Lilley, rh Mr Peter
Lloyd, Stephen
Lord, Jonathan
Loughton, Tim
Luff, Peter
Lumley, Karen
Macleod, Mary
Main, Mrs Anne
Maude, rh Mr Francis
Maynard, Paul
McCartney, Jason
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Mensch, Mrs Louise
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Mills, Nigel
Milton, Anne
Moore, rh Michael
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Ottaway, Richard
Paice, rh Mr James
Parish, Neil
Patel, Priti
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pritchard, Mark
Raab, Mr Dominic
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reevell, Simon
Reid, Mr Alan
Robathan, rh Mr Andrew
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Ruffley, Mr David
Rutley, David
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Sharma, Alok
Shelbrooke, Alec
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soubry, Anna
Spencer, Mr Mark
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo

Swire, rh Mr Hugo
Syms, Mr Robert
Teather, Sarah
Thurso, John
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Robin
Wallace, Mr Ben
Walter, Mr Robert
Ward, Mr David
Watkinson, Angela
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Williams, Mr Mark
Williams, Roger
Williams, Stephen
Willott, Jenny
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Jeremy
Wright, Simon
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Noes:
Stephen Crabb and Norman Lamb

Question accordingly negatived.

New Clause 10

VAT

'The Treasury shall, within three months of the passing of this Act, report to Parliament its assessment of the impact of the rate of VAT on UK economic growth.'—*(Mr Hanson.)*

Brought up, and read the First time.

Question put, That the clause be read a Second time.

The House divided: Ayes 159, Noes 295.

Division No. 309] **[1.34 pm**

AYES

Ainsworth, rh Mr Bob
Alexander, rh Mr Douglas
Ali, Rushanara
Ashworth, Jon
Austin, Ian
Bailey, Mr Adrian
Bain, Mr William
Balls, rh Ed
Banks, Gordon
Barron, rh Mr Kevin
Bayley, Hugh
Beckett, rh Margaret
Begg, Dame Anne
Benn, rh Hilary
Benton, Mr Joe
Betts, Mr Clive
Blackman-Woods, Roberta
Blenkinsop, Tom
Blomfield, Paul
Bradshaw, rh Mr Ben
Brennan, Kevin
Brown, Lyn
Brown, rh Mr Nicholas
Bryant, Chris
Burden, Richard
Byrne, rh Mr Liam
Campbell, Mr Alan
Caton, Martin
Coaker, Vernon
Connarty, Michael
Cooper, Rosie
Corbyn, Jeremy
Crausby, Mr David
Creasy, Stella
Cryer, John
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Dakin, Nic
Danczuk, Simon
David, Mr Wayne
Davies, Geraint
De Piero, Gloria
Dobbin, Jim
Dobson, rh Frank
Docherty, Thomas
Dowd, Jim
Dugher, Michael
Durkan, Mark
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Engel, Natascha
Esterson, Bill
Evans, Chris
Flello, Robert
Gardiner, Barry
Glindon, Mrs Mary
Goodman, Helen
Green, Kate
Griffith, Nia
Gwynne, Andrew
Hain, rh Mr Peter
Hamilton, Mr David
Hamilton, Fabian
Hanson, rh Mr David
Healey, rh John
Hendrick, Mark
Heyes, David
Hodgson, Mrs Sharon
Hopkins, Kelvin
Hosie, Stewart
Jackson, Glenda
James, Mrs Siân C.
Jarvis, Dan
Johnson, Diana
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Jowell, rh Tessa
Joyce, Eric
Lammy, rh Mr David
Lavery, Ian
Lazarowicz, Mark
Leslie, Chris
Lloyd, Tony
Lucas, Caroline
Lucas, Ian
Mahmood, Shabana
Mann, John
McCabe, Steve
McCann, Mr Michael
McCarthy, Kerry
McClymont, Gregg
McCrea, Dr William
McDonnell, Dr Alasdair
McDonnell, John
McFadden, rh Mr Pat
McGovern, Alison
McKinnell, Catherine
Meacher, rh Mr Michael
Meale, Sir Alan
Michael, rh Alun
Miller, Andrew
Moon, Mrs Madeleine
Morden, Jessica
Morrice, Graeme *(Livingston)*
Morris, Grahame M. *(Easington)*
Munn, Meg
Murphy, rh Paul
Nash, Pamela
O'Donnell, Fiona
Owen, Albert
Paisley, Ian
Perkins, Toby
Pound, Stephen
Reynolds, Jonathan
Riordan, Mrs Linda
Ritchie, Ms Margaret
Robertson, John
Robinson, Mr Geoffrey
Rotheram, Steve
Roy, Lindsay
Ruane, Chris
Seabeck, Alison
Shannon, Jim
Sheridan, Jim
Shuker, Gavin
Skinner, Mr Dennis
Smith, rh Mr Andrew
Smith, Angela
Smith, Nick
Smith, Owen
Spellar, rh Mr John
Stringer, Graham
Sutcliffe, Mr Gerry
Tami, Mark
Thomas, Mr Gareth
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turner, Karl
Twigg, Stephen
Umunna, Mr Chuka
Vaz, Valerie
Watson, Mr Tom
Watts, Mr Dave
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Williams, Hywel
Williamson, Chris
Wilson, Phil
Winnick, Mr David
Winterton, rh Ms Rosie
Wood, Mike
Woodcock, John
Wright, David
Wright, Mr Iain

Tellers for the Ayes:
Lilian Greenwood and Graham Jones

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Amess, Mr David
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Baron, Mr John
Bebb, Guto
Beith, rh Sir Alan
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bottomley, Sir Peter
Bradley, Karen
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Browne, Mr Jeremy
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan

Burns, Conor
Burrowes, Mr David
Burstow, Paul
Byles, Dan
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, rh Mr Alistair
Carmichael, Neil
Carswell, Mr Douglas
Chishti, Rehman
Chope, Mr Christopher
Clappison, Mr James
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Crockart, Mike
Crouch, Tracey
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Dorries, Nadine
Doyle-Price, Jackie
Drax, Richard
Duncan, rh Mr Alan
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Featherstone, Lynne
Field, Mr Mark
Foster, rh Mr Don
Fox, rh Dr Liam
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mr Edward
Garnier, Mark
Gauke, Mr David
Gibb, Mr Nick
Gilbert, Stephen
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Damian
Greening, Justine
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, Robert
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Matthew
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Horwood, Martin
Howell, John
Hughes, rh Simon
Hunter, Mark
Huppert, Dr Julian
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kelly, Chris
Kirby, Simon
Knight, rh Mr Greg
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lamb, Norman
Lansley, rh Mr Andrew
Latham, Pauline
Laws, rh Mr David
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Lewis, Brandon
Lilley, rh Mr Peter
Lloyd, Stephen
Lord, Jonathan
Loughton, Tim
Luff, Peter
Lumley, Karen
Macleod, Mary
Main, Mrs Anne
Maude, rh Mr Francis
Maynard, Paul
McCartney, Jason
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Mensch, Mrs Louise
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Mills, Nigel
Milton, Anne
Moore, rh Michael
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Ottaway, Richard
Paice, rh Mr James
Parish, Neil
Patel, Priti
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pritchard, Mark
Raab, Mr Dominic
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reevell, Simon
Reid, Mr Alan
Robathan, rh Mr Andrew
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Ruffley, Mr David
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Sharma, Alok
Shelbrooke, Alec
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soubry, Anna
Spencer, Mr Mark
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Swire, rh Mr Hugo
Syms, Mr Robert
Teather, Sarah
Thurso, John
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Robin
Wallace, Mr Ben
Walter, Mr Robert
Ward, Mr David
Watkinson, Angela
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Williams, Mr Mark
Williams, Roger
Williams, Stephen
Willott, Jenny
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Jeremy
Wright, Simon
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Noes:
Stephen Crabb and James Duddridge

Question accordingly negatived.

Ordered, That further consideration be now adjourned. *—(Mr Francois.)*

Bill to be further considered tomorrow.

Business without Debate

DELEGATED LEGISLATION

Motion made, and Question put forthwith (Standing Order No. 118(6)),

CLIMATE CHANGE

That the draft Carbon Budget Order 2011, which was laid before this House on 24 May, be approved.—*(Angela Watkinson.)*

Question agreed to.

Motion made, and Question put forthwith (Standing Order No. 118(6)),

That the draft Climate Change Act 2008 (Credit Limit) Order 2011, which was laid before this House on 7 June, be approved.—*(Angela Watkinson.)*

Question agreed to.

Motion made, and Question put forthwith (Standing Order No. 118(6)),

FINANCIAL SERVICES AND MARKETS

That the draft Undertakings for Collective Investment in Transferable Securities Regulations 2011, which were laid before this House on 10 June, be approved.—*(Angela Watkinson.)*

Question agreed to.

PETITION

Leave to Remain (Sam Fontana Wright)

1.47 am

Andrew Stephenson (Pendle) (Con): Thank you for allowing me to present my petition, Mr Speaker.

Sam, a constituent of mine, has had his application for a long-term visa refused by the UK Border Agency, which plans to send him back to America within days.

The Petition of residents of Pendle, Lancashire, and others,

Declares that the Petitioners believe that Sam Fontana Wright should be allowed leave to remain in Britain.

The Petitioners therefore request that the House of Commons urges the Government to encourage the UK Border Agency to halt his deportation and reconsider his case.

And the Petitioners remain, etc.

[P000932]

Employment (Livingston)

Motion made, and Question proposed, That this House do now adjourn.—*(Angela Watkinson.)*

1.49 am

Graeme Morrice (Livingston) (Lab): I believe that both you and I have drawn the short straw tonight, Mr Speaker, but I am delighted to be able to initiate the debate, and I am very pleased that it concerns employment in my constituency.

One of the key issues that motivated me—along with many other Labour Members—to become more actively engaged in politics was the corrosive effect of mass unemployment, which reached 22% in my local authority area of West Lothian in the mid-1980s. Action to create job opportunities, especially for young people, in the communities I grew up in and went on to serve as a councillor, a council leader and now an MP, has always been central to my political outlook and activity.

But before I move on to specifics on the future jobs fund and employment in my constituency, it is important to set this debate within the current national context. Youth unemployment in the UK is alarmingly high, with unemployment among 18 to 24-year-olds higher than at any time since 1992. West Lothian also has a higher proportion, at 7.4%, of youth unemployment than the Scottish average of 6.5%.

The House explored the effects of those record levels of youth unemployment in a debate last week, so I will not dwell for long on the details now. However, I was amazed to read in the Library briefing for that debate about the results of a recent poll conducted for *The Independent on Sunday*. It found that eight out 10 people think it is harder for young people to get a job now than it was 20 years ago under the previous Conservative Government. It also reported that two thirds of the public think that the coalition's economic policy threatens to

"leave a generation of young people jobless"

and that there is not enough being done to help youngsters into work. That is a damning public verdict on the coalition's failure to get a grip on this vital issue. It is now clear that jobs are one of the biggest costs of the Government's cutting too far and too fast.

As we came out of recession, Labour's No. 1 priority was creating jobs, and by spring 2010 we were turning the corner and unemployment was coming down. Putting young people on the dole is not only a waste of money but a waste of their potential. We believe that getting people back into work is the best way to reduce the deficit. Yet the Government's poorly targeted spending cuts have led them to axe programmes such as the future jobs fund, resulting in higher unemployment and more people claiming benefits. This, in turn, is making it harder to get the deficit down.

I will now turn to my main points in this evening's debate—the future jobs fund and employment in Livingston constituency. During my time as the leader of West Lothian council I made economic regeneration and job creation top priorities. As part of that work, I oversaw the establishment of Access2employment, a council service to extend essential employability support to people who need help to get back into work. The Access2employment team delivers employability support to all residents of West Lothian, but with a priority

[Graeme Morrice]

focus on specific groups who have been identified as disadvantaged. They have very strict and challenging targets, which to date have been consistently achieved or exceeded.

On average, the team will work with 1,500 residents of West Lothian each year and will move at least 50% of them into work or training. There are three dedicated locations where the service can be accessed, including two in my constituency at Craigshill and Broxburn. The team also has lead responsibility for PACE—partnership action for continuous employment—in West Lothian, a partnership of key organisations which provide an immediate response for organisations when redundancies occur.

Support is tailored around the individual so that they are equipped with the employability skills that meet the needs of employers, recognising that one size does not fit all. The service has really come into its own during the difficult economic period, experiencing significant increases in the number of clients it works with over the last few years. In October 2009, the Department for Work and Pensions awarded West Lothian council a future jobs fund contract to create more than 200 jobs for young people by March 2011.

Access2employment has led the delivery of that contract and 211 people aged 18 to 24 have now been found employment opportunities, achieving the FJF target. The fund has supported those young people to gain the confidence and skills boost that they needed to find jobs.

One of those who found employment through the future jobs fund in Livingston was Aileen Ross, who was employed by the West Lothian chamber of commerce. She said of her own experience:

"I feel as though the Future Jobs Fund position gave me the chance I needed, to not just get myself back into work but change my career path in a positive direction. On the whole my experience over the last few months with the future jobs fund has been a positive one and I am very grateful for the opportunity I was given."

Amber Lees was the 211th, and last, employee under the contract. She is now employed by The Pitstop community facility in Addiewell, a former mining community in my constituency, as a community assistant. She said:

"I really enjoy working at The Pitstop and know that I would not have been able to find a job like this without the future jobs fund."

Margaret Pow, the manager of The Pitstop, which has been highly supportive of the delivery of the FJF contract, commented:

"The Pitstop would not be able to operate in the way it does without the hard work and dedication of the future jobs funded staff we have here."

There are dozens of similar success stories, with young people in my constituency and across West Lothian who had struggled to find work after leaving school having now, through the FJF and the expert assistance of Access2employment, found work.

Most crucially, the overall success rate in West Lothian has been remarkable, with about 65% of the young people who completed the programme moving into jobs or training—some 15% more than the national average. The added value provided by Access2employment, and its long-established expertise and contacts, has clearly been vital in achieving such significant success. The council's FJF will end completely in September, but where does the scrapping of the FJF leave Aileen, Amber and thousands more like them?

It is clear that the Government moved to axe the FJF at an indecently hasty pace, before all the evidence on its outcomes was available. The Select Committee on Work and Pensions report on youth unemployment and the FJF, published in December last year, concluded:

"While we accept the Government's need to make savings to address the public spending deficit, it is our view that insufficient information was available to allow the Department to make a decision to terminate the FJF if this decision was based on its relative cost-effectiveness."

In fact, there is an increasing amount of evidence to suggest that the FJF has generally been successful and has produced positive results for those who have participated in it. Indeed, a new qualitative study backing the success of the FJF was published last month, albeit with little fanfare, by the Department for Work and Pensions itself.

"Customer Experience of the Future Jobs Fund", a DWP in-house research report, found that the quality of jobs on the FJF was often high, that Jobcentre Plus generally managed it well, and that the programme had been a huge help in securing jobs for the young people who have been through it. The report states:

"A widespread view amongst respondents who had not found work was that their six month post would help to secure another job in the future. Some of the respondents who had been unemployed for many months plus prior to starting FJF described how their frustration and despair had changed into a real sense of hope for their prospects."

It goes on to conclude:

"Overall, the evidence from this study suggests that FJF has been successful in up-skilling and preparing customers for work, particularly in terms of increased confidence and belief in capabilities."

It also states:

"for many participants their reported experiences had been to such a high standard, that they could not think of any improvements to the scheme."

That hardly sounds like a description of an ineffective scheme, as the Government tried to claim the FJF was a year ago when they announced that they were shutting the programme down.

Support for the FJF has also come from the Scottish Council for Voluntary Organisations, which led the Third Sector Consortium in Scotland, one of the largest third sector providers of the FJF in the UK. Its "Future Jobs: Future Communities" report showed that the FJF helped to support vulnerable people, increase recycling, involve more children in sport and support financial inclusion projects. The report highlighted many specific examples of successful placements in the voluntary sector, including three at Cyrenians Farm, a social enterprise, based in Kirknewton in my constituency.

Martin Sime, chief executive of the SCVO, said the FJF was an example of successful public service delivery. In evidence to the Select Committee inquiry last year, the SCVO also stated:

"We are disappointed that the Coalition Government has chosen to end the FJF early, particularly as this decision was taken so swiftly and without being informed by thorough analysis or evaluation of the outcomes achieved by the programme, which we believe to be favourable when compared to mainstream employment initiatives designed for this client group."

What of the Government's alternative, the Work programme? It has been dogged by criticism from all quarters, including from the head of a leading welfare-to-work charity, who also happens to be a Conservative peer. Baroness Stedman-Scott of the Tomorrow's People charity last week publicly expressed strong concerns about how the Work programme is being implemented, and not least about how voluntary sector providers have been treated. She was voicing the widespread concerns of work charities, many of which have lost out to commercial providers in the bidding process for Work programme contracts.

Earlier this month, Tomorrow's People and the Centre for Public Service Partnerships published a report that suggested that the Work programme will fail if commercial providers do not help jobless people with the worst social disadvantage. Neil Lee, senior economist at the Work Foundation, has supported this concern. He said:

"As the Work Programme is based on payment-by-results, contractors carry the initial risk. There is therefore the danger that private contractors will focus on investing in places where they are more likely to get people into work to secure a return on investment."

Perhaps the most disturbing concern has been raised by the Employment Related Services Association, which represents most of the organisations awarded prime contracts to run the Work programme. It has claimed that the welfare-to-work industry could shrink by up to a third in the years ahead, with up to 10,000 jobs at risk. That is because the Government's own predictions suggest that fewer people will be referred to the Work programme than were referred to similar schemes under the Labour Government.

The ERSA's chief executive, Kirsty McHugh, said that although she and her members support the Work programme and want it to succeed, there is "huge concern" about its implementation. She said:

"The big unknown is quite how many customers are going to be going through the Work Programme. If, as we think it will, that number turns out to be quite low, our estimate is that the workforce employed to deal with those customers will shrink by 25 to 33%."

That is breaking new ground even for a Tory Government: a jobs programme that is putting those responsible for running it out of work before it has even begun. On a serious note, that highlights the Government's lack of ambition in tackling youth unemployment.

Labour believes that a repeat of last year's bankers' bonus tax, which brought in £3.5 billion, could, on a cautious estimate, raise £2 billion, which should be used to help create 100,000 jobs, build 25,000 affordable homes, rescue construction apprenticeships and boost investment in businesses. The coalition Government's decision not to repeat last year's bonus tax means that even with the increase in the levy announced earlier this year, the banks are still getting a tax cut this year as youth unemployment increases.

In Scotland, Labour adopted an incremental and evidence-based approach to the issue before last month's Scottish Parliament elections. We consulted with relevant organisations on a £40 million Scottish future jobs fund, which would have built on the strengths of the UK Future Jobs Fund and sought to learn from examples of best practice such as those displayed in my local authority area, West Lothian. That approach, which involves working with experts and local communities, contrasts starkly with that of the coalition Government. At a national level, instead of consulting those who know best how to get young people into work—the people on the ground, such as the dedicated staff at Access2employment—the Government have shut down a programme that is now proving its value and that could easily have been adapted and further improved. Thousands of young people in Livingston, the rest of West Lothian and up and down the country will wonder why the Government have pulled the rug out from under them in this way just when they are in the greatest need of extra support.

In conclusion, I would like the Minister, who I know has drawn the short straw this evening in having to respond to the debate at this late hour, to tell us why the Government acted in such a precipitous way in axing the future jobs fund before all the evidence was available to make an informed decision. Furthermore, what will the Government do now to ensure that the best aspects of the future jobs fund, as so effectively evidenced in my constituency, in the rest of West Lothian and across the length and breadth of the country, are not lost as the Work programme is rolled out, so that young people in Livingston constituency can continue to benefit from expert support in helping them to find work? I thank you, Mr Speaker, and the two Members who have remained in the House.

2.5 am

The Minister of State, Department for Work and Pensions (Chris Grayling): The hon. Member for Livingston (Graeme Morrice) has, as he rightly said, drawn the short straw this evening, and I am sure that he would have chosen a slightly earlier hour to debate what are certainly important issues. However, I think that, quite appositely, we have finished this evening with a bit of a fairy story, because much of what the hon. Gentleman said was, although well-meaning I am sure, complete nonsense. Let me explain why. Having listened to his remarks for the past few minutes, one would not believe that youth unemployment today is actually 25,000 lower than it was at the general election, that the number of young people on jobseeker's allowance in his constituency has fallen since the general election or that the trends in the labour market have seen an increase in employment in Scotland. One would not believe that across the country as a whole there are 500,000 more people in employment than there were a year ago and that, very gratifyingly at what are difficult times for the public sector, the private sector is creating jobs at a rate that is significantly faster than the loss of jobs in the public sector. I simply do not recognise the bleak picture that he portrays.

I fully accept that with the challenging youth unemployment in the hon. Gentleman's constituency and across the country we still have a lot of work to do. That remains a big problem and a big challenge for us. Of course, the figures are somewhat distorted by the bizarre situation that the overall headline youth unemployment figure includes almost 300,000 young people who are in full-time education and who happen to be looking for a part-time job alongside their studies. I do not classify those people as unemployed and I do not think that most reasonable people would. However, the reality is that we still have more than 600,000 young people across the country—many in his constituency,

[Chris Grayling]

some in mine and some in the constituencies of all hon. Members—who are struggling to get into work in what remains a challenging labour market. I accept that there is a job to be done. The progress that has been made is a welcome step in the right direction, but it is only a small step on a long journey to tackling a real problem.

I disagree with the hon. Gentleman's comments about the future jobs fund. I know that Labour Members believe strongly that that policy was a significant strategy for dealing with youth unemployment, but I disagree. I do not deny that a number of young people benefited from what were six-month placements—it is important to get the jargon right. "Future jobs fund" was not an honest and accurate title for the programme. They are not jobs, but six-month placements almost entirely in the public, voluntary and community sectors. Because of rules relating to European state aid, it was not possible in almost all cases to provide jobs in the private sector. At a time when it is the private sector that is creating job opportunities, that was a big flaw in the future jobs fund.

The other big flaw was cost: it was massively expensive. It cost four times as much to achieve a job outcome as did the Labour party's own new deal for young people. It was a hugely expensive programme that did not deliver results significantly out of line with previous programmes at a cost that was comparable to previous programmes. At a time when the Government were dealing with a massive deficit—a huge challenge—we had to take some hard decisions, and those hard decisions were about value for money. Early on, we took a straightforward decision that I stand by to this day and which I believe was absolutely the right one: to focus our attention on apprenticeships. I accept that in Scotland, in the hon. Gentleman's constituency, responsibility for apprenticeships has been devolved to the Scottish Administration. I admired his bravery in referring to the Labour party's plans prior to the Scottish parliamentary elections, because I am not sure that they were entirely welcomed by the electorate north of the border.

Graeme Morrice: It is probably true to say that the Scottish Labour party was not quite successful in last month's Scottish parliamentary elections, but that was not because of our policies on jobs, employment, or apprenticeships; most people recognised that those were our top priority. There were other reasons why we did not quite win. I do not think that it was because of our position on getting young people back into employment.

Chris Grayling: Of course the hon. Gentleman knows more about Scottish political affairs than I do. Looking at the issues from south of the border, I simply observe that it is quite clear that the Labour manifesto for those elections did not capture the attention of those north of the border in the way that he and his colleagues might have wished it to. However, it is certainly the policy of the Administration in Edinburgh to pursue an apprenticeship route. It is very much the view of the Government that apprenticeships offer a much better option for young people. They offer a pathway to much longer-term skill building, and to a real job that can last a number of years. We all hope that in most cases it will carry on beyond the apprenticeship period and become long-term employment—in an organisation in the private sector, in most cases, where there is a real chance of growth and opportunity. Sadly, right now, for reasons that we all know and understand, the same growth and opportunity is not shared in the public sector.

That was a very conscious decision, and I was pleased when, earlier this week, my colleague the Minister for Further Education, Skills and Lifelong Learning, in the Department for Business, Innovation and Skills, published figures on the Government's progress on apprenticeships and set out a quite remarkable increase in the take-up of apprenticeships over the past 12 months. When we add to that the additional apprenticeship places that were announced by the Chancellor of the Exchequer in the Budget, we find that the package of apprenticeships that we are offering, together with the package of apprenticeships that will be set up in Scotland and Wales, will offer young people across the United Kingdom a better option than the future jobs fund.

Graeme Morrice: I am grateful to the Minister for allowing me to intervene a second time. Certainly, I would welcome any increase in the number of apprenticeships for young people. Of course, the Government are building on the strengths of the modern apprenticeship scheme introduced by the Labour Government in this place and the Labour Administration in the Scottish Parliament. What does the Minister say in response to my comments about the criticisms made of the Government's Work programme by a series of people, including Baroness Stedman-Scott, who was particularly critical of the scheme?

Chris Grayling: I shall go on to talk about the Work programme in a moment, but first let me touch briefly on one other important part of our strategy: the work experience scheme that is being organised through Jobcentre Plus. We believe that one of the key barriers to employment for young people is that age-old problem—they cannot get a job unless they have experience, but they cannot get the experience unless they have a job. We discovered very soon after taking office that under the previous Government, any young person who did a period of work experience would lose their benefits. We have changed that; young people can now do up to eight weeks' work experience while continuing to claim jobseeker's allowance. That allows them to get into a company, demonstrate their potential, and get to know the employer and vice versa. We believe that in many cases that will be a bridge into an apprenticeship or full-time employment.

There are already many thousands of young people going into work experience placements under a scheme that we launched about three months ago. We have commitments from employers to tens of thousands of placements over the next 12 months. We believe that that scheme can be a simple, quick vehicle that opens up opportunities for apprenticeships and other employment for young people, and allows them effectively to demonstrate to an employer what they can do, and break down that initial barrier. An employer may say, "Actually, I like this young person; they are doing something for my organisation, and they can make a difference." That is the second part of our strategy.

As the hon. Member for Livingston rightly said, for those who have been unemployed for a longer period, or who come from a more challenged background, we

have the Work programme. I am afraid that I simply do not recognise the pessimistic view that he portrays of the programme.

It is undoubtedly the case that there are some issues for voluntary sector organisations in the negotiations with prime contractors, sorting out the best possible deals for themselves. I have been very clear, and I am very clear again tonight on the record, that as far as I am concerned we have recruited a good team led by prime contractors and backed up by teams of organisations—specialist, community, voluntary sector, smaller private sector and public sector, such as local colleges—to deliver the Work programme across the country. We expect those teams to remain intact.

I have no doubt that there will be some to-ings and fro-ings in the negotiations between prime contractors and subcontractors over the next few weeks, but it will not be acceptable for prime contractors to treat their subcontractors as what has been called "bid candy" and to drop them. Any prime contractor that does that can expect to lose its contract. So I do not recognise that there is a deep-rooted problem. Yes, of course there are some to-ings and fro-ings in negotiations; that always happens in a big contractual changeover.

The hon. Gentleman talked about a lack of referrals to the Work programme. I can tell him that already many tens of thousands of people are on the Work programme and are starting to receive support from the providers. One of the bits of feedback that we are getting from providers is how pleased they are that we have delivered the volumes that we promised at the time we promised, in stark contrast to the flexible new deal programme under the previous Government, which was a disaster when it started. The people who were promised to providers did not materialise. Providers found that they did not have the people they had expected. That is not happening under the Work programme. The feedback that we are getting is that providers are pleased with the volumes of people who are waiting for support.

This is the most ambitious back-to-work support programme that this country has ever seen. In terms of numbers, it is bigger than any previous programme. I do not accept any figures that say otherwise. It is available to every single person who is claiming employment and support allowance, and it is available to every single person on jobseeker's allowance who crosses the threshold of 12 months for an adult jobseeker, nine months for a young person, and three months for somebody who comes from a challenged background. Every single one of the people in those categories has access to the Work programme on a scale that has not been seen before in a previous programme.

This radical new approach—payment by results—says to provider organisations large and small, from big multinational companies down to small community projects, all working as a team, "You deliver the support that will work best for the people you are helping, get them back into the workplace, help them stay in work for a period of time that can be as long as two years and three months, and we will pay you on the basis of your success." I am confident that that will unleash best practice around the industry. These organisations can succeed only if they are excellent at what they do.

The voluntary sector organisations that have real skills have a first-rate opportunity because if they are the best at helping these people into work, they will succeed in the Work programme because their skills will be very much in demand. We have in total 500 voluntary sector organisations across the country which have all signed up to the Work programme. As part of the tendering process, they have signed pieces of paper to say that they are happy with what is on the table. They will now deliver support and expertise to the prime contractors to help the long-term unemployed get back into the workplace in the hon. Gentleman's constituency, in my constituency and in the constituency of every hon. Member throughout the country.

As of this Thursday, every single part of the country will have been covered by the Work programme on time, as planned. The contracting process has taken place in a very short time by public standards and in many parts of the country is already starting to help people into work. The package of support includes the work experience scheme, our real focus on expanding the number of apprenticeships, the intensive personalised support through the Work programme, and a greater devolution of flexibility and responsibility to the front line in Jobcentre Plus to tailor support in areas where those individual staff are working to the realities of those areas. To be able to look at a constituency like the hon. Gentleman's and say, "For the shorter-term jobseekers who have not yet accessed the Work programme, what are the extra things we need to do in our area to help our own client base—

2.19 am

House adjourned without Question put (Standing Order No. 9(7)).

House of Commons

Wednesday 29 June 2011

The House met at half-past Eleven o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

WALES

The Secretary of State was asked—

Devolution

1. **Paul Murphy** (Torfaen) (Lab): What recent discussions she has had with the First Minister on the remit of a commission on devolution and funding for Wales. [61862]

The Secretary of State for Wales (Mrs Cheryl Gillan): The Government are committed to a Calman-like process for Wales and will be putting forward proposals. I have discussed the issue with the First Minister, and will be continuing to have discussions with relevant colleagues and of course the First Minister.

Paul Murphy: The Secretary of State will know that the Northern Ireland Executive can borrow money and the Scottish Government will soon be able to borrow money, but the Welsh Government cannot. With the cutback in capital spending on schools and hospitals, is it not now time for the right hon. Lady to enter into immediate negotiations with the Welsh Government and the First Minister so that the Welsh Government can also borrow money?

Mrs Gillan: I thank the right hon. Gentleman for that question. He is effectively asking why Wales is the only home nation without borrowing powers. It is fair to say that the new borrowing powers for Scottish Ministers, which are set out in the Scotland Bill, will not take effect until 2015-16, which is in line with our commitment not to change the system until stabilisation of public finances. May I make it clear that we are not ruling borrowing powers for the Welsh Government in or out at this stage.

David T. C. Davies (Monmouth) (Con): The recent Labour Government amply demonstrated their enthusiasm for taxing and borrowing. Does my right hon. Friend think that it would be wise to allow the Welsh Assembly to follow that example?

Mrs Gillan: I am grateful to my hon. Friend for that question. [HON. MEMBERS: "No, you're not."] Despite the laughter from the Opposition, I am grateful to him. However, I cannot be drawn on this, and as I answered straightforwardly, we are not ruling it in or out at this stage. I want to have those discussions with the First Minister and other colleagues for the simple reason that many commentators, including the First Minister, are unsure of exactly what powers the Welsh Government would like to have.

As with the Calman process, it is right that we try to reach consensus on this and move forward. It is far too important a matter to be rushed or dealt with in a cavalier fashion.

Mr Elfyn Llwyd (Dwyfor Meirionnydd) (PC): Very important though borrowing powers are, would the right hon. Lady assure the House that the remit of the Calman-style commission will be far broader than matters financial, given the excellent work already carried out by the Holtham commission?

Mrs Gillan: I am committed to establishing a process for the Assembly that is similar to that set out by the Calman commission. I have made it clear that we intend to review the financing arrangements for Welsh devolution. I must repeat, however, that I think that this matter is far too important to Wales, and far too important a subject matter, to be rushed or not to be discussed fully. I am seeing the First Minister on Monday to take forward our discussions and I do not want to pre-empt them by setting any parameters.

Mr Llwyd: No doubt the right hon. Lady would not wish to pre-empt any decision, but in a co-operative spirit, may I suggest that matters administrative and constitutional should be considered? I am thinking of the possibility of devolving police and justice powers to Wales, for which there is a huge amount of support throughout Wales. On the vital issue of broadcasting, it is high time that Wales had control of its own broadcasting; S4C would not be in its current position if there were such control.

Mrs Gillan: The right hon. Gentleman is trying to lay out his own manifesto and his party's position with clarity, but that is not how we want to take matters forward. May I make it clear that I know how important S4C is to the Welsh language and culture? We have reached an arrangement on it, and I assure him that I will always look to the interests of S4C because I know how important a part it is of Wales's culture.

Electricity Projects

2. **Mr Mark Williams** (Ceredigion) (LD): What recent discussions she has had with the First Minister on the devolution of planning decisions for electricity projects with a generating capacity greater than 50 megawatts. [61863]

The Parliamentary Under-Secretary of State for Wales (Mr David Jones): My right hon. Friend has regular discussions with the First Minister about issues that affect Wales, including energy.

My right hon. Friend has received no formal requests from the First Minister on the specific issue of devolving planning decisions for electricity projects with a generating capacity greater than 50 megawatts.

Mr Williams: I thank the Minister for that response. Perhaps this matter could be included in Monday's discussions. Will he acknowledge the concern that has been expressed by the First Minister, people from all

parties and especially campaigners in mid-Wales against large-scale wind turbine developments? They feel it would be completely in line with the devolution settlement to transfer this power, so that decisions about large energy projects are made in Wales by Welsh Ministers.

Mr Jones: There is considerable concern in north and mid-Wales about large-scale energy developments, but I must tell my hon. Friend that there are no plans to devolve such competence to the Welsh Assembly Government. The big problem in mid-Wales is not that competence for energy consents resides in Westminster, but that the Assembly Government's planning policy—in the form of technical advice note 8—has a strong presumption in favour of wind farm development in certain areas. That is the difficulty and it lies with the Welsh Assembly Government to amend.

Albert Owen (Ynys Môn) (Lab): For successful energy projects to go ahead in Wales so that it can reach its potential, we need proper infrastructure. The First Minister and local government want the same deal for ports development as England has—a level playing field. This is a reserved matter: will the Minister and Secretary of State stand up for Wales?

Mr Jones: As the hon. Gentleman knows full well, Barnett consequentials were given to the Welsh Assembly Government and they have decided not to implement them on port developments in Wales. I suggest that he has a strong word with the First Minister and pleads with him to divert money to that cause.

Enterprise Zones

3. **Guto Bebb** (Aberconwy) (Con): What recent discussions she has had with the First Minister on the establishment of enterprise zones in Wales; and if she will make a statement. [61864]

The Secretary of State for Wales (Mrs Cheryl Gillan): I had initial discussions with the First Minister on the day of the Budget, following the announcement of the introduction of enterprise zones in England. I have also written making clear my commitment to work with the Welsh Government to establish enterprise zones in Wales. I am therefore delighted that the First Minister has now confirmed that Wales will benefit from enterprise zones. Having zones in Wales will provide a much-needed boost to businesses and make Wales more attractive to investors.

Guto Bebb: I thank the Secretary of State for her answer, which is most welcome. Conwy county corporate plan and the Wales spatial plan have identified Llandudno junction in my constituency as an area that is ready for growth. In my view, an enterprise zone at Llandudno junction would move from a potential for growth to real growth and create real employment in my constituency. What we need to see is co-operation between Westminster and the Assembly to ensure that that happens.

Mrs Gillan: I agree entirely with my hon. Friend, who is a great champion for Aberconwy and has mentioned this matter to me before. I would welcome meetings with any Welsh Members of Parliament who think that their constituency would be an ideal location for an enterprise zone. Indeed, I have already met some Members who have made such representations.

I encourage my hon. Friend to make contact with the Minister for Business, Enterprise and Technology in the Welsh Assembly. We were all surprised and disappointed that she is not yet able to agree to appear before the Welsh Affairs Committee. I encourage her to rethink that decision and to work together with the Wales Office in a spirit of co-operation, because that would be in the interests of Welsh business.

Several hon. Members *rose—*

Mr Speaker: Order. I am rather surprised and disappointed by the slow progress today. We must speed up.

Nia Griffith (Llanelli) (Lab): Given the Secretary of State's discussions about enterprise zones with the First Minister and other Welsh Assembly Ministers, does she accept that whatever we do on the ground in Wales, and whatever stimulus the Welsh Assembly can provide, we still need a proper fiscal stimulus from her colleagues in the Cabinet here? What discussions has she had with her colleagues in the Treasury about ensuring that growth happens?

Mrs Gillan: The hon. Lady makes a very good point, and that is exactly why, following the Budget, there was an increased provision for the Welsh Assembly Government of £65 million. Just to correct any figures that have been bandied about, I have checked with the Treasury and £10 million of that £65 million was Barnett consequentials for enterprise zone expenditure, and £20 million was for small business rate relief consequentials. I am sure that with £30 million the Welsh Assembly Government will be able to do something.

Roger Williams (Brecon and Radnorshire) (LD): Since the sad demise of the Development Board for Rural Wales, there has been virtually no support for manufacturing in mid-Wales. Will the Secretary of State declare that rural Wales will not be ruled out in the consideration of enterprise zones?

Mrs Gillan: My hon. Friend asks me to step outside my brief, because I do not have responsibility for the enterprise zones in Wales. But I am sure that the Minister for Business, Enterprise and Technology in Wales will hear what he has said, and I encourage him to engage with her to discuss the possibilities for rural Wales.

Hywel Williams (Arfon) (PC): A potential problem with enterprise zones, as the Chairman of the Treasury Committee has pointed out, is that jobs are transferred in, rather than new jobs being created. What steps can be taken to avoid that unwelcome outcome?

Mrs Gillan: The hon. Gentleman knows that I have been concerned about the position of Wales and enterprise zones from the minute that they were announced for England, not least because we have announced that there will be enterprise zones at Bristol and Merseyside. I am concerned that the enterprise zones on the English side of the border will affect inward investment in Wales, which is why I encouraged the Welsh Government

to engage with us so that we can establish mechanisms that do not allow those two enterprise zones, which are so close to Wales, to suck business out of Wales.

Welfare Reform Bill

4. **Paul Flynn** (Newport West) (Lab): What assessment she has made of the potential effects on Wales of implementation of the provisions of the Welfare Reform Bill. [61866]

The Parliamentary Under-Secretary of State for Wales (Mr David Jones): The Bill legislates for the biggest change to the welfare system for more than 60 years. Through our radical reform of the welfare system we are creating a new universal credit which will simplify the system, make work pay and combat worklessness and poverty in Wales and throughout Britain.

Paul Flynn: Last week, the Royal National Institute for the Blind condemned the Government's welfare cuts as unfair. This week, bankers have new bonuses. When are the Government going to stop blaming the previous Labour Government, or the next one, for all their problems and start taking responsibility for their own decisions that reward fat cat bankers and cheat those on low pay, the vulnerable and the disabled?

Mr Jones: The Government's welfare reforms are aimed at ensuring that the welfare system will continue to support those in greatest need. That is particularly important in areas of high unemployment, such as those in parts of Wales. This Government are ensuring that never again can it be said that being out of work pays and being in work does not pay. That is what we seek to achieve.

Jenny Willott (Cardiff Central) (LD): The Welfare Reform Bill devolves the discretionary social fund to local authorities in England. What discussions has the Minister had with colleagues in the Department for Work and Pensions and the Welsh Assembly to ensure that after this devolution the residents of Wales will still have access to the support and financial assistance that they need?

Mr Jones: The hon. Lady raises an important question. We are committed to full consultation with the Welsh Government on the devolved implications of these reforms.

Mr Peter Hain (Neath) (Lab): The Government told Parliament that the cost of disability living allowance will be cut by a fifth—or 20%. Will the Minister tell the House what loss of income that might mean for the average DLA claimant in Wales and how many will be affected?

Mr Jones: As the right hon. Gentleman knows, the programme is aimed at helping people get into work, including those who are in receipt of DLA. It is essential that the interests of those in receipt of DLA are properly protected, which is what this Government are committed to doing.

Mr Hain: The truth is that the Minister has not got a clue about how to answer that question, so let me help him out. Calculations backed by figures from the House of Commons Library suggest that the average reduction will be £14 per week for 125,000 DLA claimants in Wales, which amounts to a total of £90 million a year or more than £700 each. Has he any idea how much suffering that will cost when we also take into account sky-high VAT, food and petrol prices? The truth is that under this Government, rich bankers are coining it while the most vulnerable and needy are punished. It is the same old nasty Tories. When will he and the Secretary of State stand up for the people in Wales?

Mr Jones: May I remind the right hon. Gentleman that the reforms that we have in hand are caused in large measure by the fact that his Government completely destroyed the economy of this country and ensured that it did not pay to work? Our reforms will ensure that those in receipt of DLA will be properly taken care of, but we will also make certain that those who can work will work, and that work will pay.

Great Western Main Line

5. **Geraint Davies** (Swansea West) (Lab/Co-op): What recent discussions she has had with the Secretary of State for Transport on the electrification of the Great Western main line to Swansea; and if she will make a statement. [61868]

The Parliamentary Under-Secretary of State for Wales (Mr David Jones): My right hon. Friend continues to have discussions with our right hon. Friend the Secretary of State for Transport about this matter. The announcement of electrification made on 1 March is excellent news for all parts of south and south-west Wales, as I am sure that the hon. Gentleman will agree.

Geraint Davies: The Minister will know how disappointed businesses and people in west Wales and Swansea are about the lack of electrification to Swansea. Will he and the Secretary of State ensure in their discussions with the Secretary of State for Transport that there is every prospect that costs may be reduced by European funding—either convergence, or transnational transport funding—and that benefits may be increased by greater frequency on the back of Premier League status for Swansea City? Will he make every effort to get electrification to Swansea?

Mr Jones: I commend the efforts that the hon. Gentleman is making on behalf of his constituents. Of course, as he knows, and as the Secretary of State made clear when she addressed the Swansea Business Club, the issue of electrification to Swansea is not closed. It is a matter for local government, this Government and, indeed, the EU to consider what options can be pursued to ensure, if possible, the electrification of the line to Swansea.

Mrs Siân C. James (Swansea East) (Lab): We have heard a great deal about the electrification to Swansea, but have we thought about freight? More tonnage is carried between Llanelli and Cardiff than between Bristol and Swindon, so freight is really important along that line. I am very concerned that all the calculations have been based on passenger figures.

Mr Jones: Yes, indeed. The hon. Lady makes an important point, and the availability of the line for freight traffic should be taken into account in making the business case for electrification.

Owen Smith (Pontypridd) (Lab): Talking of trains, the Minister will be aware that the Secretary of State has offered to resign over high-speed rail going through her constituency. The people of Wales are grateful for the offer, but we wonder whether the Minister might ask her when the precise date will be to trigger it. As we are a generous people, we would very much like to give her a good send-off—

Mr Speaker: Order. The hon. Gentleman's question must relate to the subject matter on the Order Paper, not to a question that we have not reached—though we might—so I am sure that he will want to refer to the electrification of Great Western main line to Swansea and the Secretary of State's stance on that matter.

Owen Smith: Will the Minister ask the Secretary of State whether she would be happy to resign over the failure to deliver the electrification of the railway to Swansea and the valleys, as she is happy to resign over matters in her constituency?

Mr Jones: Given that the hon. Gentleman is so geographically challenged, it is perhaps no surprise that, during the 13 years of the last Labour Government, not one centimetre of electrified line was created in Wales.

Kerry McCarthy (Bristol East) (Lab): Unlike my colleagues from Wales, my constituents in Bristol will benefit from the electrification of the Great Western main line. However, there will still be real problems of undercapacity on the line. May I urge the Minister, when he talks to the Department for Transport and when they negotiate the new franchise, to consider those issues, too?

Mr Jones: Yes, but I would mention to the hon. Lady that, in fact, as a consequence of electrification, the journey times from London to her constituency will be reduced by 22 minutes. I hope that she welcomes that.

Public Sector Job Losses

6. **Mr Wayne David** (Caerphilly) (Lab): What recent estimate she has made of the number of public sector job losses in Wales during the comprehensive spending review period. [61869]

The Secretary of State for Wales (Mrs Cheryl Gillan): A forecast of public sector job losses was published last year by the Office for Budget Responsibility. That forecast was based on UK-wide macro-economic data and no regional breakdown is available. I remain committed to working with ministerial colleagues to minimise the impact that essential reductions in public expenditure have on Welsh workers and their families.

Mr David: The Government talk a lot about private sector growth, but does the Secretary of State not realise that, in Wales, the private sector is dependent on the public sector? massive cuts in one have a bad impact on the other.

Mrs Gillan: As the hon. Gentleman knows, the settlement for Wales was more generous than for many other parts of the United Kingdom. Over the comprehensive spending review, there were cuts of some 2% in the Barnettised money going to the Welsh Assembly Government. I urge him to talk to his friends in the Welsh Government, because many public sector jobs depend on the Welsh Government and the operations in Cardiff bay.

Simon Hart (Carmarthen West and South Pembrokeshire) (Con): The Secretary of State will be aware that Dyfed-Powys police have announced this week that they have recruited 39 new police officers for the front line. Will she join me in commending the chief constable for getting his priorities right and not spreading scare stories for political benefit?

Mrs Gillan: I thank my hon. Friend for reminding us that there are not always cuts in public sector jobs. In some instances, there is recruitment to public sector jobs. I congratulate his chief constable. I regularly meet the four chief constables in Wales, and they are all very positive about their forces and their operations protecting the public in Wales.

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): Does the Secretary of State share my concern about the report leaked last week indicating that seven out of eight HMRC offices in Wales are to be closed, leaving only one in Cardiff, with a loss of more than 1,000 jobs?

Mrs Gillan: The hon. Gentleman should know that I met HMRC earlier this week to discuss the reports in the press. I am pleased to say that there are no new announcements of HMRC office closures or moves in Wales at this time. HMRC has assured me that any office closures will not lead to job reductions beyond those already required by the spending review and that there are no plans to reduce the number of HMRC offices in Wales.

Welfare Reform Bill

7. **Ann Clwyd** (Cynon Valley) (Lab): What assessment she has made of the potential effects on Wales of implementation of the provisions of the Welfare Reform Bill. [61870]

The Parliamentary Under-Secretary of State for Wales (Mr David Jones): I refer the right hon. Lady to my earlier answer to the hon. Member for Newport West (Paul Flynn).

Ann Clwyd: In the Cynon Valley, as in so many south Wales valleys constituencies, there is a high percentage of disabled people. My constituents want to know why the Government are intent on depicting them as scroungers and second-class citizens.

Mr Jones: That is not a description that I recognise. It is certainly the case that in many south Wales valleys, endemic worklessness is a problem. The Government's reforms aim to ensure that those who can work are helped into work and those who are unable to work get the support that they need.

Stamp Duty

10. **Ian Lucas** (Wrexham) (Lab): What discussions she has had on the potential devolution of powers to set rates of stamp duty in Wales. [61873]

The Secretary of State for Wales (Mrs Cheryl Gillan): I note the First Minister's statement last week on his Government's priorities for financial reform and accountability, but I have had no representations from the Welsh Government on the proposals as yet.

Ian Lucas: Has the Secretary of State had any discussions with the Chief Secretary to the Treasury, who raised the issue before the Welsh Assembly elections? Has she discussed it with the Chancellor of the Exchequer, or do people in this Government not talk to each other?

Mrs Gillan: I am not sure where the hon. Gentleman gets the impression that people in our Government do not talk to each other. We talk to each other all the time. I have many meetings with the Chief Secretary to the Treasury and the Chancellor, and I am able to discuss matters that affect Wales on each and every occasion.

Welsh Economy

11. **Rosie Cooper** (West Lancashire) (Lab): What assessment she has made of the performance of the Welsh economy since May 2010; and if she will make a statement. [61874]

The Secretary of State for Wales (Mrs Cheryl Gillan): First, I welcome the hon. Lady's interest in Wales and its economy. The economy is starting to return to growth, and I am pleased that we are beginning to see signs of improvement in employment levels in Wales. We have had to make difficult decisions in order to reduce the massive deficit that we inherited. Our policies are the right ones to restore business confidence and move people into the jobs that they need.

Mr Speaker: Order. There are far too many private conversations taking place in the Chamber, including one that I have just concluded.

Rosie Cooper: I apologise, Mr Speaker; I could not hear. With 5.5 people chasing every job vacancy in Wales, does the Secretary of State consider job creation to be a priority? What, if anything, have she and her Government done about it?

Mrs Gillan: I am afraid that I did not catch the whole of the hon. Lady's question. However, the Government recognise that the private sector will lead economic recovery in the UK. I am proud of our record of supporting businesses, and I am proud of what is happening in Wales, where the latest unemployment statistics reveal more people in work and fewer on the unemployment register.

Mr Speaker: Clearly, if the Secretary of State cannot hear questions, the noise is too loud, and it is impeding the process. Let us give a fair hearing to Mr Alun Cairns.

Alun Cairns (Vale of Glamorgan) (Con): Private sector job creation is the only way to grow the Welsh economy sustainably. Does my right hon. Friend recognise that enterprise zones have a key role to play in that respect, and does she agree that Barry would make a great location for Wales's first enterprise zone?

Mrs Gillan: The hon. Gentleman certainly punches above his height. The Vale of Glamorgan could have no greater champion. I refer him to the Minister for Business, Enterprise and Technology in the Welsh Assembly, who I am sure will be able to help him and make his dreams come true.

High Speed 2

12. **Susan Elan Jones** (Clwyd South) (Lab): What assessment she has made of the potential effects of High Speed 2 on the economy of Wales. [61875]

The Secretary of State for Wales (Mrs Cheryl Gillan): The Government are currently consulting on a new national high-speed rail network. That is part of a wider programme of modernisation of the rail network, including electrification of the Great Western main line to Cardiff.

Susan Elan Jones: I have heard of trains cancelled because of snow on the line and leaves on the line, but never before because of the Secretary of State on the line. The high-speed rail link, HS2, would bring great benefits to Wales, but our Buckinghamshire-based Secretary of State opposes it. If our Secretary of State will not stand up for Wales, why does she not resign?

Mrs Gillan: I thank the hon. Lady for her close interest in my career. The Government are having an open consultation on HS2, and now that she has expressed such a great interest in the subject, we will expect her representations.

PRIME MINISTER

The Prime Minister was asked—

Engagements

Q1. [62625] **Karen Lumley** (Redditch) (Con): If he will list his official engagements for Wednesday 29 June.

The Prime Minister (Mr David Cameron): This morning, I had meetings with ministerial colleagues and others. In addition to my duties in the House, I shall have further such meetings later today.

Karen Lumley: What does my right hon. Friend say to the teachers at Vaynor first school, who are putting the education of children and welfare of the parents first by not striking tomorrow?

The Prime Minister: I congratulate them on doing the right thing and keeping their school open. I do not believe that there is any case for industrial action tomorrow, not least because talks are still ongoing. Only a minority of unions have taken the decision to go ahead and strike. I want to see as many mums and dads as possible able to take their children to school tomorrow. What we are proposing is fair. It is fair to taxpayers and also fair to the public sector because we want to continue strong public sector pensions.

Edward Miliband (Doncaster North) (Lab): There are currently 163 statutory organisations in the national health service. Can the Prime Minister tell us how many there will be after his top-down reorganisation?

The Prime Minister: What I can tell the right hon. Gentleman is that the health reforms, which now have the support of former health Minister Lord Darzi, will see a reduction in bureaucracy because we are getting rid of strategic health authorities and primary care trusts.

Edward Miliband: Let me give the Prime Minister the answer to the question. The number will go up from 163 to 521: pathfinder consortia; health and wellbeing boards, shadow commissioning groups, authorised commissioning groups, a national commissioning board, PCT clusters, SHA clusters, clinical networks and clinical senates. Is that what he meant by a bonfire of the quangos?

The Prime Minister: If the right hon. Gentleman looks at the figures for savings, he will see that we are saving £5 billion through the reduction of bureaucracy. That is what is happening. We inherited a situation whereby the number of managers was going up four times as fast as the number of nurses. Since we took over, the number of doctors has gone up and the number of bureaucrats has gone down.

Edward Miliband: I will tell the Prime Minister about our record on the NHS: more doctors and nurses than ever, and the shortest waiting lists and highest patient satisfaction ever. The right hon. Gentleman says that he will save money, but he has refused to publish the figures accompanying the new amendments to the Health and Social Care Bill for how much he will spend. Perhaps he can tell me—the figures are available—how much he will spend on making NHS staff redundant.

The Prime Minister: Let me give the right hon. Gentleman the figures on the costs and the benefits of reducing the bureaucracy. Changes will have a one-off cost of £1.4 billion over the next two years, but more than £5 billion will be saved in total during this Parliament. Over 10 years, there will be net savings of £12.3 billion. Add to that the fact that we are putting £11.5 billion extra into the NHS; he fought the last election pledging to cut it.

Edward Miliband: The Prime Minister did not answer the specific question that I asked, which was how much he was spending on making NHS staff redundant. The answer is £852 million. Will he guarantee to the House that none of those staff will be re-hired to do their old jobs at his new quangos?

The Prime Minister: What we are doing is implementing—*[Interruption.]* Yes. We are implementing the £20 billion cost savings that were set out by the Labour party when it was in government. But the difference is that we are going on with putting more money into the NHS—money that the Labour party does not support—so that there will be more nurses, more doctors, more operations in our health service, and a better NHS compared with cuts from the Labour party.

Edward Miliband: Let me just ask the question again, because the right hon. Gentleman did not answer it. People are very concerned that he is creating a whole new set of quangos. Will he tell us the answer to this simple question? Can he guarantee that none of the people being made redundant will be re-hired to do their old jobs at his new quangos? It is a simple question: yes or no?

The Prime Minister: I know that the right hon. Gentleman has this extraordinary vision of how the NHS is run, but it is not the Prime Minister who hires every person in every organisation in the NHS. The difference between this coalition Government and the Labour party is that we are investing in the NHS, putting resources into the NHS, reforming the NHS in a way that is supported by the Royal College of Surgeons, the Royal College of Physicians, Tony Blair, Lord Darzi and most people working in the NHS, but not by the Labour party. *[Interruption.]*

Mr Speaker: Order. The decibel level is—*[Interruption.]* Order. The decibel level is far too high. The Prime Minister should not have to shout to make himself heard.

Edward Miliband: The whole country will have heard that the Prime Minister has admitted the Government are spending £852 million on making people redundant, and he cannot even promise that they will not be re-hired to do their old jobs. Is not this the truth? He promised no top-down reorganisation; he is doing it. He promised a bonfire of the quangos; he is creating more. He promised a better deal for patients and things are getting worse. What people are asking up and down this country is: what is he doing to our NHS?

The Prime Minister: What the whole country will have noticed is that at a time when people are worried about strikes, the right hon. Gentleman cannot ask about strikes because he is in the pocket of the unions. What the whole country will have noticed is that at a time when Greece is facing huge problems over its deficit, he cannot talk about Greece because his plan is to make Britain like Greece. What the whole country will have noticed is that at a time when the economy is the key issue, he cannot talk about the economy because of his ludicrous plan for tax cuts. That is what we see, week after week. He has to talk about the micro because he cannot talk about the macro.

Mr Speaker: We are very grateful. I call Guto Bebb. *[Interruption.]* Order. I appeal to the House to calm down and reflect on what the public think of this sort of behaviour.

Guto Bebb (Aberconwy) (Con): Will the Prime Minister agree that Aneurin Bevan would be turning in his grave as he sees a Conservative Secretary of State increase spending on the health service in England while a Labour Government in Cardiff cut spending on the NHS?

The Prime Minister: My hon. Friend has an extremely good point. I hope it is in order to talk about Labour's record in Wales, because if anybody wants to know what would happen to the NHS under Labour, they can

look at Wales, where it is slashing the NHS budget and actually seeing more people waiting for longer. That is what happens when you get a Labour party running the NHS.

Q2. [62626] **Ian Lucas** (Wrexham) (Lab): The Leader of the Opposition's feed-in tariff helped to create 300 more jobs at Sharp in Wrexham earlier this year, but today, because of this Government's reversal of policy, the Renewable Energy Association says that solar generation and the jobs and growth linked to it are in turmoil. Who knows better—the Prime Minister or British business?

The Prime Minister: Anyone looking at what this Government are doing in terms of renewable energy can see a massive investment in renewable energy—the £3 billion going into the green investment bank; the massive incentives given under the renewable heat initiative. We had to stop the abuse of solar power, where clearly the regime was not set in the right way, but anyone looking at that industry can see a huge boost from this Government.

Sir Peter Tapsell (Louth and Horncastle) (Con): Despite the gravity of the financial situation against which the Bank of England is preparing contingency plans, have the Government also got a team working on the details of a new treaty, in case, as seems probable, the European Union has to be considerably changed?

The Prime Minister: May I first of all say to the Father of the House, on behalf, I believe, of the whole House, what great pleasure it gives me to refer to him as my right hon. Friend, after his many years of service in the House? What I would say to him is that we have, quite rightly, used the opportunity of the new treaty change being put forward to protect Britain's interest and get us out of the bail-out mechanism for the future. Of course, if new proposals come along, we could use that opportunity again, but I think right now the priority must be to work for stability in the eurozone, not least because 40% of our exports go to eurozone countries. Britain is playing a constructive role in making sure that that happens.

Q3. [62628] **Emily Thornberry** (Islington South and Finsbury) (Lab): Does the Prime Minister agree with the Deputy Prime Minister that the idea of introducing a marriage tax allowance is "patronising drivel"?

The Prime Minister: The Deputy Prime Minister and I agree about many, many things, but that is set down in the coalition agreement; this is one area where we do not agree. I am a strong supporter of the institution of marriage. I do believe that it would be a good idea to recognise it in the tax system.

Q4. [62629] **Andrew Selous** (South West Bedfordshire) (Con): Last week, six illegal migrant workers were arrested in my constituency; all had national insurance numbers and were paying national insurance. Why cannot we prevent illegal workers from being issued with national insurance numbers in the first place—or, at the very least, flag those national insurance numbers so that the tax authorities and the UK Border Agency know that these people are not allowed to work?

The Prime Minister: My hon. Friend makes an extremely good point, and I have discussed this with him. As he knows, the application process for national insurance numbers for adults does include an identity check and the precondition that the individual is entitled to work. None the less, as my hon. Friend's case demonstrates, although national insurance numbers should not be issued to those with no entitlement to work, that is happening. We are looking very closely at the idea of marking national insurance numbers in the way that he suggests.

Q5. [62630] **Alison McGovern** (Wirral South) (Lab): At a time when the NHS is under financial pressure and people in Wirral are being hit by steep rises in prices, please will the Prime Minister tell me whether he agrees with his friends on the Government Benches, who think that costly tax breaks for those who can choose private health care should be a priority?

The Prime Minister: The short answer to that is no, I don't agree.

Mr Brian Binley (Northampton South) (Con): The Prime Minister will be aware that core inflation for small businesses is at its highest level for three years. Will the Prime Minister recognise that problem, but especially tell us what more he can do to increase demand, which remains at best very sluggish?

The Prime Minister: I can tell my hon. Friend what we have done to help the economy. Obviously, this year a key problem for small business is the cost of fuel. We have cut fuel duty, abolished the escalator and put off the retail prices index increase to next year, making a difference of around 6p per gallon. That makes a difference. We also, with the banks, have the Merlin agreement for extra lending to small business, we have cut corporation tax for small business and we have helped on business rates for small business. This is a very small business-friendly Government.

Q6. [62631] **Ian Austin** (Dudley North) (Lab): Four years ago, the Prime Minister said that the extremist organisation Hizb ut-Tahrir should be banned immediately. He has promised to do just that on countless occasions—in the House, elsewhere and even in his election manifesto. Why has he not done what he promised to do so many times? Will he go back to Downing street and ban that organisation today?

The Prime Minister: We have taken action against the extremist group the Tehrik-e-Taliban, and we have banned it. We are looking extremely carefully at Hizb ut-Tahrir. In my view, what it has said goes well beyond what a legal organisation should say, but this has to be done under the law.

Q7. [62632] **Bob Blackman** (Harrow East) (Con): Labour's former pensions Minister, describes the current position on public sector pensions as completely untenable. Does my right hon. Friend agree that it is unacceptable that tomorrow a small minority of trade unions will cause disruption to thousands of people across the country?

The Prime Minister: My hon. Friend is absolutely right, and Labour Members clearly do not want to talk about this issue. A small minority of unions has gone

ahead with action, which is irresponsible and I do not believe it is fair, whereas our proposals are fair. He is right that Lord Hutton, a former Labour Minister, has written an extremely good report making the simple point that as we live longer, which is good news, we shall have to contribute more to public sector pensions and work longer. I stress that we are doing this not in any way to undermine public sector pensions but to safeguard good, defined benefit systems for the future. In my view there is a contract between taxpayers and public sector workers that says, "You work in the public sector; we will support you in old age," but it must be sustainable.

Mr Nigel Dodds (Belfast North) (DUP): Is the Prime Minister aware of the concerns that have been expressed about the new arrangements for repatriating the bodies of our servicemen and women killed on active service following the transfer to Brize Norton? What arrangements and facilities will be put in place at Brize Norton for bereaved families and to allow the public to express their condolences and respect for our fallen?

The Prime Minister: I am well aware of the issue, not least because Brize Norton is in my west Oxfordshire constituency. A lot of thought has gone into how to do this in the right way, and a lot of care and thought will go into how to look after the families. It is right that we mark the passage from Wootton Bassett—soon to be Royal Wootton Bassett—to Brize Norton, and that will be done too.

Mark Menzies (Fylde) (Con): My constituency is proud to be home to Weeton Army barracks, but after so many years of loyal and brave assistance is it not time that we did the right thing by service personnel and gave them priority in housing?

The Prime Minister: My hon. Friend makes an important point. We have for the first time put the military covenant into law, which is important in ensuring that military personnel are not discriminated against. It is right for every council to look at what it can do positively to help those who serve our country. That is certainly what my local council does in west Oxfordshire and, in the light of Brize Norton, I encourage others to do the same. The new Government policy of Firstbuy Direct helps first-time buyers on to the housing ladder, and I am pleased that the housing Minister is ensuring that the policy is taken round to Army and other military bases to make sure that military personnel can take advantage of it.

Natascha Engel (North East Derbyshire) (Lab): This week marks the first anniversary of the Backbench Business Committee. Does the Prime Minister think that over the past year Parliament has become better at holding the Government to account? If so, may we offer our help in unblocking some of the measures that are stuck in the legislative pipeline?

The Prime Minister: I congratulate the Backbench Committee. Over the past year, it has made a difference in Parliament. It is right that Parliament can choose to debate a subject of its choosing on a motion of its choosing and at a time of its choosing. The Committee has arranged for a range of issues to be discussed, from the very mundane to the quite obscure—it has, if you like, been a year of bread and circuses. There we are—I got it out. It is a good idea and I want it to go on working, although I would like to take a little credit as it was this Government who gave up power and allowed this to happen.

Q9. [62634] **Anne Marie Morris** (Newton Abbot) (Con): People in Devon earn about £2,964 a year less than the UK national average, yet our average water bill, at £517, is the highest in the country and well above the national average of £356. Does the Prime Minister agree that the third option outlined in the recent Department for Food, Environment and Rural Affairs consultation on water affordability, suggesting a Government subsidy of about £50 per south-west household, would go a long way to righting this unfairness?

The Prime Minister: The excessive water bills in the south-west have been an issue for many years. I am proud of the fact that, within a year, this Government decided to grip it. We are determined to lower the water bills of households in the south-west. We pledged that in the Budget, and we will set out our proposals in the water White Paper to be published in November.

Q10. [62635] **Nick Smith** (Blaenau Gwent) (Lab): The crisis at Southern Cross has raised fears about the viability of the residential care sector, so will the Prime Minister inject some urgency into his Government's review of companies that provide care services? We need a belt-and-braces plan to stop the elderly worrying about the place that they call home.

The Prime Minister: The hon. Gentleman makes an extremely important point. Many of us, myself included, have care homes in our constituencies run by Southern Cross and we are extremely concerned about what has happened and what is happening. The Health Department, the Treasury and the Department for Business, Innovation and Skills are following this very closely. We are taking powers in the Health and Social Care Bill to make sure that we regulate these organisations properly. Local authorities have the necessary powers to take over the running of care homes if required, so I believe that we are planning for all contingencies in the correct way.

Q11. [62636] **Robert Halfon** (Harlow) (Con): Given the high cost of petrol, which is crucifying motorists in Harlow and across the country, will my right hon. Friend support the FairFuelUK campaign, urge oil companies to reduce petrol prices at the pump in line with market prices, and review the 3p increase next January?

The Prime Minister: I want to see every chance for lower prices to be passed on to the consumer. The Government have certainly taken their necessary measures: the 1p cut in fuel duty this year, putting off the RPI increase and the abolition of the fuel escalator that the Labour party put in place. All those things will make a difference. We also took part in the release of oil stocks with the Americans, which has seen the oil price come down and ease somewhat. We need to ensure that we have a good competitive sector that passes on price cuts right through the country.

Q12. [62637] **Dr William McCrea** (South Antrim) (DUP): As the review of the air passenger duty continues, will the Prime Minister accept that the situation is urgent, especially in my constituency of South Antrim, with Belfast International airport, given that APD is levied at £120 on a long-haul flight, when our competitors in the Irish Republic have a levy of just €3? That endangers the continental air link between Northern Ireland and New York. Something urgent must be done now.

The Prime Minister: I absolutely understand the hon. Gentleman's point and I know that, with Belfast International airport in his constituency, it is of personal concern to him. When I went to Northern Ireland, people explained to me the importance of maintaining that direct air link to the United States. It is vital for the long-term health of the Province, so I want to see this happen. My right hon. Friend the Chancellor of the Exchequer has spoken to people in Northern Ireland about this, we are reviewing the options and we will make clear a path forward.

Q13. [62638] **Mr Gary Streeter** (South West Devon) (Con): My right hon. Friend will know that our colleague Lord Bates is walking from Olympia in Greece to London, a journey of some 4,000 miles, to raise awareness of the Olympic truce. Will the Prime Minister ensure that when the UK Government table their resolution for observance of the Olympic truce at the United Nations General Assembly later this year, we will add specific proposals for peace and reconciliation so that we can maximise this historic opportunity?

The Prime Minister: The whole House will want to congratulate Lord Bates on his great feat. *[Laughter.]* I am sorry about that, it was accidental. We will promote a fresh resolution at the UN calling for the continued observance of the Olympic truce for the 2012 games. We wish to make the most of that historic opportunity, we are considering other international initiatives to promote the spirit of the truce and—it says here—the Foreign and Commonwealth Office is engaging with our embassies worldwide.

Diana Johnson (Kingston upon Hull North) (Lab): Will not parents up and down the land be horrified to know that, under the Government's proposals in the Protection of Freedoms Bill, a person convicted of raping a child will not automatically be put on the barred list for working with children in the future?

The Prime Minister: What we have done in terms of vetting and barring is remove a huge number of people who are not a risk to children, but we do want to make sure that the system works well so that anyone who has criminal convictions is, as the hon. Lady said, barred.

Dr Julian Huppert (Cambridge) (LD): Does the Prime Minister believe that drugs policy has been failing for decades, as he said in 2005, and does he agree that the Government should initiate a discussion of alternative ways, including the possibility of legalisation and regulation, to tackle the global drugs dilemma, as he voted for in 2002?

The Prime Minister: I do not believe that we should legalise any drugs that are currently criminal, but I do believe that drugs policy has been a failure over recent years. There has been insufficient attention to the two key areas of education—warning people of the dangers of drugs—and treatment. One of the ways to collapse the drugs market is to have a more effective treatment system. In this country particularly, we have spent too much time on heroin replacement and methadone rather than on trying to get people clean and clear up all the things in their lives that perhaps cause them to take drugs in the first place.

Mr Tom Clarke (Coatbridge, Chryston and Bellshill) (Lab): Has the Prime Minister himself been involved in seeking a solution to the appalling problems in Sudan, especially south Kordofan and, given the United Nations' concern about 60,000 people being displaced, as well as other huge humanitarian problems, will he use his influence on the eve of independence to ensure that north and south are seen to work together?

The Prime Minister: As the right hon. Gentleman knows, we are deeply involved in seeking a successful outcome to this process: we fund a lot of the African Union talks process that has been ongoing, and my right hon. Friend the Foreign Secretary has visited the country, as has the Africa Minister. Britain has done a huge amount to try to make sure the comprehensive peace agreement is fully implemented and there is a peaceful settlement between the two countries. Clearly there is a lot more work to do however, and, yes, I keep a personal perspective on this issue as well.

Alok Sharma (Reading West) (Con): What does the Prime Minister think is more fair and progressive: the coalition Government's policy of safeguarding defined benefit pension schemes in the public sector, or Labour's £100-billion smash and grab on private pension funds, which directly contributed to the demise of defined benefit schemes in the private sector?

The Prime Minister: My hon. Friend makes an extremely good point, and I note that we are 26 minutes into Question Time yet we have not heard a squeak from Labour Members about strikes, pensions or the need for reform. Because they are all paid for by the trade unions, they cannot talk about this issue. What the coalition Government are doing is right, because we are saying that we want to have a defined benefit system in the public sector. We want to make sure all those accrued rights are kept, and people will still be able to take those accrued rights at the age they were originally allowed to take them. Just to put this beyond doubt, when people who are currently in a final salary scheme get the accrued benefits, they will be based on their final salary; not their final salary now or when the reforms go through, but the final salary when they retire. As so much myth and misinformation has been put around by some in the trade unions, it is important to put that on the record here in the House.

Clive Efford (Eltham) (Lab): Compared with the same period last year, crime overall in London is up, including a 15% rise in robbery and an 18% rise in burglary. At the same time the Mayor of London has budgeted to cut 1,800 police officers. Is this the right time to be doing that, and will the Prime Minister get a grip in London?

The Prime Minister: The first point I would make is that overall crime is falling; it is falling according to both the British crime survey and the police recorded crime statistics. We are doing a huge amount to help people right across the country, including in London, deal with crime: the publication of crime maps; the introduction of police commissioners; and making sure we have the proper and necessary powers.

Because the hon. Gentleman is a London MP, let me bring him up to date on Operation Target, which is currently running in the Metropolitan police: on average, 1,200 officers are deployed every day; there have been 4,000 different activities and 2,000 arrests; and it is early days, but there has been a drop in offences from week to week for the most serious offences such as violence with injury, knife crime, street robbery and residential burglary. *[Interruption.]* The fact is that Opposition Members do not like to hear an answer when it shows the police are doing their job.

Mr Speaker: Order. Prime Minister's questions is principally for Back Benchers. I call Mr Graham Evans.

Graham Evans (Weaver Vale) (Con): On 8 June 1944, a relative of mine, Sergeant Jack Chadwick, was shot down while dropping much-needed supplies to the French resistance. Today he lies in a Normandy churchyard, together with the seven-man crew of his Halifax bomber. Does my right hon. Friend the Prime Minister agree that it is right and proper that this nation should remember the sacrifice of the 55,000 members of Bomber Command who gave their lives to rid Europe of Nazi tyranny?

The Prime Minister: I think it is absolutely right that we remember those who served in Bomber Command. I recognise that a lot of work is going on to make sure that that is done, and that work has my support. As someone who recently visited one of the Commonwealth war graves cemeteries in Normandy, let me also say that it is brilliant that their upkeep is so good, and that such a huge amount of work goes into making sure that relatives can visit and see their fallen heroes.

Pamela Nash (Airdrie and Shotts) (Lab): Under the last Labour Government, millions of pensioners in this country, including my grandmother, who is in the Gallery today, saw their quality of life improve vastly with measures such as the winter fuel allowance, pension credits and free bus passes. What message does the Prime Minister have for those women who now see their daughters having to work harder and longer for less money? Some will have less time to prepare for a later state pension.

The Prime Minister: What I would say to the hon. Lady's constituents—indeed, I would say it to all pensioners—is that this Government are reforming pensions so that we can pay a more generous state retirement pension. Because of the triple lock, someone retiring today will be £15,000 better off over the rest of their life than they would have been under the plans that we inherited. Linked into that, we have kept the free bus pass, the free television licence and the other free pensioner benefits. I believe that we are doing fair by Britain's pensioners.

Claire Perry (Devizes) (Con): The Prime Minister alluded earlier to the contract between taxpayers and public servants, but there is also a contract between taxpayers and MPs. Does he agree that MPs should be in the vanguard of reforming pensions by reforming our own, so that we can look our public sector constituents in the face?

The Prime Minister: I absolutely agree with my hon. Friend. Members of the House are public sector workers too, and we should be subject to exactly the same changes that we are asking others to take on. Therefore, the increase in contributions should apply to the MP system, even though we already pay in quite a lot. We are saying that right across the board, the increase in pension contributions is right to create a healthier long-term system.

Mr Speaker: Order. I appeal to hon. and right hon. Members who are leaving the Chamber to do so quickly and quietly, so that we can hear the statement by the Foreign Secretary.

Africa and the Middle East

12.31 pm

The Secretary of State for Foreign and Commonwealth Affairs (Mr William Hague): With permission, I will make a statement on north Africa and the middle east, on which I have undertaken to keep the House regularly updated.

Our country has a compelling interest in seeing the nations of the wider middle east move towards more open societies, political systems and economies. We cannot dictate change in the region, but we can use our membership of the UN Security Council, NATO and the EU, and our close links in the region, to encourage reform, and we can stand up against repression and violence, which we have seen taken to extremes in Libya and Syria.

Britain continues to play its full part in implementing the no-fly zone over Libya, and the measures called for in UN Security Council resolutions 1970 and 1973 to protect civilians. Our actions continue to save lives. NATO strikes have prevented Benghazi from falling, reduced pressure on Misrata, and enabled the delivery of humanitarian aid and the evacuation of thousands of wounded people.

More than 13,000 sorties have been carried out since 31 March, including nearly 5,000 strike sorties. In June alone, 131 military facilities and 343 tanks and vehicles have been hit. I hope the House will join me, as ever, in paying tribute to the men and women of our armed forces who are carrying out that vital work. We can and we will sustain those operations for as long as necessary, until the regime ceases attacks on its own people and complies with the UN resolutions. As my right hon. Friend the Defence Secretary has said, we have the military capability, political resolve and legal authority to see through what we have started.

Support for the regime within Libya is being eroded as we and our allies intensify the military, political and diplomatic pressure upon it. The EU sanctions on ports in western Libya, which I announced in my last statement, have now been put into effect. I welcome the decision of the International Criminal Court to issue arrest warrants for Gaddafi, his son Saif al-Islam al-Gaddafi, and his intelligence chief, Abdullah al-Senussi. That confirms that there can be no future for the Gaddafi regime leading Libya, and that any of its adherents who do not want to be associated with human rights violations should abandon it, as many former ambassadors, Ministers, military officials and members Gaddafi's inner circle already have.

In addition to that pressure, we are working with more than 40 states and organisations to support a political transition in Libya through the Libya contact group. That includes the UN, the Arab League and the African Union. At its third meeting in Abu Dhabi on 9 June, Egypt and South Africa were also represented for the first time as observers. The contact group's work to support an inclusive political transition, as set out in the transitional national council's road map on Libya, is gathering pace.

UN special envoy al-Khatib is leading the political efforts. I met him last week in Luxembourg, and we hope that in the coming weeks he will engage intensively with all parties. In Abu Dhabi, the contact group agreed to facilitate the start of an inclusive national dialogue in Libya. The TNC has begun to make contacts across Libya in support of that process. In the last week, it received the first $100 million of international funding through the temporary financing mechanism set up by the contact group for vital fuel and salaries. I will attend the next meeting of the contact group in Istanbul next month, which we hope will focus on ensuring that the international community is ready to support the Libyan people in building a peaceful and stable future in post-Gaddafi Libya. It is vital that plans for post-conflict Libya are prepared and, as far as possible, agreed in advance.

An international stabilisation response team from the UK, the US, Turkey, Italy and Denmark visited Libya between 20 May and 9 June to assess stabilisation needs. It has identified a range of areas where Libya will need immediate support, including political settlement, security and justice, basic services, economy and infrastructure. However, this process should, of course, be owned by the Libyan people. The UN has confirmed the importance of early preparations for the post-conflict position and the leading role of the UN. The Foreign and Commonwealth Office, the Department for International Development and the Ministry of Defence are co-ordinating closely to identify where the UK, in addition to our international partners, can provide key expertise in support of their efforts.

Members on both sides of the House will also be concerned about the grave situation in Syria, which shows no sign of abating. Protests across the country are still being met by unacceptable violence from the regime, and the reports of Syrian troop movements near the Turkish border are of serious concern. President Assad's speech on 20 June was disappointing in its failure to take any concrete action to stop the violence and change the situation on the ground. It did contain some proposals for reform, including plans for a national dialogue, constitutional reform and new laws on political parties, elections and the media. To be significant, such changes would need to be implemented quickly and fully. The regime needs to show that these pledges are more than tactical calculations designed to buy time and appease the demonstrators, which so far it has not done.

The holding of a public meeting of opposition figures in Damascus on 27 June—the first of its kind in a decade—was a positive step, and I hope that further such meetings can be held. However, without an end to the violence, the release of political prisoners, including those detained in recent demonstrations, and a guarantee of the right to peaceful protest, there can be no credible attempt at national dialogue and the opposition meeting will have been a wasted opportunity. Last week, the EU imposed further sanctions against 11 individuals and entities associated with violent repression against civilians. The draft UN Security Council resolution that Britain has circulated remains on the table. We believe that the Security Council should speak out against repression in Syria, and that President Assad must reform or step aside.

I spoke yesterday to the Turkish Foreign Minister, who briefed me on Turkey's efforts to persuade President Assad to change course and implement reform. It is important that we use all available channels to convey this message to President Assad. This week, my hon.

[Mr William Hague]

Friend the Member for Braintree (Mr Newmark) travelled in a private capacity to Syria where he met President Assad. He told him that international pressure on Syria will only increase if it continues on its current path. Given that only a change of course in Syria will bring about an end to the violence, we should welcome contacts that reinforce the need for urgent change. Yesterday, my officials also made clear to the Syrian ambassador our strong concern about allegations that a diplomat at the Syrian embassy has been intimidating Syrians in Britain. Any such activity would amount to a clear breach of acceptable behaviour, and if such claims were substantiated, we would respond swiftly and appropriately.

Elsewhere, there have been positive developments in Jordan, where King Abdullah has pledged to promote political and economic reform. He has set out his vision to develop Jordan's democracy and engage widely with Jordanian society. We stand ready to use the UK's bilateral Arab partnership fund to support this process where we can. We also welcome the announcement by the King of Morocco of a new draft constitution on 17 June, which includes a strengthened role for the Prime Minister and Parliament, and greater constitutional protection for human rights and gender equality. There will be a referendum on 1 July and we look forward to parliamentary elections scheduled for October.

I welcome the support expressed in the House on previous occasions for UK leadership on the reform of the European neighbourhood policy and the ambitious international response to the region that we saw at the G8 summit in Deauville. Multilateral development banks, including the World Bank, the African Development Bank and the European Investment Bank, will offer to provide more than $20 billion in support of reform efforts over the next two years. It is crucial that the international response to the Arab spring remains ambitious, generous and bold and includes the real prospect of closer association with the EU, including market access, in response to political and economic reform.

I can also report progress on the Arab partnership since the Prime Minister's announcement of its expansion to £110 million over four years. In Tunisia, we are supporting steps to improve voter education, freedom of expression and balanced reporting in the run-up to October's important Constituent Assembly elections. Last week, Tunisia became the first north African state to ratify the Rome statute of the International Criminal Court—a very welcome indication of its commitment to reform—and in Egypt we are working with those running the forthcoming parliamentary elections. We remain concerned, though, that parliamentary elections in September may be too soon to allow a wide range of political parties to mobilise fully.

In comparison with these more encouraging developments, I am deeply concerned by the situation in Bahrain. While every Government has the right and duty to maintain law and order, the suspension and investigation of political parties, the imprisonment of leading moderate politicians, the alleged mistreatment of detainees and the trial of members of the medical profession before tribunals containing a military judge were all damaging to Bahrain and were all steps in the wrong direction. I welcome the King's announcement of a national dialogue from 1 July and the end of the state of national safety, but we look to Bahrain to match such announcements with concrete actions to address the legitimate aspirations of the Bahraini people and we look to leading figures on both sides in Bahrain to promote successful and peaceful dialogue.

Iran continues to connive in the suppression of legitimate protest in Syria and to suppress protests at home. I therefore welcome the European Council's decision to sanction three senior commanders of the Islamic revolutionary guards corps. Iran has also been carrying out covert ballistic missile tests and rocket launches, including testing missiles capable of delivering a nuclear payload in contravention of UN resolution 1929 and it has announced that it intends to triple its capacity to produce 20% enriched uranium. These are enrichment levels far greater than is needed for peaceful nuclear energy. We will maintain and continue to increase pressure on Iran to negotiate an agreement on its nuclear programme, building on the strengthening of sanctions I announced to the House earlier this month.

In Yemen, President Saleh's departure has been followed by greater calm in Sana'a. However I remain concerned about greater instability in Yemen and the possibility of economic collapse and humanitarian crisis. The Government of Yemen must confront these challenges urgently. We encourage all parties, including the President, to engage in political dialogue regarding an orderly transition on the basis of the Gulf Co-operation Council initiative, which remains the most credible plan. We also continue to advise against all travel to Yemen and urge all British nationals to leave the country now, while commercial carriers are still flying.

South Sudan's independence is now just over a week away, but it is set to take place against a backdrop of conflict and unresolved issues. We welcome the agreement reached on Abyei, which paves the way for a swift withdrawal of Sudanese armed forces from Abyei and for the deployment of Ethiopian peacekeeping troops under a UN mandate. The UN Security Council has moved swiftly to adopt a mandate for this new mission. This is just a first step and we call on the parties to implement their commitments.

The continued violence in southern Kordofan is also deeply troubling, with reports of indiscriminate aerial bombardment by the Sudanese armed forces and of individuals being targeted on the basis of their ethnicity or political affiliation. I call on all parties to agree an immediate cessation of hostilities and to allow immediate access to humanitarian agencies. I welcome the news that a framework agreement was signed last night and I hope that it will soon be followed by a ceasefire. We continue to urge north and south to use the good offices of former President Mbeki to resolve outstanding issues under the comprehensive peace agreement before 9 July. It is particularly important that they agree the sharing of oil revenue and citizenship issues, as well as their border. The African Union-led negotiations, which are funded by the United Kingdom, resume in Addis Ababa on 3 July, and I urge the parties to seize this opportunity to build long-term peace and stability in Sudan.

All these events in the region call for a redoubling of international efforts to support peace, stability and democracy. Nowhere is this need more pressing than in the Israeli-Palestinian conflict. There is no alternative to negotiations, recommenced as a matter of urgency, to address the fundamental issues at the heart of a

two-state solution. We call on the parties to return to the negotiating table, for no other option will bring lasting peace. We will continue to defend human rights and support political and economic freedom throughout a region undergoing momentous change and experiencing a chain of crises, and we will continue to work closely with our allies in the interests of peace and stability for this region and across the world.

Mr Douglas Alexander (Paisley and Renfrewshire South) (Lab): May I begin by expressing my unequivocal condemnation of the attacks on the Inter-Continental hotel in Kabul, reports of which have reached the United Kingdom in recent hours? I am sure that the thoughts of the whole House will be with the families and friends of the victims of this attack, which was clearly designed to take human life and undermine efforts, including those of British service personnel, to build a stable Afghanistan.

I welcome the Foreign Secretary's remarks on the situation in Sudan, Iran, Yemen, Morocco and Jordan, and, indeed, the broader tenor of his remarks on the Israeli-Palestinian conflict.

On the mission in Libya, we continue to support the work of our armed forces in upholding UN Security Council resolutions 1970 and 1973 to protect the Libyan people, and I am happy to join the Foreign Secretary in again paying tribute to the brave men and women of our armed forces.

Last week, under pressure from my right hon. Friend the shadow Chancellor, the Government revealed that the cost of the mission in Libya had run to £260 million, in contrast to the tens of millions that the Chancellor had previously suggested. Given these escalating costs, can the Foreign Secretary restate the Government's guarantee that no personnel, equipment or resources will be diverted from the Afghanistan campaign to support the Libyan campaign? Is he able to tell the House what efforts the Government are making to help to spread the financial cost among international partners so that it does not fall exclusively on those most involved in the military side of the campaign to increase pressure on the Gaddafi regime?

I note the Foreign Secretary's confirmation that the temporary financing mechanism is now operating. Yesterday, however, there were troubling reports on the BBC that a medical crisis was looming in eastern Libya, with hospitals in Benghazi running short of supplies. The transitional national council says that this is a result of serious financial difficulties. Can the Foreign Secretary offer the House any assurances that the temporary financing mechanism will indeed allow resources to travel to where they are needed sufficiently quickly?

The right hon. Gentleman will know that for a number of weeks the Opposition and, indeed, many voices beyond the Opposition, have been raising the question of post-conflict planning, and I therefore listened with care to his statement. Of course, we all hope for a resolution to the conflict soon, and we hope for a post-Gaddafi Libya. As the Foreign Secretary said, this week the International Criminal Court issued a warrant for Gaddafi to be sent to The Hague to be tried for crimes against humanity. But if those wishes were granted tomorrow, it is still unclear, after the Foreign Secretary's statement today, whether the transitional national council and the international community would be ready. By default, it appears, rather than by design, the Foreign Secretary has, in his own words to this House, ensured that

"Britain is in the lead in post-conflict planning."—[*Official Report*, 7 June 2011; Vol. 529, c. 38.]

Yet in written answers to my questions he subsequently admitted that not a single official in the Foreign Office or in the Ministry of Defence's offices in Whitehall was working full time on post-conflict planning in Libya.

Of course we welcome the work that the Department for International Development is doing to plan on humanitarian issues, but the security and political aspects of post-conflict planning are just as important and are, in fact, a prerequisite for any effective humanitarian response. On Monday, my right hon. Friend the Leader of the Opposition asked the Prime Minister specifically about this subject, but received little reassurance. We are now more than 100 days into this conflict, and it is 24 days since the Foreign Secretary said that post-conflict planning was at an "embryonic" stage. Can he tell us, where is the plan? Who is in charge? Is he actually confident that the necessary work is being done?

The events of the past six months in north Africa and the middle east have been a test of every Foreign Ministry around the world. On Libya, while we were critical of the Government's early errors in getting UK personnel out and making contact with the transitional national council, we have supported the United Nations mission. While some of the attention has now left Egypt, the most populous country going through a process of change, we cannot ignore the fact that the new Egypt's success or failure will probably be the single most fundamental test of the Arab spring's long-term impact. The Foreign Secretary will be aware that the Egyptian Finance Ministry now states:

"Tourism collapsed temporarily, banks and the stock market were closed, capital flows reversed rapidly, and the manufacturing, construction, and internal trade suffered...the Egyptian economy will likely contract by 1.4 percent in the second half of the current fiscal year".

The G8 meeting at Deauville, to which the Foreign Secretary referred, made great play of a promise of $20 billion in support for the transitions in Egypt and Tunisia. Today, the Foreign Secretary was able to say only that those resources would be offered by the multilateral development banks, including the World Bank, the African Development Bank and the European Investment Bank. Will he therefore take this opportunity to be more specific about how much of that $20 billion is new money, and about what proportion is in either grants or loans?

Many hon. Members were disappointed by the right hon. Gentleman's refusal at an earlier exchange to condemn attempts to re-establish the grand prix in Bahrain while violent suppression was still being threatened in that country, but the decision to allow a member of the Government, the hon. Member for Braintree (Mr Newmark), to undertake a private diplomatic mission to Syria is a source not so much of disappointment as of incredulity.

The job of Government Whips is to enforce collective decision making, not flagrantly disregard it, yet the best explanation that the Foreign Secretary was able to offer today for that curious mission is that the hon. Gentleman travelled to Syria "in a private capacity". Really? Why did the Foreign Secretary allow a member of the

[Mr Douglas Alexander]

Government, but not a Foreign and Commonwealth Office Minister, in the midst of allegations of intimidation by the Syrian embassy on the streets of Britain and evidence of indiscriminate murder on the streets of Syria, to travel to meet President Assad last weekend? It really does prompt the question: is this Government's foreign policy being run out of the Foreign Office or out of the Whips Office?

Just after the Prime Minister and the Foreign Secretary made the case for expanded sanctions on Syria—sanctions which were achieved at the European Council and which the Opposition had called for and welcome—the hon. Member for Braintree was entering into his own three-hour dialogue with President Assad. These are dangerous and delicate days in Syria which demand from the British Government discipline, grip and coherence in policy and in the communication of that policy. This is surely no time for do-it-yourself diplomacy.

To summarise, where we can we will support this Government's approach to the middle east and north Africa, but the House needs clearer answers on post-conflict planning, a clearer strategy for the whole region and, frankly, clarity on who speaks for the Government in their communications with Syria.

Mr Hague: I am grateful to the right hon. Gentleman for mentioning events in Kabul, which I did not refer to earlier given the focus on the middle east and north Africa. Clearly, however, we are very concerned that British nationals were caught up in the attack on the Inter-Continental hotel, and our consular services have been very busy in Kabul looking after them. I spoke on the telephone this morning to one of the two British nationals involved, and I am pleased to say that they are safe and sound and will return speedily to this country.

The attack is part of a pattern of Taliban activity in Afghanistan—against the momentum that the international security assistance force has gathered—to try to make highly publicised attacks on civilian targets, as well as sometimes on military targets, in Afghanistan. We should not be fooled by that. I saw for myself in Afghanistan last week the progress that we are making on the ground, particularly in Helmand where British troops are so heavily employed, and I am sure that the House will be unified in its concern at that attack, as the right hon. Gentleman reflected.

I am grateful also for the right hon. Gentleman's continued support, and for the continued widespread support throughout the House, for our implementation of resolutions 1970 and 1973 and for the work of our armed forces in implementing them. He asked about the cost of the campaign, and, in referring yesterday to £260 million, my right hon. Friend the Defence Secretary explained the estimated and expected cost over six months, so not the cost to date.

Those costs and our military activities do not impinge on our work in Afghanistan, as I again saw for myself last week. Clearly, the greater costs of the military campaign fall on those nations that undertake the military activity, and we might all wish that NATO had different financing arrangements, but that is how it works. Nevertheless, many other nations contribute to the cost in other ways, including in humanitarian support, and they will be able to contribute to future stabilisation.

The important thing to bear in mind, and on which I hope there is agreement throughout the House, is that, if we had not acted in Libya but allowed the humanitarian catastrophe that would have resulted from Gaddafi overrunning by force the rest of Libya, and destabilising the neighbouring countries of Egypt and Tunisia in the process, to happen, the costs would have been incalculable to European countries in uncontrolled migration and in new breeding grounds for terrorism and extremism. The cost of the campaign in Libya has to be set against those considerations, and that is a very important point.

The right hon. Gentleman asked whether, if Gaddafi went tomorrow, we would be any further on, and I think that we would be a lot further on than we were a few weeks ago, when I said quite rightly that planning was at an embryonic stage. The stabilisation unit has prepared its report, but it would be quite wrong for the international community to say, "That is what we are going to try to impose on Libya."

This is not an invasion of Libya; this is about Libyans being able to take responsibility for their own future. That is why I urged the Turkish Foreign Minister in my discussions with him yesterday to ensure that such stabilisation work is discussed at the contact group in Istanbul, and that the national transitional council is able to take it into its planning for the future. It is not something that anybody can sit in an office anywhere in the western world and just decide; it is valuable work that feeds into the planning process for post-conflict stabilisation in Libya, in which we hope that Libyans will take the lead, and of course that the United Nations will take a leading role.

The right hon. Gentleman asked about the involvement of the Foreign Office, but things have changed dramatically in the past year in terms of the work between the Foreign and Commonwealth Office on the one hand and the Department for International Development on the other. On entering office, I was appalled by how poor relations had been between DFID and the FCO, for which he must bear part of the responsibility, having been a Minister in both Departments.

The Secretary of State for International Development and I have taught our Departments that they are each other's best friend, and we needed to after the activities of the previous Government, so the right hon. Gentleman can be sure that at all levels, whether in Benghazi, in Whitehall, or in the National Security Council where all the work is put together, vast numbers—dozens—of Foreign Office officials are connected with it. His questions on that do not live up to the subject, and they are certainly not commensurate with his rather poor record on those matters.

On Egypt and financing, the situation depends on the demand and readiness of such countries to access the funds. It is mainly financing and loans that are on offer, but they are on offer advantageously, and take-up will depend on the response of countries throughout north Africa to the opportunity. Egypt has not taken up the offer, but it may do so under a future Government, and we hope that it will.

On Syria, I think that the only incredulity is about the nature of the right hon. Gentleman's questions, because there is no doubt about international unity and support on the matter. Foreign policy is not conducted in a bunker, where we do not communicate with people with whom we disagree. We have diplomatic relations with

Syria; I have communicated with the Syrian Foreign Minister; we communicate with the Syrian ambassador all the time; we send messages through the Turkish Foreign Minister and through Arab Foreign Ministers; and we send messages also through people whom President Assad has met frequently before.

That is why it is entirely right and proper for my hon. Friend the Member for Braintree to have visited President Assad and communicated messages in accordance with the views of the international community. It seems to be only the right hon. Gentleman who thinks that we should not communicate such messages through every available channel.

With the exception of a couple of areas that I thought were rather petty, trivial and incredulous, I welcome as usual the generous cross-party spirit of the right hon. Gentleman's questions and our continued unity on the importance of these subjects.

Sir Menzies Campbell (North East Fife) (LD): However welcome it may be that the International Criminal Court has issued those warrants, is not it the case that on a realistic assessment we can hardly be wholly confident that Colonel Gaddafi will ever face the Court? Does my right hon. Friend agree, however, that the significance of issuing the warrants is as much political as legal, in that it demonstrates a unified international response to the barbarism of Colonel Gaddafi and those about him?

Mr Hague: My right hon. and learned Friend is right: it is a legal process, but it is of political importance. It is a political statement by the world that the behaviour of the Gaddafi regime is unacceptable and that it should be accountable for that behaviour. It sends, as I have said, a clear message to adherents of the regime that there is every risk of being held accountable. We cannot provide certainty, but these warrants show an ever-increasing risk to supporters of the regime of facing that accountability, so more of them should take the opportunity to leave it.

Mr Bob Ainsworth (Coventry North East) (Lab): The different reaction to the Arab spring, and to Libya in particular, by NATO countries and—on occasion—the complete contradiction of their policies surely suggests the need for a post-mortem on the Libyan situation. Is thought being given to starting some analysis of why NATO countries have reacted so differently and not in any kind of co-ordinated way to this problem?

Mr Hague: While, of course, we will want to analyse the campaign when it is over, the right hon. Gentleman has referred to a post-mortem when the campaign is very much alive. Therefore we should not be diverted at the moment. I would not go as far as him, because he is in danger of exaggerating when he says that there has been no kind of co-ordination. NATO got things together and took over the campaign much more rapidly than was the case in previous campaigns. Eighteen nations are involved in the military action and 34 nations are involved in supporting those efforts—the NATO nations and six Arab nations. He is right to draw attention to the fact that some NATO nations have taken part in the military aspects of the campaign and others have not. They are sovereign nations and can make those decisions, but the political unity of NATO is clear, as demonstrated by the renewal, for 90 days from 27 June, of the mandate for NATO, which was agreed unanimously. While it might be desirable for even more of the NATO nations to make a military contribution—and that continues to be desirable—and we should analyse these things afterwards, we should not say that there is no co-ordination, when there is a great deal.

Richard Ottaway (Croydon South) (Con): I welcome the Foreign Secretary's assessment that the regime in Libya is being eroded, and I welcome the arrest warrants issued by the International Criminal Court, but what does he say to those who feel that the warrants are counter-productive, in that they make it more difficult for Colonel Gaddafi to make an exit, given that he knows that he will probably face arrest?

Mr Hague: If we accepted that argument, we would not have the ICC or have embarked on this in the first place. It can be argued that there is a downside to the warrants, in that a negotiated outcome to different conflicts at different times can be made more difficult by such a legal process. On the other hand, the existence of such a process, which we have seen come to fruition in many cases in the past decade, is a stark reminder to tyrants and generals who get out of control, and to people who belong to regimes that commit crimes against humanity, that the international process poses a serious risk that they will not be able to escape. The deterrent effect on regimes such as that in Libya therefore has to be set against the downside to which my hon. Friend has drawn attention. If we believe in the ICC, as we do in the United Kingdom—we have subscribed to it and passed an Act of Parliament to bring about our participation in it—we must stand by its decisions and support the efforts to bring people to justice within its ambit.

Sir Gerald Kaufman (Manchester, Gorton) (Lab): Will the Foreign Secretary protest in the strongest terms to the Israeli Government about the attack by Israeli troops on a group of children on the west bank with tear gas and stun grenades, when they were not involved in any kind of political activity but were having a rare day of organised entertainment and fun? As even the *Jewish Chronicle* now compares Netanyahu with Ceausescu, when will we take action to deal with these thugs?

Mr Hague: As ever, we call on the Israeli authorities, like any other authorities in the region, to deal proportionately and with only necessary force with any disturbances that may arise. I will look at the instance that the right hon. Gentleman has described and see what representations we should make to the Israeli Government about it. He has heard me many times call for a proportionate response and for the right to peaceful protest. That applies in Israel and the occupied territories just as it should apply elsewhere in the region.

Bob Stewart (Beckenham) (Con): I welcome the fact that Colonel Gaddafi, his son and his chief of intelligence have been indicted by the ICC. Speaking as someone who has given evidence in five trials in The Hague, I wonder whether my right hon. Friend might be able to say how the Government could help in the arrest and extradition of those three people in practical terms. I understand that it is very difficult.

Mr Hague: My hon. Friend draws attention to the point that I made earlier: the ICC has proved that it functions—people are hauled before it and there are consequences for crimes against humanity and other very serious, internationally recognised offences. How we can assist will, of course, depend on the situation in post-conflict Libya, but we will certainly stand by the activities of the ICC and will want to see its proceedings upheld.

Ann Clwyd (Cynon Valley) (Lab): On the question of Syria, last week I raised with the Leader of the House the incident that the Foreign Secretary has mentioned concerning the intimidation of and threats against young Syrian activists in this country and their families at home in Syria. Will the Foreign Secretary enlarge on the conversation that he had with the Syrian ambassador? Did the ambassador admit to any of the suggestions that the Syrian embassy was complicit in such intimidation?

Mr Hague: I can tell the right hon. Lady only a little more. My officials have had that conversation with the Syrian ambassador, who did not admit to any of those activities. I can only repeat what I said in my statement: if these accusations of intimidation can be substantiated—they have not been so far, from what we can tell—appropriate action will be taken by the Government.

Mr James Clappison (Hertsmere) (Con): All parties could do more to bring about a peaceful settlement between Israel and the Palestinians, but does my right hon. Friend agree that it is deeply unrealistic to expect any Israeli Government, of whatever character, to sit down and negotiate in any way or in any forum with Hamas, an organisation which refuses to recognise Israel or to abide by existing agreements, and is causing or permitting the firing of ever deadlier rockets further and further into Israeli territory—not tear gas, but rockets? Can we have more of a focus on clearing away that fundamental obstacle to peace?

Mr Hague: My hon. Friend is right to draw attention to Hamas, which remains a proscribed organisation. I take this opportunity to call again for the release of Gilad Shalit, which, if it were to happen, would certainly advance the interests of peace in the region. We are not calling on Israel to negotiate with Hamas, but we look to the new Palestinian Authority, which is still being constructed after the new agreement between Fatah and Hamas, to negotiate for a two-state solution, to believe in a peaceful negotiated settlement and to recognise the previous agreements entered into by the Palestine Liberation Organisation. If the Palestinian Authority does that, Israel should be prepared to negotiate with them.

Jeremy Corbyn (Islington North) (Lab): The Foreign Secretary rightly talked about the need for participation by all sides to bring about a resolution of the conflict between Palestine and Israel. In that context, does he think it important to meet representatives of Palestinian opinion who live within the post-1948 borders of Israel, including Raed Salah? Why has Raed Salah been banned from this country, having been here for four days already and being due to speak at a meeting this evening in the House of Commons to help the process of dialogue between Palestinians and others to bring about a peaceful solution?

Mr Hague: Such decisions are made not by me but my right hon. Friend the Home Secretary. She has to take into account all relevant considerations, and I have absolute confidence in her doing so.

David T. C. Davies (Monmouth) (Con): Does the Foreign Secretary agree that his efforts abroad are undermined when we allow racist, homophobic extremists such as Raed Salah to come into the country and stir up hatred? What we need is peace across Europe and the rest of the middle east.

Mr Hague: That is the alternative view to that expressed by the hon. Member for Islington North (Jeremy Corbyn), who has received his answer.

Mr Geoffrey Robinson (Coventry North West) (Lab): When the Foreign Secretary replied to my right hon. Friend the Member for Paisley and Renfrewshire South (Mr Alexander) on the attack on the Inter-Continental hotel in Kabul, he said that he was doing everything possible to safeguard the interests of British citizens who were caught up in the attack. He also said that we are making some progress in the military fight against the Taliban. Does he agree, however, that the continuation of such incidents, which are perpetrated almost at will by the Taliban, shows that only a political solution can resolve the crisis? We understand that contacts are under way with the Taliban. Will he tell us something about them and assure us that the British Government will give their full support to progressing them?

Mr Hague: Yes, we are fully in favour of political reconciliation in Afghanistan. I am trying not to say too much about this, as this is a statement on north Africa and the middle east. We will, no doubt, return to Afghanistan on other occasions. Yes, we believe in a political settlement and in a political surge, as Secretary Clinton put it, as well as a military surge in Afghanistan. It is important that we do not jump to the conclusion that the attack on the Inter-Continental hotel shows that what we are doing in Afghanistan is not working; it is designed to give us that impression, and we should not fall for that. It is a terrorist tactic designed to induce that state of mind in western capitals. In reality, a huge amount is being achieved, and we should remember that.

Mr John Baron (Basildon and Billericay) (Con): In what appears to be the most protracted assassination attempt in history, does the Foreign Secretary believe that the targeting of Gaddafi's Winnebago and family homes continues to fall within the remit of UN resolution 1973, and if so why?

Mr Hague: I disagree with my hon. Friend's view of the Libya campaign. He must remember that what we are doing has probably saved thousands of lives in Benghazi and Misrata. To characterise the campaign as an assassination campaign is wrong. The Defence Secretary and I have made clear our position on targeting—we do not go into the details of targets. Our targeting depends on the behaviour of those involved, and it has included the command systems of the Gaddafi regime. In my hon. Friend's description, I do not recognise the actual NATO campaign.

Caroline Lucas (Brighton, Pavilion) (Green): Earlier today, Palestine solidarity groups, politicians, teachers and others marked the anniversary of the attacks on the Free Gaza flotilla last year by sailing down the river outside Parliament and marking the launch of a new Free Gaza flotilla. As the Foreign Secretary has previously said that the situation in Gaza is unacceptable and unsustainable, will he tell us what further action he is taking to help get the siege lifted, and will he do everything that he can to get guarantees that this new flotilla will be safe from attack?

Mr Hague: We have continued to take the action that I set out in the House last year. We have urged Israel greatly to improve access to Gaza. It has taken some steps, but those steps have not been as fruitful as we had hoped when they were set out. Egypt has now opened an important crossing into Gaza, which may also provide some relief. The answer relies on the general lifting of a blockade of Gaza and on a negotiated two-state solution in the middle east. However, embarking on new flotillas is not the way in which to bring that about. We advise against all travel to Gaza by British nationals, which includes people who may be thinking of boarding a flotilla to go there. We hope that Israel will make only a proportionate response to any such flotilla, but it is, none the less, not the way in which to sort out the problems of the middle east. Such problems require negotiations in good faith by the parties concerned.

Martin Horwood (Cheltenham) (LD): I strongly welcome the Foreign Secretary's remarks about Israel and Palestine, especially his encouragement to Israel to be open to negotiations on a united Palestinian Authority, if it is freely elected by the Palestinian people. Does he believe that both parties could learn from our own example in Northern Ireland by dropping other unhelpful preconditions to talks, such as those that relate to Jerusalem on the one side or the extent of variations to the 1967 border on the other?

Mr Hague: I will go a long way with my hon. Friend on this. We want a return to negotiations; that is absolutely right. I have set out the conditions under which Israel should resume its negotiations with the Palestinian Authority, which are the same conditions in relation to the PA. We need the negotiations to succeed so we should not be setting new hurdles. Comparisons with negotiations elsewhere, including those in Northern Ireland, are fraught with difficulty. The situations are not exactly the same and have not reached the point at which negotiations really started to bear fruit in Northern Ireland. A lot of painstaking work still has to be done on this, but it would be a good start, after President Obama's speech and his statement on the 1967 borders, for both the Israelis and the Palestinians to make it clear that they are happy to return to direct negotiations with each other.

Rushanara Ali (Bethnal Green and Bow) (Lab): There is great concern about the use of rape as a weapon of war by Gaddafi's army. Will the Foreign Secretary tell the House what specific actions the UK Government are taking to protect women and girls against such appalling attacks?

Mr Hague: Almost everything that we do in Libya is designed to protect civilians from the entire range of horrendous attacks, including of the type that the hon. Lady has described. There is also the indiscriminate bombardment by artillery and the attacks on built-up areas, such as those we have seen in Misrata. The work that our armed forces do to prevent attacks and the harassment of civilians under UN resolution 1973 is important. None the less, it does not include putting troops on the ground and invading Libya to separate those forces. That would not be within the UN resolution, and that is not what we will do. We will continue to use air strikes to try to separate Gaddafi's forces from those vulnerable people, and we have had a lot of success in doing just that.

Mr Tobias Ellwood (Bournemouth East) (Con): I welcome the statement, which illustrates what a volatile and unpredictable period of change the middle east is now experiencing. Will my right hon. Friend join me in condemning the recruitment of women and children by Gaddafi to be trained to fire AK47s and rocket-propelled grenades? Is such training not a sign of a desperate regime?

Mr Hague: It is another sign of a desperate regime. It adds to the tactics which were described by the hon. Member for Bethnal Green and Bow (Rushanara Ali), and the recruitment of mercenaries by the Gaddafi regime to prosecute a war against their own people. Many of Libya's own soldiers and officers are unwilling to fight. Certainly, it is a desperate regime, and we must continue to turn up the pressure on it to implement the UN resolutions.

Alun Michael (Cardiff South and Penarth) (Lab/Co-op): The statement has covered a vast range of important issues. May I ask about one specific matter? The Secretary of State will be aware that the Republic of Somaliland is a beacon of democracy in the horn of Africa in stark contrast with Somalia in the south. Somaliland has offered us help in the form of access to the port of Berbera and stands firm against both pirates and terrorists. Will the Secretary of State assure us that he is treating Somaliland as an ally, the stability and success of which is important to us and to the whole region?

Mr Hague: The right hon. Gentleman has made an important point. We have stepped up our diplomatic contacts with Somaliland. None the less, we must not let that distract us from our efforts and those of other African nations to create greater stability in Somalia overall or threaten the future territorial integrity of Somalia. We are doing what he has described and ensuring that we work with the authorities there, and we will increase the emphasis that we place on that.

Rory Stewart (Penrith and The Border) (Con): Egypt is clearly far more important to regional stability than Tunisia, but it is a place where, because of its scale, British influence is likely to be quite limited. Tunisia, however, is a place where, with some focus and resources, we could make a symbolic and sustainable difference. Will the Foreign Secretary please explain the principles on which our priorities are determined and our resources allocated between the two?

Mr Hague: That is a legitimate question, to which there is no fixed or dogmatic answer. The future of both countries in the light of the Arab spring will be important, and my hon. Friend is right to imply that Tunisia, a

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much smaller country than Egypt, might find many of the necessary reforms easier to accomplish—certainly, one gets that feeling on visiting Tunisia. So far, Tunisia's progress towards elections for its constituent assembly and so on have been more pain-free. Nevertheless, in assessing priorities, given the scale of Egypt's population and influence in the Arab world, and its absolutely vital strategic position in the middle east, we must devote a great deal of our attention and support to Egypt. There is no escape from doing that. Success in the Arab spring—open political institutions and an open economy in Tunisia, but failure in Egypt—would still be a massive failure overall, so we must devote a large proportion of our time and resources to Egypt.

John Woodcock (Barrow and Furness) (Lab/Co-op): On the proposed flotilla, what active steps is the Foreign Secretary taking to persuade its organisers both here and abroad that it would be a provocative act that would do nothing to promote greater peace and stability in the region?

Mr Hague: I have just taken the active step of speaking about this here in the House of Commons. Although all Members of Parliament are well aware that speaking in the House of Commons can be a secret activity at times, I hope that this message, which we will be happy to amplify and repeat, will be understood by anyone who contemplates going into that situation. We advise against all travel to Gaza and embarkation on such flotillas is not the way to try to resolve these conflicts.

Mr Speaker: Statements by the Foreign Secretary are not a secret; they are discussed in every pub in the land every day.

Mr Bernard Jenkin (Harwich and North Essex) (Con): I commend my right hon. Friend's determination to see through the NATO campaign to a positive conclusion, but when did the Government first realise that the campaign might take 100 days, six months or even longer? May I advise him that, having produced a report on strategic thinking in government, which the director of the Royal United Services Institute this morning described as a landmark report, the Public Administration Committee will return to the subject of how such decisions and assessments are made on a cross-departmental basis, which, as he rightly claims, he has much improved under this Government?

Mr Hague: I am grateful to my hon. Friend and look forward to the Public Administration Committee's further consideration of the development of strategic thinking in government. To answer his question on the length of time, there is no fixed answer and no soothsayer would be able to divine how short or how long the Libya campaign might be. Of course, it is still not possible to say that, and we have never said that it would be possible to say that. Actually, even 1,000 boffins in a think-tank, all working together feverishly with all the information available to them, would still not have known how long the Libya campaign might last. We will continue to work with my hon. Friend on improving the Government's strategic thinking, but however much we improve it, it will not be possible to say how long each military campaign will take.

Mark Durkan (Foyle) (SDLP): Along with much else in the statement, I welcome the urgent attention that the Foreign Secretary is giving to events in Sudan. May I join him in welcoming the ICC's warrant for the arrest of Gaddafi for his crimes, but should those who provided him with the infrastructure of repression and the weaponry for civilian slaughter not also be deemed complicit in the scale of his crimes?

Mr Hague: I am grateful to the hon. Gentleman for those words. We will need to reflect on those things over time and learn lessons from them in the future, but let us remember that the ICC is dealing with the people most directly culpable for crimes against humanity. It is important that its work is concentrated on those individuals, but there will certainly be wider lessons to learn.

Joseph Johnson (Orpington) (Con): Is there a danger that Colonel Gaddafi misreads recent statements by Amr Moussa, the outgoing secretary-general of the Arab League and current presidential candidate in Egypt, in which he has called for a ceasefire and the commencement of peace talks while the existing Libyan leader is in place, and therefore underestimates the unity of purpose in the international community in enforcing the UN resolutions?

Mr Hague: I hope that any such danger will be removed by the continued meetings of the contact group, on which the Arab League is represented and at which international unity is strengthening, not weakening. The contact group meeting in Abu Dhabi was attended by seven additional nations, as well as by organisations such as the Organisation of the Islamic Conference and the Arab League. I am sure that the meeting in Istanbul in two weeks' time will also be well attended and very united, so if Gaddafi is under any misapprehension about the unity of the international community, he will find that that is rapidly removed.

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): I support our actions in Libya, but there is often a great deal of cynicism about the motivations of western nations in getting involved in such conflicts. What can the Foreign Secretary tell us about the criteria that the Government will apply to interventions in possible future conflicts, so that our constituents and, indeed, foreign nations appreciate that we will apply a consistent approach to these matters?

Mr Hague: The hon. Gentleman is right that, after events over the past decade, there is a good deal of cynicism about these things. We must clearly explain the humanitarian motives, as well as our national interest, that have involved us in Libya, and give the full background. He has asked about criteria. I have often referred in the House to one of the important criteria: in the case of Libya, we are acting with full, legal, moral and international authority. We are acting within United Nations resolutions, and there is no doubt about the legal position. There will be other situations in which people call for interventions of various kinds, but on which there is no legal authority, because the UN Security Council does not agree to act. In many of those instances, we will have to say that we can do nothing, because we do not have the legal or international authority to act. International law is our starting point, which must remain a key principle in the years ahead.

Mr Julian Brazier (Canterbury) (Con): Does my right hon. Friend agree that, despite a generation of occupation by Syria and series of bloody incursions by Israel, Lebanon remains a potential force for good, with its developed civic society and its entrepreneurial spirit? Does he further agree that one of the best ways to break the ambitions of the Tehran-Damascus axis is by fostering and encouraging democratic elements in Lebanon and weaning them away from Hezbollah and the Damascus agenda?

Mr Hague: My hon. Friend is absolutely right to draw attention to Lebanon's key role in the region. It is, of course, a tragedy that so much of its potential has not been fulfilled in recent years, often because of its neighbours' policies, and he is right to draw attention to that. We certainly strongly support those people who are working to strengthen democracy in Lebanon. One of the things that that requires is the completion of the work of the Special Tribunal for Lebanon, which the United Kingdom continues to fund.

Fiona Mactaggart (Slough) (Lab): My constituents and I are concerned about the degree of mission creep that has occurred in Libya. The mission has continued for longer, has cost more and has involved more people dying than most of us expected at the beginning. Yet, because we are in the air, we cannot intervene on the ground to help women who are victims of rape used as a weapon of war. The right hon. Gentleman said in reply to my hon. Friend the Member for Coventry North West (Mr Robinson) that there would be an analysis at the end of the mission. Will that analysis consider ways of preventing such situations from arising in future and non-military means by which we can protect civilian populations from despots?

Mr Hague: It is important to stress that we have used non-military means as well. The UK has funded ships that have evacuated about 5,000 people from Misrata—that shows the support that the UK Government have given—thus taking them out of a danger zone. We have not only been engaged in military action in Libya, but had we not taken military action when we did, many thousands more people would have died in Benghazi and probably in Misrata afterwards. We are constrained by the UN resolutions, which relates to the point that I made to the hon. Member for Barrow and Furness (John Woodcock) that we must stay within the legal limits of what is set out in the UN resolution. We cannot do everything that we might want to do to assist people, but I stress to the hon. Lady that there is a good deal of non-military help, as well as our military action.

Stephen Metcalfe (South Basildon and East Thurrock) (Con): I welcome my right hon. Friend's remarks, particularly concerning Iran and its nuclear ambitions. What further actions or sanctions can he take to prevent Iran from developing a nuclear weapons programme, which would undoubtedly lead to greater instability in the middle east, and potentially to conflict?

Mr Hague: No one can be sure whether sanctions will of themselves prevent a nuclear programme, but last year, as we announced a succession of sanctions, the readiness of the regime in Tehran to negotiate increased, at least for a time. The regime will have to reckon on the fact that pressure from sanctions will intensify over the coming months unless it is prepared to negotiate about its nuclear programme.

All that I can say to my hon. Friend for the moment is that we agreed in the EU last month the designation of 100 more individuals and entities, which will intensify the sanctions. I have referred today to additional sanctions on the Iranian Revolutionary Guard Corps commanders. We will continue to step up that pressure, but it will be peaceful and legitimate pressure.

Geraint Davies (Swansea West) (Lab/Co-op): Colonel Gaddafi intends to fight to the death, and the Libyan people are sick to death of killing each other. In accordance with resolution 1973, will the Secretary of State at least consider a ceasefire during which an election can occur, internationally supervised by the Arab League, with a fall-back position of resumed conflict if intimidation and violence corrupt the outcome, in order to get an elected Government in Libya instead of another unelected regime, with hundreds of thousands more people being killed in the meantime?

Mr Hague: There are several complications to the hon. Gentleman's proposals. One is that a ceasefire has always been possible, if the regime meets the terms of the UN resolution and stops attacks on the civilian population in Libya. It has been open to the regime for more than 40 years to have elections to determine who is in charge in Libya. Constructing an environment in which going back to armed conflict is a fall-back position would make it rather difficult for the electoral process to take place. It remains the case that for a political process to succeed in Libya, Colonel Gaddafi must leave power. That is how all the Libyans I saw in Benghazi regard the matter, and how the rest of the world regards it.

Bob Blackman (Harrow East) (Con): I warmly welcome the Foreign Secretary's wise words to the organisers of the proposed flotilla. At a time when the flow of humanitarian aid has increased, yet terrorist attacks on Israel by Hamas have also increased, the flotilla would be a terrible provocation to the state of Israel. A confrontation would certainly take place and talks would be postponed almost indefinitely. I urge my right hon. Friend to approach the organisers of the flotilla directly to make them stop.

Mr Hague: As I said earlier, I will make sure that our views are clear to all involved. Provocations are not what we need in the middle east at the moment; equally, disproportionate responses to provocations are not what we need, either. We ask all concerned to respect those considerations. Our views will be made clear to all concerned.

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): Since the original vote in the House on the mission in Libya, it is clear that the objectives have been updated to include regime change. Is it not time that we had a second debate and Division, so that those of us who have concerns about what is happening can place them on the record?

Mr Hague: I do not sense that that is the general view in the House. Our military mission in Libya continues to be defined by the UN resolutions. If we were not

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undertaking any and all of the military actions that we are, Colonel Gaddafi would be able to intensify his campaign of killing and harassing the population of Libya. It is entirely in accordance with the vote of this House in March and with UN Security Council resolution 1973 that we are doing what we are doing in Libya. I do not therefore consider that it requires a fresh vote in the House.

Rehman Chishti (Gillingham and Rainham) (Con): I welcome the Foreign Secretary's statement. In light of the thousands of lives that have been lost in Syria, the French Foreign Minister has stated that President Assad's position has become illegitimate. How far are we from reaching the same decision?

Mr Hague: President Assad must reform or step aside. If we are to maintain international unity of pressure on Syria, we must be careful in how we phrase such things. That is the right position for the United Kingdom to take, particularly as a Security Council resolution is still on the table, which we would like to push forward if the situation in Syria continues to be so dire. I am confident that we have taken the right position.

Andrew Percy (Brigg and Goole) (Con): We all want a negotiated settlement to the middle east conflict, but given that Hamas continues to attack Israel and to manipulate and undermine any direct negotiations between Israel and the Palestinian Authority, what more can we do with our international partners to ensure that Hamas accepts the Quartet principles and comes to the negotiating table?

Mr Hague: We stand firm with the Quartet. I made it clear in my earlier remarks what we expect of the Palestinian Authority. We look to the newly formed Palestinian Authority, when it emerges, to live up to the principles that I stated in answer to earlier questions. In the meantime, by failing to accept or even move towards the Quartet principles, Hamas remains a proscribed organisation that damages prospects of peace in the middle east rather than advancing them.

MESSAGE FROM THE QUEEN

The VICE-CHAMBERLAIN OF THE HOUSEHOLD acquainted the House that he had a Message from Her Majesty the Queen to this House, signed by Her Majesty's own hand.

The Message was presented to the House, and read to the House by the Speaker, as follows:

Her Majesty requests that consideration should be given by the House of Commons to the provision made by Parliament for the financial support of Her Majesty and other members of the Royal Household, and to allowing for the continuation of support in the reigns of Her successors.

Her Majesty desires that the hereditary revenues of the Crown, for any period for which support is provided to any of Her successors, should be at the disposal of the House of Commons.

In commending these matters to Her faithful Commons, Her Majesty relies on their attachment to Her person and family to adopt such measures as may be suitable for the occasion.

Points of Order

1.38 pm

The Leader of the House of Commons (Sir George Young): On a point of order, last Thursday at business questions, I announced to the House that the first business tomorrow, Thursday 30 June, would be consideration of a motion for a resolution on which a Bill is to be brought in. Following what you have just said, Mr Speaker, I inform the House that hon. Members will have the opportunity to debate Her Majesty's Gracious Message at tomorrow's business.

Mr Speaker: I am grateful to the Leader of the House for what he has said, which will have been heard by colleagues.

Vernon Coaker (Gedling) (Lab): On a point of order, Mr Speaker. On Monday, the case of Raed Salah was brought up in the House. Yesterday, I brought it up as a point of order and, indeed, there have been questions about it in the House today. Whatever the rights and wrongs, the man was said by the media to have been excluded, and we find today that he had been excluded, but none the less came into the country—apparently almost strolling through.

Yesterday, I asked for a statement from the Home Secretary to allow hon. Members to question her about what was happening in the case. We now find through a press release on the Home Office website that, although the Home Secretary does not normally comment on individual cases, she has done so in this case. She confirms that Raed Salah was excluded but that he managed to enter the UK. He has now been detained, and the UK Border Agency is making arrangements to remove him. She announced through the press release that a full investigation is taking place into how he was able to enter.

I do not know whether you have had any message from the Home Secretary, Mr Speaker, but instead of announcing through a press release that a full investigation will take place into the matter, she should have come to the House to make a statement so that hon. Members of all parties could question her about the rights and wrongs of the case and what actually happened. Have you had any indication from the Home Secretary of whether she intends to come to the House, or to continue to make announcements through the press?

Mr Speaker: Before I respond to the point of order, I shall take that of the hon. Member for Islington North (Jeremy Corbyn).

Jeremy Corbyn (Islington North) (Lab): Further to that point of order, Mr Speaker. Raed Salah entered this country four days ago without any problem. He has been here for four days and he spoke at a public meeting in Conway hall on Monday evening, which was apparently attended by immigration officers who did not recognise him even though he spoke from the platform. I also understand that he met Members yesterday and briefed them on the situation. This man is an Israeli citizen, who has no restrictions on his life or activities in Israel. Indeed, he addressed a public meeting at Tel Aviv university only last week. Following complaints in the *Daily Mail*, the Home Office seems latterly to have decided that there was a travel ban on him, even though it did not confirm that on Monday or on any other occasion, but announced it on a website a couple of hours ago, following media inquiries.

Is that a satisfactory way for the Home Secretary to behave? She seems more interested in responding to the *Daily Mail* than to the House, and incapable of coming here to make a statement or, indeed, answering telephone calls from Members who were trying to ascertain Mr Salah's exact status this morning. He was due here this evening to address a meeting upstairs in one of the Committee Rooms to promote dialogue and peace to bring about a resolution of the middle east conflict. Surely the House deserves a statement on the matter at the very least.

Mr Speaker: I shall take a further point of order on the subject and then respond to them all.

David T. C. Davies (Monmouth) (Con): Further to that point of order, Mr Speaker. If the Home Secretary is to come here to make a statement, could we find out whether the ability of the racist and homophobic individual whom we are discussing to enter the UK was in any way aided by the fact that he was apparently getting a warm welcome from some Labour Members?

Mr Speaker: I hope that the hon. Gentleman will not take it amiss if I say that that last series of observations represented not a point of order, but a point of frustration, propaganda or an expression of views. Anyway, he has said his piece, and we are grateful to him.

Let me try to respond to the two points of order that were raised from the Opposition side. The Home Secretary informed me late last night that Sheikh Raed Salah had been arrested with a view to deportation on the ground that his presence is not conducive to the public good. Accordingly, I instructed the Serjeant at Arms that he should not be admitted to the parliamentary estate. I know that Members will not expect me to discuss issues of security and access any further on the Floor of the House—I will not do that.

However, in response to the hon. Members for Gedling (Vernon Coaker) and for Islington North let me say that if the Home Secretary wishes to make an oral statement to the House, she is perfectly at liberty to do so. That is a choice for her, and she will have heard the points that have been made.

Barbara Keeley (Worsley and Eccles South) (Lab): On a point of order, Mr Speaker. The media were briefed this morning that the Deputy Prime Minister was announcing to a conference in Birmingham a significant policy change on business rates in local councils. Mr Speaker, you have said that the Government should explain and answer first to Parliament, so can you tell us whether the Secretary of State for Communities and Local Government intends to come to the House to do just that on a major policy change on local government finance?

Mr Speaker: I am grateful to the hon. Lady for her point of order and for giving me notice that she intended to raise it. However, I have not been informed of any ministerial statement today on the matter. Perhaps it is worth emphasising that if a new policy or a change in existing policy is to be announced, one would ordinarily hope that the House would hear it first. I am not familiar with the detail of that particular matter, and

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therefore I cannot say whether it should so qualify, but the general requirement is very clear. The Deputy Prime Minister will be aware of it and the Leader of the House has regularly heard it and communicated it to ministerial colleagues. I am sure that the hon. Lady will find other ways in which to pursue the matter.

Sir Gerald Kaufman (Manchester, Gorton) (Lab): Further to that point of order, Mr Speaker. Members of the Cabinet are developing a track record for making statements to the press in the morning, with a Minister coming to the House in the afternoon. I drew your attention to the press conference that the Prime Minister held about the national health service before the statement in the House. Last week, before the Lord Chancellor's statement about changes in sentencing and other matters, the Prime Minister again held a press conference before the House met and told the public what the Secretary of State later told the House of Commons. My hon. Friends on the Front Bench have provided two further examples. Is it not intolerable that the Prime Minister and the Government show continuous contempt for the House of Commons?

Mr Speaker: The right hon. Gentleman is a very experienced Member. I think that I am right in saying that it is 41 years 11 days since he was elected to the House. He has seen a lot. He will understand that the Chair must consider those matters on a case-by-case basis in that some cases are egregious and others are not. I recall the right hon. Gentleman's previous point of order. He might recall—if not, I shall tell him—my response to the shadow Leader of the House last week. I said that statements should be made first to the House and that I was perturbed by a growing practice of a written ministerial statement followed by a press conference, and, only after that, an oral statement to the House. I hoped that that practice would be nipped in the bud. On that occasion, I also made the point, the significance of which will not escape the right hon. Gentleman or the House, that if that unfortunate and inappropriate practice persisted, there would be mechanisms available to Members who wished to allocate a considerable amount of parliamentary time on a particular day to the study of the matter of urgency, and that that would cause all sorts of problems with programming Government business, which I know the Leader of the House would not want to encounter. I hope that that is clear to the right hon. Gentleman and the House.

Jack Dromey (Birmingham, Erdington) (Lab): On a point of order, Mr Speaker. Last year, the Government announced the termination of the housing market renewal programme, depriving depressed communities of hope for the future. Here and subsequently in another place, Ministers said that application can be made to the regional growth fund. However, only this week, the chair of the independent evaluation panel, Lord Heseltine said:

"There is no way in which we are doing housing renewal"

or anything of that sort. We are 48 hours away from the deadline for regional growth fund bids. Has the Minister for Housing and Local Government indicated his intention to come to the House and clear up the confusion?

Mr Speaker: The short answer to the hon. Gentleman is that the Minister has not indicated to me any intention to make a statement on the matter. However, until a very few moments ago, the Leader of the House was in his place, and will have heard the start of the point of order. I imagine that the Deputy Leader of the House will communicate the rest of it to him. My advice to the hon. Gentleman, in view of the pressing timetable, is that he might wish to raise the matter at business questions, if he can catch my eye, and secure some sort of clarificatory response from the Leader of the House. He has to wait fewer than 24 hours for his opportunity.

Philip Davies (Shipley) (Con): On a point of order, Mr Speaker. I recently became aware that recently the Liberal Democrats, on a day when they should have been in Parliament representing their constituents, decided to have an away-day in my constituency, and stayed there overnight; I certainly commend them for their taste. I cannot claim to be the most assiduous in this regard myself because I have occasionally forgotten to inform a colleague that I have been in their constituency, but it is, I am sure you would agree, rare that 50 MPs would forget to inform a colleague that they were engaging in political activity in somebody else's constituency. Could you give any guidance as to what is expected of hon. Members when visiting other people's constituencies?

Mr Speaker: I think it was what would be characterised by the party concerned as an official visit to the hon. Gentleman's constituency; in other words, it is not a private activity, and although I do not think it would be reasonable for the hon. Gentleman to expect 50 communications from individual Members who would be attending that gathering, I do think it is reasonable for the hon. Gentleman to expect to be informed in advance by a representative of that party, so I hope that the self-styled voice of Shipley is reassured by my response to his point of order.

Yvette Cooper (Normanton, Pontefract and Castleford) (Lab): On a point of order, Mr Speaker. It has emerged this afternoon that the police were informed in the last few days that a court judgment means that the current operation of police bail, which has operated since 1986, has now been thrown up into the air. I have spoken within the last half hour, the West Yorkshire chief constable, who says he may now not be able to recall thousands of suspects who are currently on police bail, and that it is possible that some emergency action or emergency legislation may be needed. We stand ready to discuss any emergency legislation that may be needed to help the police do their business and carry on with the important work that they do, but have you been informed by the Home Secretary that this is an urgent issue, and that there may be a need for a statement to the House?

Mr Speaker: I have not been so informed, and it is not strictly a point of order, although it is a point of very serious and pressing concern to the right hon. Lady and to others, and that concern will have been heard by Members on the Treasury Bench. If she judges it necessary, it might be a subject to which, if she is dissatisfied, she will want to return before long.

Adoption (Leave, Pay and Allowance Arrangements)

Motion for leave to bring in a Bill (Standing Order No. 23)

Mr Speaker: We come now to the 10-minute rule motion, for which the hon. Member for Walsall South (Valerie Vaz) has been patiently waiting.

1.52 pm

Valerie Vaz (Walsall South) (Lab): Thank you, Mr Speaker. Follow that, as they say in all the best music halls.

I beg to move,

That leave be given to bring in a Bill to make provision to equalise leave, pay and allowance arrangements for adoptive parents with those of parents whose children are born to them; to equalise eligibility for adoption leave and pay with that of maternity leave and pay; to equalise the rates of pay for the first six weeks of maternity leave and adoption leave; to equalise the entitlement to allowances for self-employed adopters and self-employed mothers; and for connected purposes.

I want to set out the current position, what these provisions would do and why the Bill is important. It all started in April this year, when I attended the annual delegates meeting of the Union of Shop, Distributive and Allied Workers and heard the impassioned speeches from delegates who asked for adoptive parents to be given the same statutory rights as parents who have children born to them. I thank Neil Clarkson of USDAW and Adoption UK for their help with the background information, and of course the Library.

The Bill is not about who can adopt and why; it is about how adopters are treated in relation to statutory pay and leave when they do. If they were treated equally, perhaps more would come forward. The issues in my Bill, however, have been effectively overlooked, falling through the gap between the Department for Education and the Department for Business, Innovation and Skills, but I am pleased that the Government are currently looking at adoption, and the Under-Secretary of State for Education, the hon. Member for East Worthing and Shoreham (Tim Loughton), who has responsibility for children and families, has assembled a ministerial advisory group. I hope it will consider the measures in the Bill as part of its discussions.

There also need to be improvements in the support available for adoptive parents. That could be achieved by improving training and awareness for teachers, psychologists, paediatricians, social workers and health visitors. As some adopters have found, it is important that there is a greater awareness among professionals of the particular challenges faced by these children and their families.

Briefly, the statutory background is as follows. It was only in 1999 that adopting parents in the UK had a statutory right to any leave to care for their children. The Employment Act 2002 and subsequent regulations introduced a statutory right to paid adoption leave analogous to statutory maternity pay and maternity leave. From April 2003, adopting parents were also entitled to a period of paid adoption leave when the child is first placed with a family. The Work and Families Act 2006 extended statutory adoption pay to 39 weeks from April 2007.

But statutory entitlements to adoption pay and leave are less than those for maternity pay and leave. The reasons for the differences were not specifically addressed in Committee debates. The Government arguably justify the differences on the ground of health, safety and welfare of women who have given birth, but adoptive parents face great challenges too in welcoming a new member of their family. They need time and support to bond with their child, and to understand the sometimes difficult background of their new child.

My Bill asks for the following. First, equal eligibility for maternity and adoption leave. Adoptive parents should be entitled to adoption leave irrespective of length of service, as are pregnant women. Pregnant women are entitled to a total of 52 weeks' maternity leave, irrespective of their length of service—26 weeks' ordinary maternity leave and 26 weeks' additional maternity leave. The statutory entitlement for adoptive parents is also 52 weeks, but they must have completed 26 weeks' continuous service with their employer.

Secondly, my Bill asks for equal rates of pay for the first six weeks of adoption and maternity leave. Statutory maternity pay is paid at 90% of the weekly average earnings for six weeks, and then the lower rate of statutory maternity pay or 90% of average earnings, whichever is the lower. But statutory adoption pay is paid at the lower rate throughout the 39 weeks of statutory adoption pay.

Thirdly, self-employed adopters should be eligible for a statutory allowance equivalent to maternity allowance. Self-employed adoptive mothers cannot access the equivalent of maternity allowance available to self-employed biological mothers.

What do some employers do now? Some employers have their own contractual policies, which make the entitlements more equal. Many civil service departments and agencies offer enhanced maternity leave and pay provision. But as Adoption UK has found out, many employers enhance maternity but not adoption packages, leading to double discrimination. I can give some examples.

At the Department for Work and Pensions, the eligibility for 52 weeks of adoption and maternity leave is equalised, as are levels of contractual maternity and adoption leave for employees with one year's service. However, there is still a difference in the rate of pay for the first six weeks for those on the statutory package. At BIS, contractual adoption and maternity entitlements appear to be equalised: 52 weeks' adoption leave and maternity leave are both entitlements regardless of the length of service. The Foreign and Commonwealth Office offers a statutory package, or contractual maternity/adoption pay, on full salary during 26 weeks' ordinary maternity/adoption leave, subject to certain conditions including a year's service. However, on the parliamentary estate, instead of matching the contractual maternity arrangements of six months on full pay, contractual adoption pay gives only two weeks on full pay. In an answer to me, the Department for Education says:

"All staff regardless of the length of service or appointment status are eligible for 28 weeks of maternity or adoption leave on full pay. All staff have the option to follow that with 24 weeks of unpaid maternity or adoption leave."—[*Official Report*, 28 June 2011; Vol. 530, c. 758W.]

[Valerie Vaz]

What does the private sector do? I have heard from the John Lewis Partnership, which says that the eligibility for adoption leave still requires 26 weeks' service. But it says:

"After a qualifying period of two years, we top up adoption pay to the partner's contractual rate of pay for the first 14 weeks. We take exactly the same approach with maternity leave."

The measures in the Bill are important, because it would show that society values adopters. There is a financial and social cost benefit of getting children out of care. In the 2009-10 financial year, around £3 billion was spent on looked-after children. That is a gross figure of £37,000 per child. The sad fact is that there are 64,400 children in local authority care in England. Only 3,200 were adopted during the year to 31 March 2010.

In conclusion, we should recognise and reward adopters, and show them that they are valued as parents, by equalising their entitlements to support. That would support the Government's aim of increasing the number of adopters. The legislative changes are minor and the financial costs are minimal, and they are far outweighed by the benefits, in both the short and the long term. The changes that the legislation would make to the lives of adoptive parents would enable them to give their children the best start in their vital first year. Local authorities and adoption agencies placing children expect the new parents to take time off work of up to one year, and adoptive parents should be compensated in the way that birth parents are.

Perhaps the next child who is adopted and given a home will become the next Steve Jobs—inventor of the iPad, beloved of many Members—or the next KT Tunstall, the brilliant singer-songwriter; both those people were adopted. As Pablo Casals said:

"Each child is unique; each child is a marvel. We must all work hard to make the world worthy of its children."

I am sure that the whole House agrees with that sentiment. I commend the Bill to the House.

Question put and agreed to.

Ordered,

That Valerie Vaz, Ann Coffey, Julie Elliott, Yvonne Fovargue, Richard Harrington, Keith Vaz, Julie Hilling, Margaret Hodge, Grahame M. Morris and Fiona O'Donnell present the Bill.

Valerie Vaz accordingly presented the Bill.

Bill read the First time; to be read a Second time on 20 January 2012, and to be printed (Bill 212).

Legal Aid, Sentencing and Punishment of Offenders Bill

[Relevant documents: The Third Report from the Justice Committee, Government's proposed reform of legal aid, HC 681, and the Government response, Cm 8111.]

Second Reading

Mr Deputy Speaker (Mr Nigel Evans): Before I call the Lord Chancellor, I should say that this Second Reading debate is well subscribed. There is an eight-minute limit on Back-Bench contributions. I ask Front Benchers from both sides to use their restraint, so that more Back Benchers can speak. [HON. MEMBERS: "Hear, hear!"] I have never said anything so popular in my life.

Given the number who have subscribed, I ask Members not to approach the Chair to ask where they are on the list; those who have approached or written to Mr Speaker will be on the list.

2.3 pm

The Lord Chancellor and Secretary of State for Justice (Mr Kenneth Clarke): I beg to move, That the Bill be now read a Second time.

I shall try to observe your strictures, Mr Deputy Speaker, but this is a very large piece of legislation; I shall probably have to restrict the number of times I give way to interventions.

I am determined to reform the justice system in this country. Keeping the public safe, ensuring that those who break the law face the consequences and providing swift, cost-effective access to justice are fundamental responsibilities of the state towards its citizens. Yet the last 13 years of government have left us a system whose cost and scale have exploded and whose failings can no longer be tolerated.

In the area of criminal justice, more than 20 new Acts of Parliament, thousands of new criminal offences and a huge increase in the prison population cannot mask very deep flaws in the system. Briefly, our sentencing framework is a mess of byzantine complexity that even trained lawyers and judges—never mind the general public—find confusing.

Our punishments do not work. Community sentences are weak, asking little of offenders, and prisons have become so crowded that there is no space for governors to enforce regimes of meaningful work or reparation. Far too many prisoners are left idle in their cells, often on drugs. For that model, the taxpayer has the privilege of paying out an extraordinary sum—£44,000 per prison place per year. I have just been assured that the Ritz is even more expensive, so I slightly exaggerated, but £44,000 per prison place per year is enough to pay the salaries of two newly qualified nurses or teachers.

Mr Jack Straw (Blackburn) (Lab) *rose—*

Mr Clarke: I give way to my predecessor.

Mr Straw: I am grateful to the Lord Chancellor. We have heard about this alleged litany of failures. When the right hon. and learned Gentleman was Home Secretary, crime was at a post-war peak on both the measures that the Prime Minister used to discuss crime at questions earlier today. Since then, burglaries have dropped by 70%, thefts by 50%, and crime overall by 50%. Is the fact that the Lord Chancellor never, ever refers to the

outcomes of our record due to the fact that that happened mainly under us or the fact that the process started under his successor, Michael Howard?

Mr Clarke: The idea that I set off a crime wave when I was Home Secretary is a charge that I will answer on some other occasion, frankly. As far as the decline in crime is concerned, the biggest decline has been in theft because car manufacturers made cars more secure. The courts used to be full of taking and driving away offences, but are no longer because it is more difficult to take the cars.

The fall in burglary coincided with an economic boom—one of the consequences that came from it. The 20-plus Bills that the right hon. Gentleman and his predecessors brought before the House—more than one criminal justice Bill a year—and the countless changes in sentences filled up the prisons, but in my opinion had no provable, demonstrable effect at all on the levels of crime in this country.

Mr Straw *rose—*

Mr Clarke: The right hon. Gentleman is an ex-Front Bencher. I will give way to him later, but I should observe the strictures of Mr Deputy Speaker, although I enjoy debating with the right hon. Gentleman. I should move on a little further into my speech.

As the right hon. Gentleman has heard me say before, reoffending rates are a national scandal; that is why the system is failing. Half of offenders—49%—have been reconvicted, in part because the system is not tackling the underlying causes of their criminality such as drug abuse, poor mental health and inadequate skills. The consequence of that failure is new victims of crime every day. Despite improvement, victims and witnesses too often still get treated as an afterthought, not a central concern of justice. That is why we need intelligent, radical reform of the criminal justice system to protect and serve the needs of law-abiding members of society.

Chris Leslie (Nottingham East) (Lab/Co-op): Will the Lord Chancellor give way?

Mr Clarke: I will later, but let me deal with what we are having to tackle in civil justice. The sad truth is that it, too, has serious weaknesses. Courts should be accessible and efficient, but generally turned to as a place of last resort, not a first choice. But we have a litigious society and far too many cases go down the court route unnecessarily. Last year, more than three quarters of claims in the civil system set down to proceed to trial were settled before the trial took place. Many of those cases might have been resolved earlier, with different approaches aimed at simpler dispute resolution. Ordinary citizens find the law an expensive, daunting nightmare, not a public service.

Joan Ruddock (Lewisham, Deptford) (Lab): Will the Lord Chancellor give way?

Mr Clarke: I will in a second. Courts are slow and burdened by high costs and bureaucratic processes and procedures. For example, the average length of a public family law case in 1989 was 12 weeks; by 2010, it stood at 53 weeks, with similar cases taking four times as long as they used to.

Chris Leslie *rose—*

Joan Ruddock *rose—*

Mr Clarke: I give way to the hon. Member for Nottingham East (Chris Leslie).

Chris Leslie: I am grateful to the Lord Chancellor. Many victims of crime will be shocked at his proposals to limit the freedom of judges to remand a defendant in custody. Why is he limiting and fettering the ability of judges to put those defendants on remand?

Mr Clarke: I was going to argue this later; I will try to avoid repeating myself. I cannot understand why people are so incensed that people who are not going to be sent to prison might not be kept in prison awaiting trial. Every year, 16,000 people are refused bail, kept in prison, convicted and immediately given bail. A quarter of all the people kept in custody are released when they come up for trial. I shall come back to the matter, although I shall try to avoid repeating the same arguments. It seems to me that unless one is trying to fill up the prisons with people, that is one of the more obvious steps we can take. If they are not going to justify imprisonment when they get to trial, it seems to me pointless to refuse them bail, except in the case of domestic violence cases, where we have agreed to make an exception because we cannot grant bail to someone who is going back to live with the alleged victim of the domestic violence.

David T. C. Davies (Monmouth) (Con): The Secretary of State will be aware that many people are remanded on bail because they refuse to turn up to court, causing the taxpayer all sorts of expense. Can he assure us that even if the crime committed is not one that would normally result in a jail sentence, people who consistently refuse to turn up to court will be remanded in custody?

Mr Clarke: Without fettering judicial discretion, I think I can give that assurance. There are all sorts of grounds on which bail can be refused. We are saying that where it is likely that a person will not be imprisoned when they come up for trial, they should not be refused bail.

Mr Straw: Will the Secretary of State give way?

Mr Clarke: No, I am sorry. I respect the right hon. Gentleman, but I must move on.

I have said that ordinary citizens find the civil law a rather nightmarish experience when they resort to it. Thanks to the present scope of legal aid and the way in which the no-win, no-fee system operates, many people and, in particular, many small businesses live in fear of legal action. I accept that access to justice for the protection of fundamental rights is vital for a democratic society—something on which I will not compromise. However, our current legal aid system can encourage people to bring their problems before the courts when the basic problem is not a legal one and would be better dealt with in other ways. The scope of legal aid has expanded too far. It cannot be right, for example, that the taxpayer is forced to pay for legal advice to foreign students whose visa applications are turned down. There are many other examples.

[Mr Kenneth Clarke]

Our legal aid system also faces a completely unignorable problem of affordability. I have listened to arguments in the media today challenging that, but we have by far the most expensive system in the world, after Northern Ireland, where I am sure the same problem will be tackled. It costs £39 per head of population in this country, each year, compared with £8 in, for example, New Zealand, which has a similar system of law. In any circumstances our system would need reform; in the country's current financial crisis reform is imperative.

I have some advice for Labour Members. I do not usually give gratuitous advice, but I think the Labour party is facing one of the problems that we faced in 1997. It should find the courage to admit that it made some mistakes and left some things in a mess. It has been acknowledged by my opposite number, the right hon. Member for Tooting (Sadiq Khan), that, on Labour's watch:

"Playing tough in order not to look soft made it harder to focus on what is effective"—

wise words. I thought, when we set off on this process of consultation, I had the widespread support of many Opposition Members. I ask the right hon. Gentleman to reflect on the way in which he started his consideration before he gets on with the rest of the debate.

In fact, when Labour was in office, its strategy for our prisons and our courts was legislative incontinence combined with kneejerk populism. On prisons, the Labour Government made the mistake of being unable to make proper provision for the demand for places that they stimulated. Overcrowding devoured the very budgets that should have been used productively to cut reoffending and improve public safety in a lasting way. What was the final result that we all remember? They had to reduce the release point from two thirds to halfway through the sentence. They then had to resort to the financial chicanery of keeping the cost of building prisons off the balance sheet—the so-called Carter prisons. Finally—the ultimate absurdity—they had to let out 80,000 prisoners early, before the end of their sentence, to offset the cost of the allegedly tougher sentences that they had imposed. That is why we need reform now—to reverse that nonsense.

On wider justice matters, the Labour Government proved little better at getting a grip. They had 30 consultations on legal aid from 2006; they did not act decisively, put the system on a sustainable footing or address the litigiousness to which its excessively widely available funding contributed.

Sir Alan Beith (Berwick-upon-Tweed) (LD): My right hon. and learned Friend has had a consultation, to which I hope he has listened, particularly in respect of criminal negligence affecting children with multiple injuries that may have resulted from birth. It is not clear to me yet that the Government have found a way of ensuring that that very deserving and small group of people will have access to justice and to the settlements that they need.

Mr Clarke: We have addressed clinical negligence, a large part of which is now conducted on a no-win, no-fee basis. That is the way we should proceed. Clinical negligence cases of the kind to which the right hon. Gentleman refers are especially expensive and it is quite difficult to decide whether to proceed with them, so we are making special arrangements, particularly for the expensive medical reports that have to be obtained before a case can properly be decided on. We are making arrangements to make the insurance reimbursable in those cases. I would also like to see a system developed by the NHS litigation authority and the best of the practitioners to exchange expert medical reports at a very early stage, so that we can avoid unnecessary litigation about whether a tragic disaster to a newborn baby was actually a natural tragedy or the result of negligence, and so that such cases need not drag on for the many years that they can take to go through the courts. I accept that that is a special case, and we considered it carefully during the consultation. We made quite a lot of changes during the consultation, some of which were referred to dramatically in outside comment.

Nicky Morgan (Loughborough) (Con) *rose*—

Bridget Phillipson (Houghton and Sunderland South) (Lab) *rose*—

Mr Clarke: I shall take two last interventions, and then I really must move on.

Nicky Morgan: I hear what the Secretary of State says about the failure of the last Government to tackle the burgeoning legal aid system. Did they not also fail to tackle the complexity of other departmental work that our citizens advice bureaux, which do such valuable work, help with—for example, Department for Work and Pensions forms? The Government's response hints at a review of some of the other parts of legal aid which will inevitably have to be cut. Will the Secretary of State give more detail about that review and about whether the burden will be shared across Departments?

Mr Clarke: Yes, I will. I try to avoid jumping from subject to subject, because it is such an enormous Bill, but I promise my hon. Friend that I shall return to the whole question of alternative forms of advice and the CABs, and make an announcement at a later stage in the proceedings on the Bill.

Bridget Phillipson: Another aspect of the changes to legal aid is the removal of legal aid from women applying for indefinite leave to remain under the domestic violence rule. In an answer to a parliamentary question, the Minister for Immigration reported that only 710 women were granted that, so we are not talking about a considerable number, but they are very vulnerable individuals. Will the Secretary of State think again on that aspect of his proposals?

Mr Clarke: I think that we have responded to that to some extent. The Under-Secretary of State for Justice, my hon. Friend the Member for Huntingdon (Mr Djanogly), will wind up the debate, and he will have time to consider the matter.

Chris Bryant (Rhondda) (Lab): And so will others.

Mr Clarke: Indeed. Ministers have talked about the matter and considered it carefully, and I leave it to my hon. Friend to give an authoritative reply in his winding-up speech.

I hope that I have already indicated that the mess that we have inherited requires a bold, sustained and principled effort, not salami slicing and half-measures. The Bill is one part of the balanced package of reforms that is needed. Unusually, I made a full statement to the House last week on the subject, and it was debated for one and a half hours, so I do not propose to repeat in depth what I said then. Let me turn to the inevitable controversy that any measures on criminal sentencing are bound to provoke. It is a natural part of contemporary political debate to simplify the subject and to make extremes out of it all. I am resigned to the fact that on law and order issues above all there is a tendency to polarise, and to frame reforms as either dry and tough, or wet, soft and liberal. The truth is somewhere in between. The aim of the measures I proposed was to consult on a balanced package, and it remains so.

The measures address the weaknesses that we inherited. For serious crime, the public must have confidence in the system of effective punishment and just retribution, so my reforms include, for example, introducing a 40-hour working week across the prison estate to introduce productive hard work into prisons in place of enforced idleness.

The Bill toughens community sentences by allowing courts to curfew offenders for longer—16 hours a day for up to 12 months—and to ban them from going abroad. As I signalled last week, we intend to introduce measures to clarify householders' rights of defence and to consult on criminalising squatting.

The Bill creates a new offence of possessing a knife to threaten or endanger a person, with a prison sentence of at least six months for over-18s to send a clear message to those who possess a knife to threaten others.

We are conducting a review with the intention of replacing the discredited sentence whereby people are locked up for an undetermined and indefinite time—the so-called imprisonment for public protection—with a tough determinate sentencing regime. I propose to deliver a system that offers better reparation to victims. The Bill will replace and augment the Prisoners' Earnings Act 1996, which the previous Government never implemented—it was a Conservative measure. This will allow us to deduct wages from prisoners so that instead of their just being a drain on the system we can deduct money to help to pay for services for the victims of crime. The Bill places a positive obligation on courts to make offenders pay compensation directly to victims.

Paul Goggins (Wythenshawe and Sale East) (Lab): The Lord Chancellor mentions the review of indeterminate sentences. My concern is that he will reach the wrong conclusion. When he conducts his review will he look at experience in Northern Ireland, where extended and indeterminate sentences have been available since 2008 but where, crucially, the assessment of danger is left in the hands of judges? It is a smaller system, but in the three years since its introduction there have been only 63 extended sentences and seven indeterminate sentences. Public safety has been combined with manageable numbers: will he look at that experience?

Mr Clarke: We are having a review, so I will look at that. Legislation was enacted in 2003, in the belief that a few hundred people might be affected. It commenced in 2005. The previous Government, of whom the right hon. Gentleman was a member, tried to reform it in 2008, because it was already out of control. I proposed further reforms in the Green Paper, and a very large number of people in the criminal justice system said that the legislation should be repealed. Last week, I quoted David Thomas, the author of "Thomas on Sentencing", who described the whole thing as an unmitigated disaster. I will look into the right hon. Gentleman's suggestion to see whether some aspects of the Northern Irish system might be appropriate.

After punishment and reparation comes rehabilitation to reduce reoffending, which is at the core of our process of reform. Sentences must be punitive and reformative. The Bill will help to ensure that more offenders with drugs, alcohol or mental health problems are addressed and receive treatment at the earliest opportunity.This complicates our efforts—

Chris Bryant: Complicates?

Mr Clarke: Complements—it might do both, but I hope it will complement our efforts to tackle drugs in prison.

Drugs are widely available in prisons, but we shall start by introducing drug-free wings. My single most radical proposal on rehabilitation is a non-legislative change to introduce a fundamental shift in how we approach the issue by paying by results to unlock private capital, benefit from the innovation of the voluntary sector and get the whole system pulling in the same direction. We will pay providers a return on their ethical investment for what works in the public interest: turning criminals into ex-criminals should be an object of the system.

Jeremy Corbyn (Islington North) (Lab): I am interested in the Secretary of State's comments on the number of people in our prisons who, unfortunately, suffer from mental illness and need support and treatment, which is often inadequate. Will he recognise the greater problem: that many people who need support with mental illness or who are experiencing mental health crises do not get it, and there are insufficient resources and insufficient understanding among the police and others that the real cause of minor offences often is mental illness and nothing else. We need a more sympathetic, supportive and therapeutic approach to dealing with these poor, unfortunate people.

Mr Clarke: My right hon. Friend the Secretary of State for Health agrees with the hon. Gentleman and me. My ministerial team and my right hon. Friend's ministerial team have been holding discussions. My right hon. Friend has a strategy for trying to improve mental health services to the population as a whole. As part of that we are addressing what can be done to help the mentally ill who find themselves in prison. Some of them should be diverted from the criminal justice system altogether; some can be better treated in secure accommodation in the national health service; and many can be treated better than they are at present when being incarcerated in prison is not suitable. I assure the hon. Gentleman that my right hon. Friend and I share his concern.

Underpinning punishment, reparation and rehabilitation is what might be called system reform—simplification, restoration of discretion to judges and the relief of

[Mr Kenneth Clarke]

unnecessary pressures on the system. At the same time we must take a more robust approach to costs in the system, including that of prison. We have already shown that through competition it is possible to get prison costs down while improving service quality. Key measures in the Bill include reforming the use of remand. I dealt with this a moment ago. I have told the House that preventing reoffending is the central idea of my reforms. One of the main barriers to doing things in the past few years has been the fact that the prisons have been clogged up, sometimes with people who do not need to be there at all. I will not repeat the arguments that I made a moment ago that give rise to the part of the Bill that restricts the power of courts to remand those who have no reasonable prospect of receiving a custodial sentence, with the exception that I have already described of cases of domestic violence.

Mr Straw: In answer to the hon. Member for Monmouth (David T.C. Davies) the Secretary of State said that where a defendant failed to return to court on time, the court would still be able to remand him in custody so that he could get to court. The Secretary of State clearly spoke in error, because if he looks at page 166 of his own Bill he will see that paragraph (5) to schedule 10 makes it absolutely clear that even where a defendant has failed to surrender to bail and has been arrested he cannot be detained in custody to appear in court unless there is a real prospect of his subsequently being sentenced to imprisonment. How will the public be made safer or witnesses protected by that?

Mr Clarke: I will address the extent to which we retain discretion, as determined under the bail Acts, according to which bail is granted or refused. In 2010, more than 16,000 people were in custody but were released when they appeared for trial and either pleaded guilty or were convicted. Continuing a system whereby people are refused bail when everyone knows that they will not be imprisoned if convicted is a very wasteful use of a very expensive place in our prison system.

Anna Soubry (Broxtowe) (Con): Someone who breaches bail commits a criminal offence and can therefore, and usually does, receive a custodial sentence, especially if they did not attend court when they should have.

Mr Clarke: I am grateful. My hon. Friend has been in practice much more recently than the right hon. Member for Blackburn (Mr. Straw) or I have. We will doubtless continue to study this after the debate.

The sentencing reforms are balanced. Again, I shall quote the words of my shadow, the right hon. Member for Tooting, who when I first published them in the Green Paper described them as

"a perfectly sensible vision for a sentencing policy",

and they will in my view achieve a very significant transformation.

That brings me to the rest of the Bill covering legal aid and provision on litigation and funding. No Government look to tackle legal aid lightly, but the system as it stands is obviously unaffordable. Labour had 30 goes at fixing it between 2006 and the end of their period in office and we have sought to go back and think about what the taxpayer should pay for by way of litigation from first principles. Our priority is cases where people's life or liberty is at stake, where they are at risk of serious physical harm or immediate loss of their home or where their children may be taken into care. After our reforms, legal aid will routinely be available in 25 areas, including for criminal cases, for most judicial review proceedings, for private family law cases involving domestic violence, child abuse and child abduction, for community care, for debt where the home is at immediate risk, for mental health cases and for cases concerning special educational needs. We modified our original proposals in response to consultation, listening carefully to the thousands of responses that we received.

Legal aid will no longer be routinely available in 13 areas, including most private family law cases, clinical negligence cases, non-discrimination employment cases, immigration cases, some debt and housing issues, some education cases and welfare benefits cases.

Mr Elfyn Llwyd (Dwyfor Meirionnydd) (PC): How does the Lord Chancellor square what he is saying with what Baroness Hale of the Supreme Court has said about this being a ludicrous Bill and how these provisions will disproportionately affect the most vulnerable in society, particularly people from ethnic minorities?

Mr Clarke: I have always had a high regard for Baroness Hale, who is a very distinguished lawyer, and I have heard of her opinions. I shall have to study them and perhaps even meet her to discuss them, because I am surprised by her response. Where we started from was ensuring that we did not damage access to justice for vulnerable people in matters of such importance that society as a whole would want to be sure that they were protected. Either she has misunderstood the effect of our proposals or why we are doing it. We have to get back to spending an affordable amount of money on paying for things that the taxpayer should actually pay for to defend the vulnerable. We all start as lawyers, let alone as citizens, with a slight bias in favour of legal aid because everyone is used to it, but the scale of legal aid has expanded, its scope is too wide and it needs to be reformed.

Mr David Burrowes (Enfield, Southgate) (Con): I am grateful to the Lord Chancellor for saying that legal aid will be available to defend the vulnerable. I declare an interest as one who has been a duty solicitor in the police station. I would like him to consult carefully about the practical implementation of proposals to limit legal aid for advice and assistance in police stations, given that his officials no doubt bear the scars of previous implementations that became bureaucratic nightmares. Losing the benefit of the informed legal advice that one needs in the police station can lead to inefficient justice.

Mr Clarke: We will look at that and consider it carefully as we proceed. At the moment, the Bill replicates a provision taken from an earlier Bill by the Labour party. It appears to give a power to take away the right to legal aid. It appears to give a power to take away access to legal advice in the police station. The last Government legislated to do that but never did it. We have no current intentions of doing it. We will consider the issue and no doubt my hon. Friend or others will return to it in Committee. I realise that there has been some concern.

Kate Green (Stretford and Urmston) (Lab): At the annual general meeting of Liberty earlier this month, the right hon. Member for Haltemprice and Howden (Mr Davis) said that the Government should reconsider their plans to remove certain categories of social welfare law, at least for a period while Government reforms elsewhere in the system—such as welfare reforms—create increased demand for advice. Will the Lord Chancellor accept that excellent advice from his right hon. Friend and protect those categories of legal aid, at least during a transition period?

Mr Clarke: We have consulted very carefully on legal aid, on both parts. We have made quite significant changes to what we originally proposed. On welfare benefits, we are still of the opinion that the welfare system was not intended to provide a source of litigation where legal advice was required to take an appeal in the last resort to a tribunal. That was not intended to be a legalistic activity but to try to apply what my right hon. Friend the Secretary of State for Social Security is trying to make more comprehensible by dealing with the rules of entitlement to social security in a sensible fashion. I do not think it is a promising area for legal advice.

Joan Ruddock: I was present at Lady Hale's lecture and wrote down what she said:

"Courts should be and are a last resort but they should be a last resort which is accessible to all—rich and poor alike."

Let me tell the Lord Chancellor this now: my constituents are people who need advice on immigration, on welfare and on housing and whose very lives can be wrecked by the fact that they cannot get legal assistance. Where am I to send them? How are they to get justice with the provisions in his Bill on legal aid and on no win, no fee?

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Nigel Evans): Order. May I remind the House how many Members wish to contribute? Our mission should be to limit our interventions.

Mr Clarke: I have already said that access to justice is fundamental, but the fact is that the taxpayer's money cannot be used to give access to justice to large numbers of people in large areas of law where the ordinary citizen would not contemplate litigating because the ordinary citizen on an ordinary income would not think that they could afford to embark on it. That is why we consulted very carefully. We concentrated on vulnerable people and on those areas that were of such importance that society as a whole would plainly feel that there was a need to finance people of limited means so that they could have access to justice. I ask the right hon. Lady to judge all our proposals on that basis. Lady Hale seemed to think that we were abolishing other access on the basis that people were using it too much. That is not the reason. But we do have a system that is four times as expensive as that of New Zealand. We have to concentrate the mind and decide what it is justified to expect the taxpayer to pay for.

Several hon. Members *rose—*

Mr Clarke: I shall follow your helpful steer, Mr Deputy Speaker, and make progress. I realise that these are important matters, but I could find myself giving way to everyone in the Chamber.

Few of these are easy choices, but they often involve disputes about financial issues rather than life and liberty. It is sensible to give such things as financial disputes a lower relative priority. It is sensible, too, to address areas that the public consider unreasonable. For example, we are cutting out legal aid for squatting. Following representations from the Judges Council, we are ending legal aid for some repeat judicial reviews on immigration and asylum cases that have already had a hearing and where repeated review is being used only to obstruct and delay proceedings.

Across some of these areas, reformed no win, no fee arrangements will be available, but our broader ambition is that people will be encouraged to use alternative, less adversarial means of resolving many of these important problems. For private family law cases, the Government are increasing spending on mediation and legal advice in support of mediation by two thirds, or £10 million, to a total of £25 million a year. Mediation has a high success rate—about 75%—in resolving most of the family disputes that go before it.

We have made no blanket funding exclusions. The Bill establishes an exceptional funding scheme for exceptional cases, administered by a statutory office holder free of ministerial control. That will provide funding for an excluded case where in the particular circumstances the failure to provide support would be likely to result in breach of the individual's right to legal aid under the Human Rights Act 1998 or European law.

Elizabeth Truss (South West Norfolk) (Con): Will my right hon. and learned Friend give way?

Mr Clarke: Let me deal with this important point, because I have heard widespread concern, including from my hon. Friend the Member for Loughborough (Nicky Morgan), about the future of not-for-profit advice centres. I agree that they do important work in providing quality, worthwhile advice of the kind required by very many people who should not need adversarial lawyers. Legal aid represents only one of several income streams for many organisations, with 85% of citizens advice bureaux funding coming from other sources. Half of all bureaux get no legal aid funds at all. This issue needs to be, and has been, considered on a cross-Government, interdepartmental basis. We are working with the sector and across Government to ensure that the Government reforms help to improve the efficiency and effectiveness of the advice services available to the public, and we will provide up to £20 million of additional funding in this financial year to help achieve that. We are also, of course, mindful of the impact of reforms beyond this financial year and will continue to consider the issues arising from that.

Elizabeth Truss: Will my right hon. and learned Friend give way?

Oliver Heald (North East Hertfordshire) (Con): Will my right hon. and learned Friend give way?

Mr Clarke: Not at the moment; I shall carry on a little further.

In addition to the changes to the scope of legal aid, the Bill includes wider reform provisions, as some reform of the situation that we inherited is urgently and obviously

[Mr Kenneth Clarke]

needed. I do not believe the public understand a system that can pay out millions of pounds from taxpayer-provided central funds to compensate acquitted companies and wealthy people for their legal costs, whether that involves the £21 million paid to the firms in the Hatfield rail crash case, the £18 million paid to a number of pharmaceutical firms accused of price fixing, or the hundreds of thousands of pounds that have on occasion gone to celebrities accused of affray, assault and other crimes.

Part 2 of the Bill therefore establishes that defendants who decline legal aid and pay privately in the higher criminal courts will no longer be able to recover the costs of an expensive private lawyer if acquitted. In the magistrates' courts, the sums recoverable will be limited to legal aid rates. Firms will be expected to insure against criminal prosecutions, and will no longer be able to recover costs from the taxpayer.

The Bill is therefore about delivering reform across the justice system, and we have tried to think about that in a joined-up way. Let us consider problems often affecting women—about which Lady Hale was concerned when she spoke the other day. For victims of crime, I have recently announced funding for 15 rape crisis centres on a more secure long-term basis than in the past and funding for four new centres. For women using the justice system, in our legal aid reforms we are prioritising those cases where there is greatest risk of harm, retaining legal aid for cases involving domestic violence, child abuse and child abduction, and we have broadened the range of evidence accepted.

In private family law, the taxpayer is increasing funding for mediation and legal advice in support of mediation. More broadly on family cases, part 2 of the Bill extends the powers for courts to require one party to pay towards the other's legal bills in some cases where resources are not equal. For example, when a couple have parted and the man remains very prosperous whereas the woman is almost penniless and is seeking some remedy, the court will have the power to require one party to pay towards the other's costs. In public family law, the taxpayer will still be providing more than £400 million for family legal aid.

For female offenders in the criminal justice system, we have not replaced—and I have never proposed replacing—short-term prison sentences with community sentences, but if we can increase confidence that community sentences will be meaningfully punitive, they could make the justice system more sensible in some situations, such as in ensuring that there are decent non-penal options for offenders with caring responsibilities where their being sent to prison would cause chaos for innocent children in their families. In dealing with women prisoners and offenders, we are, in fact, proceeding on a very similar basis to the previous Government.

My vision is a legal system that is substantially reformed. In addition to implementing changes to legal aid and the Jackson proposals on no win, no fee, my Department is developing and supporting work to improve civil legal processes, criminal justice efficiency and family justice. It is a measure of the challenge before us that the Bill, which on any measure is a huge Leviathan of a piece of proposed legislation, is only part of the overall reforms we need to deliver. The changes we are making are, of course, financially necessary, but they will also make the system more sensible and civilised.

I never shrink from robust debate about improvement to important and sensitive public services, and changes in the criminal law have always excited an extraordinary level of controversy, and they always will. If we get this right, however, the prize is a justice system that properly contributes to a safer, fairer society, and a justice system that is user-friendly, that works, that does not deny access to justice and that has less daunting waste, with costs under control. I would, in fact, have liked to introduce such a major reforming Bill 20 years ago, if I had stayed long enough at the Home Office. I now have the opportunity to do so, and I commend the Bill to the House.

2.45 pm

Sadiq Khan (Tooting) (Lab): I usually take all interventions, but today I shall try to observe your recent stricture on that, Mr Deputy Speaker, as I know that many colleagues wish to discuss the Bill.

The Government's approach to criminal justice is in tatters. We have a hotch-potch that does nothing to win the confidence of victims, of people in the justice system or of the public at large. This Bill is controversial as much for what is absent as for what has found its way in. Key policy areas that were consulted on are absent and others are to be the subject of further review, while there are some clauses on issues that were not consulted on at all. The Lord Chancellor knows as well as I do that within weeks, if not days, of this Bill moving to Committee, there will be a flood of new amendments and new clauses. After 13 months, three Green Papers and three consultations, there is no excuse.

Last week, the Prime Minister unveiled the right hon. and learned Gentleman's legislation in his absence. A number of eye-catching proposals were announced on squatting, self-defence and knife crime. The favourable coverage they received was precisely the Prime Minister's aim. Suddenly, because of the Prime Minister's last-minute intervention, the Bill was spun as being tough on crime. Even the words "punishment of offenders" found their way into the name of the Bill, but we must be clear from the start: the clause on knife crime is still a Conservative broken promise. It is not what the party promised in its manifesto. The new offence of aggravated knife possession carries a mandatory six-month sentence, but applies to a much narrower category of cases of those caught carrying a knife. The offence of aggravated knife possession is using a knife to threaten someone, and that is already a crime; the sentencing guidelines already recommend a minimum sentence of six months. It is not even properly mandatory. A court will not have to hand down the sentence; it will be up to the judge to decide, given the circumstances of the case or the offender. Knife crime is a persistent and worrying concern, and it impacts in particular on young people and the disadvantaged. It is unclear how this hollow proposal will help communities blighted by knife crime.

Two other headline grabbers—squatting and self-defence against burglars—are not even in the Bill, but as the Justice Secretary has admitted today, the provisions on self-defence will not be a new law; they are just a reiteration of the existing law. This is yet another chapter in a rather depressing story that has been repeated since May 2010: a string of broken promises on criminal justice. Before the election, there was a commitment to match Labour's prison building programme. Instead,

spend has been slashed to almost zero. The Tories promised minimum and maximum sentencing, but that has now also been ditched, and the electorate were promised that those caught carrying a knife would face the presumption of jail, yet what we have been presented with is entirely different.

Let me also give an accurate account of our record. The Justice Secretary inherited levels of crime that were 43% lower than in 1997; crime went down under Labour. He inherited a system with a greater focus on diversion for those with mental health problems and drug dependencies. He inherited a capital programme upgrading and expanding our prison estate. He inherited innovative payment-by-results schemes, including the one he now boasts about in Peterborough. Reoffending, particularly among young people, fell under Labour, thanks to investment in effective intervention programmes now threatened by his Government. This Bill risks all that progress.

That has generated an impressive coalition opposed to the plans, from the judiciary, victims groups, legal organisations, charities that act on behalf of some of the most vulnerable in society, and some of the Justice Secretary's own party's Back Benchers—but not, I note, from the Liberal Democrat Benches. Briefing note after briefing note from organisations as diverse as Scope and Justice demonstrate that the Prime Minister's perceived rescue of the justice Bill is fooling no one.

I support penal reforms, but these are the wrong reforms: carelessly thought out, badly framed, confusingly argued, weakly handled and grossly under-resourced from the start. It will be communities around the country that suffer.

Mr Kenneth Clarke: I am glad to hear that the right hon. Gentleman is in favour of penal reform, but he has not, so far as I am aware, made a single suggestion on that. Will he give us one or two examples of the liberal reforms that he has in mind?

Sadiq Khan: The right hon. and learned Gentleman will be aware of our progress in relation to mental health, following the Bradley report, which he has now agreed to follow with a reduced budget. He will also be aware of the work done by Corston on diverting women away from prison, and of payment by results. He knows that he has under-resourced the work that we began, and he is putting our strategy at risk.

Shambolic, last-minute changes to the Bill have left a £140 million black hole in the Justice Secretary's plans. The Prime Minister has said that that money will need to be found within the Ministry of Justice budget, and the Justice Secretary admitted this morning that he is not sure where he will find it. The House needs to know the exact details. The progress of the Bill depends on knowing where that money will come from, and what implications that might have on other spend.

Why do we have this problem? We have it because the Justice Secretary simply failed to argue his corner with the Treasury. He boasted that he did not wish to be involved in a "macho contest" with Cabinet colleagues over who could have the smallest budget cut. The figures are testimony to that: his budget cut of 23% is one of the biggest in Whitehall. As a result, that is how he justifies his ill-thought-out policies. Cuts to prison, probation and the legal aid budget all stem from his lackadaisical attitude towards the Treasury. He needs to realise that he is no longer the Chancellor of the Exchequer, but the Lord Chancellor. His justice policy is retrofitted around his prison population reduction target, which is in turn driven by the 23% budget cuts. Our justice system deserves a better advocate.

Tom Brake (Carshalton and Wallington) (LD): May I remind the right hon. Gentleman that in November, he said:

"Let me be clear: had we been in government today, we, too, would have been announcing savings to the legal aid budget"?—[*Official Report*, 15 November 2010; Vol. 518, c. 663.]

Will he set out precisely from where those savings in the legal aid budget would come?

Sadiq Khan: I have done that before and I shall do so again in a while—*[Interruption.]* I am happy to answer that question.

The Justice Secretary's remand policies demonstrate how budget cutting is taking priority over the best interests of our justice system. Defendants will not be remanded in custody when there is "no real prospect" of a custodial sentence being handed down. The Government's victims commissioner, Louise Casey, says:

"Victims' groups during consultation have expressed alarm"

at those proposals. The Magistrates Association and the Sentencing Council have also expressed opposition. The Sentencing Council states that

"in some cases it will not be clear until the conclusion of the trial/the preparation of the pre-sentence report whether the offence in fact merits a custodial sentence."

The council reminds us that

"The primary reason for remanding a defendant in custody is that he or she will fail to attend court";

or that there is a "risk of further offending"; and/or that

"there may be a good reason to believe that the defendant will interfere with witnesses".

Does the Justice Secretary not realise that that change is likely to deter witnesses and victims from coming forward?

Lords Justices Thomas and Goldring both raised the genuine concern that

"the decision whether or not to grant bail is quite separate from the decision as to the eventual sentence",

yet they have been ignored. In this Chamber last week, when ditching his 50% sentence reduction proposal, the Justice Secretary said that he had

"paid particular regard to the legal opinions that"

he

"was getting from serious members of the judiciary and others".—[*Official Report*, 21 June 2011; Vol. 530, c. 169.]

It is disappointing that he has ignored not only Lady Justice Hale, but the concerns of the senior judiciary and others on the remand policy, and that he has not removed it from the Bill.

Indeterminate sentences for public protection are notable by their absence from the Bill—that is another example of the shambles that the Justice Secretary is in. He has talked of the need to reform the system of IPPs, the use of which had mushroomed well beyond the original purpose. IPPs have a role as they were originally envisaged, and I acknowledge the efforts of my right hon. Friend the Member for Blackburn (Mr Straw) to reform them.

[Sadiq Khan]

This Government proposed a new approach to IPPs in their Green Paper, which were subsequently consulted on, as has been said. They favoured raising the minimum tariff to a 10-year determinate sentence before an IPP can be enforced—a length of sentence beyond that handed down for violent and sexual offences including rape and assault. We were opposed to that. However, there is nothing whatever in the Bill about that. The Justice Secretary today confirmed that he will be getting rid of IPPs, but he has also announced an urgent review of them. Has he not pre-empted the outcome of his review? My right hon. Friend the Member for Wythenshawe and Sale East (Paul Goggins) raised the interesting point about learning lessons from Northern Ireland, but the Justice Secretary will not do so, because he has already made his mind up, putting cost over the protection of the public.

Labour's position on IPPs is clear: offenders must be punished and reformed. They must not pose a risk to the public and proper due process must be followed before their release, supported by courses and programmes and an effectively resourced Parole Board, to allow rehabilitation to take place. We will not accept plans that water down the protection given to the public by IPPs. We believe that there is a continuing role for IPPs. They should be reserved for very serious and violent offenders—those who are the biggest risk to the public—as was their original purpose.

The Justice Secretary's solution appears to be mandatory life sentences for all those deemed to be a serious danger to the public if released. He has no idea if that will lead to the prison population going up or down, and no idea what he will do about those who have served their minimum tariff who are on an IPP. Why is he so unwilling to invest in programmes, courses and the Parole Board to address offender behaviour?

The absence of IPPs from the Bill has created further questions about the Secretary of State's budget. As a result, the impact assessment is incomplete. Moreover, the Prime Minister last week appeared to announce more mandatory life sentences and longer determinate sentences, and that serious offenders would serve at least two thirds of their sentence. However, those proposals—those new policies—are absent from the Bill. Given that one of the causes of the backlog in IPPs is a shortage of suitable courses and resources for the Parole Board, how does he expect the two-third sentence proposals to avoid running into exactly the same resource issues as IPPs? Utter shambles!

Legal aid is another important issue. Our legal aid system was established as a fundamental pillar of the post-war welfare state. Clement Attlee's Government rightly recognised that equality in the face of the law should not be undermined by a lack of finance. Therefore, it is bitterly disappointing that the Bill has made only minimal changes to the cuts proposed in the Green Paper. On the day when the Green Paper was published, I accepted that the Opposition, too, would have made cuts to the legal aid budget. However, I asked the Justice Secretary to look again at the areas he was targeting. He has not done so.

As a result, the weight of opposition to the proposals remains huge. He is damned by the numerous campaigning groups representing some of the most vulnerable people in society, the 31 charities that wrote last week to *The Times* in protest, the Law Society, the Bar Council and other members of the judiciary, and yet he has ignored their concerns—*[Interruption.]* I will let hon. Members know right now the Opposition's view of legal aid. We oppose the cuts to social welfare legal aid—the kind of early-stage advice provided by law centres and citizens advice bureaux on debt, housing, welfare benefits and education issues—because of the disproportionate way that they will affect the most needy in our society. The result, as campaigning group Justice has said, will be the "economic cleansing" of our civil courts. Some estimates suggest that more than 700,000 people will have their access to justice taken away.

That is compounded by the disproportionate impact that the proposals will have on women, in particular because of the definition of domestic violence. Once again, this Government are hitting women the hardest.

Ms Karen Buck (Westminster North) (Lab): Does my right hon. Friend agree that one problem the Government have so far failed to address is ensuring the sustainability of the law firms, centres and practices across the country? It is not just a question of individuals losing their service; those centres and that provision will be undermined, and in many cases, face collapse.

Sadiq Khan: My hon. Friend is right to remind the House that if we are not careful, the country will become an advice desert for the poor and the vulnerable as a result of that policy.

The previous Labour Government always strove to protect social welfare legal aid. Our March 2010 proposals, which have been strangely ignored by this Government, would have generated savings sufficient to protect social welfare legal aid. The Justice Secretary's changes will have a huge impact on the viability of many law centres, CABs and high street practices up and down the country that do an enormous amount to provide access to justice for some of our most deprived citizens. Do hon. Members know what the irony of that is? It is that this is the time when they need that advice most. A whole swathe of society is losing the ability to exercise its legal rights, with women particularly affected. The Lord Chief Justice has warned that the proposals will damage access to justice, and Citizens Advice has warned that the cuts will leave hundreds of thousands with nowhere to turn for help and has demonstrated the savings to the taxpayer down the line from early intervention: £1 of legal expenditure on housing advice will save the state £2.34, and on benefits advice the saving is £8.80. So there is a moral as well as an economic case for not cutting in this way. As the Justice Secretary knows, the Lord Chief Justice warned that legal aid cuts risked a surge in litigants in person, with all the associated increase in stress and costs.

The Parliamentary Under-Secretary of State for Justice (Mr Jonathan Djanogly) *rose—*

Sadiq Khan: The Minister will have a chance to wind up the debate later, but we now have less than four hours remaining, so I will not give way.

The hon. Member for Enfield, Southgate (Mr Burrowes) mentioned clause 12, which is of real concern and seeks to loosen the systems that guarantee free access to a

solicitor upon arrest, which were established in the 1980s, when the Justice Secretary was in government—although it was a Labour idea—on the back of a number of high-profile miscarriages of justice. However, he has failed to justify to the House why he is seeking the change in clause 12, which we think should be deleted from the Bill. When the Minister winds up, I hope he will say that it will be deleted before we reach our deliberations in Committee.

The Government's proposals on civil litigation are driven primarily by their zeal to fix the so-called compensation culture. However, by cherry-picking the Jackson report recommendations, the Bill runs the risk of undermining access to justice, which is something that the introduction of no win, no fee sought to guarantee. We will scrutinise those clauses closely.

Mr Djanogly: Will the right hon. Gentleman give way?

Sadiq Khan: I will not.

The Justice Secretary never had a credible strategy for achieving his rehabilitation revolution. His plans are fatally flawed and always were, and he has demonstrated that he is not on the side of victims. His use of language on rape sentencing, his original 50% sentence reduction proposals and the reduction in the use of remand in custody show that in no sense does he understand that victims and witnesses need to have confidence in the justice system and feel that it is safe in his hands. By taking from judges the ability to remand people in custody in cases they think appropriate, and by abolishing IPPs, he has not explained how he will give judges the tools they need to keep communities safe and to cut crime.

Oliver Heald: Will the right hon. Gentleman comment on the move towards more mediation in family courts? It is an important area and something that should be welcomed. I do not know whether he would agree, but it is one of the Bill's central provisions.

Sadiq Khan: In the short time left to me, I am happy to welcome that proposal. As the hon. Gentleman will know, however, we need investment in training mediators. It is all well and good trying to divert people away from the courts, but we hope that the Government will train more mediators.

The Government's figures do not add up. Overall, 10,000 members of prison and probation staff will lose their jobs, yet the Justice Secretary expects much more for less: more rehabilitation and more treatment for those with mental health problems and drug dependency. But how will that be funded? A chunk of his savings was due to stem from a lower prison population, but given how the Bill has been filleted of its ill-thought-out sentencing proposals, where does he think the prison population will be in two years? Will it be higher or lower? I look forward to hearing the Government's ideas.

The debacle that is this Bill has shown up the Government's justice policy for what it is—incoherent, inconsistent and obsessed with cutting costs. It is a shoddy Bill that does not focus on what cuts crime, protects the public, reforms offenders and puts victims first, nor will it continue to ensure access to justice for many of the most vulnerable in society, particularly women. The Justice Secretary has failed to accept the alternatives offered to make savings to the legal aid bill and has stuck to his original plans, which will have a devastating impact on the most vulnerable in society. No doubt many Government Members will speak in favour of the Bill. I gently remind them, however, that last month, when we debated the 50% sentencing discount, many of them were marched up to the top of the hill by the Grand Old Duke of Rushcliffe, only for a humiliating march back down again a couple of weeks later. No doubt Government Members now regret making all those loyal contributions. I hope they will think carefully about how they vote tonight. One thing is for sure, however: we intend to vote against a Second Reading for this shoddy Bill.

Several hon. Members *rose*—

Mr Deputy Speaker (Mr Nigel Evans): Order. There is an eight-minute limit on Back-Bench contributions, but clearly hon. Members do not have to take eight minutes. There is injury time for two interventions, but they do not have to take any of those either.

3.5 pm

Sir Alan Beith (Berwick-upon-Tweed) (LD): The Bill deals with two important issues on which the Justice Committee has reported. Sentencing was at the core of our report on justice reinvestment towards the end of the previous Parliament, and it has been the subject of several reports on Sentencing Council guidelines. The Government's legal aid proposals were also examined in detail in our March report.

The content of the Bill was originally the product of two major and conflicting factors: the need to respond to the financial crisis and the Lord Chancellor's determination to make the criminal justice system more effective in preventing crime and more cost-effective in the use of resources. We recognise the financial circumstances and we welcome the willingness to think radically. Recently, however, the Bill got ambushed, and some of its content and a lot of its presentation—not to mention its title—were the subject of No. 10's preoccupation with getting favourable tabloid headlines. Evidence-based policy does not tend to prevail in those circumstances. It is not clear, for example, that the knife crime provisions will add anything to the existing practice of the courts, which take threats involving knives very seriously, and rightly so. Personally I am not so concerned about the dropping of the 50% discounts, which had nothing to do with encouraging appropriate sentencing. The problem is, however, that, although it was unlikely ever to achieve the £100 million of savings that were canvassed for it, the Department is now expected to find alternative savings to replace them.

Thankfully, the baby has not been thrown out with the bathwater. The Lord Chancellor is still pursuing his objective of making community sentences strong and effective enough to win more confidence from both the judiciary and the public. Furthermore, payment by results will, as part of the reform of the probation service's vital work, continue—we will be reporting on that subject shortly. We are also getting rid of the disastrous indeterminate sentences and replacing them with life sentences in the most serious cases.

[Sir Alan Beith]

The Bill could, however, have begun a process leading to the commissioning of prison and probation services more locally and by the same body. Until we do that, we will not encourage rational sentencing. Resources will not be available for things such as drug treatment and intensive supervision if they are automatically taken up by the constant expansion of the prison system. Members have a responsibility to use money effectively to prevent crime—that is what we are engaged in—and not to give people the answer that seems the most obvious one. We have a responsibility to prevent them from suffering from crime in the future by spending money as effectively as we can.

The Committee recognises the need to contain and reduce spending on the world's most expensive legal aid system, but it has serious concerns about some of the groups affected. We suggested alternative ways of making savings, including better court and case management and restrictions on legal aid for judicial review—we welcome the Government's moves on aspects of that latter point. We were particularly concerned that citizens advice bureaux and neighbourhood law centres would be flooded by demands for legal advice without the resources to help, so we welcome the Government's initial response to the transition fund and debt advice. However, more will be needed. We welcome the agreement to secure savings in the wastefully inefficient administration of the Legal Services Commission, and we agree with the wider objective of discouraging unnecessary litigation. We are also glad that the Government have responded to our concerns about the definition of domestic violence.

The Government have missed an opportunity in not taking up our recommendation on the "polluter pays" principle. If Departments faced a financial penalty for having too many decisions overturned on appeal, they would change their behaviour and public money would be saved. The Government's response concentrates on individual cases. This is an overall proposal under which, if Departments rose above a certain threshold, they would have to pay money out of their budgets. That is the only way we will effect the behavioural change and get the right decisions first time.

As I have indicated, I have particular concerns about clinical negligence cases in which determining liability is a complex problem, particularly those concerning children with serious handicaps arising from birth injury. The Under-Secretary of State for Justice, the hon. Member for Huntingdon (Mr Djanogly) wrote to me about this and said that the Department was discussing with the national health service litigation authority and other stakeholders how the commissioning of reports could be improved with joint reports, and the Secretary of State has also referred to that. However, I understand from my discussions with the NHSLA that that is not proceeding or is not proving to be practical. I hope that the Minister, when he winds up, will explain what is happening on that front. The other element in the Government's attempt to deal with this problem was retaining after-the-event insurance for cases of this kind, but it is not clear to those who understand the system that there would be a viable market in after-the-event insurance in such a narrow field, when it has been abolished in other areas.

The Bill introduces some of Lord Justice Jackson's proposals but not others. The proposals are a package, so if bits of them are missed out there is a real danger that they will not achieve the intended effect.

Jonathan Evans (Cardiff North) (Con): Does my right hon. Friend share my concern, which has also been expressed by the right hon. Member for Blackburn (Mr Straw), about the absence of proposals on referral fees, which have been properly described as a "scandal"? They were a scandal at the time of the miners' compensation scandal, which resulted in 27 law firms being disciplined. Does he think that that is a missing part of the Bill?

Sir Alan Beith: Yes I do, and I was just coming to that as my final point. First, just let me complete my earlier point by saying that the absence of qualified one-way cost shifting leaves an imbalance in the implementation of the Jackson proposals. It is not even clear from the Bill precisely what the Government are doing.

Finally, let me address what I, too, have described as the scandal of referral fees under which insurance companies and some other bodies, such as trade unions, make money from selling the details and claims of the victims of accidents. It will not be enough merely to ban referral fees, because the Government and the industry must deal with a system of fees that has a fundamental fault. If there is a system of fees in which a lawyer can still make a profit from a relatively small claim having paid hundreds of pounds for the privilege of pursuing that claim, then we have to address the fixed costs as well as the referral fees.

Heather Wheeler (South Derbyshire) (Con) *rose—*

Mr Kenneth Clarke *rose—*

Sir Alan Beith: I must conclude, so I shall give way only to the Secretary of State.

Mr Clarke: The reason why we did not deal with that part of Jackson was because the Legal Services Board had taken it on itself to review the future of referral fees. We now have its report and the Under-Secretary of State for Justice, my hon. Friend the Member for Huntingdon (Mr Djanogly), and I are considering referral fees. I take on board what my hon. Friend the Member for Cardiff North (Jonathan Evans) and the right hon. Member for Berwick-upon-Tweed (Sir Alan Beith) have been saying.

Sir Alan Beith: I am grateful to the Secretary of State. I know no one who agrees with the Legal Services Board's conclusions, but I hope that the matter will be considered urgently to see whether the Bill can be used to complete the process of dealing with what is undoubtedly a scandal, which puts up costs for our constituents.

The Bill is part of a necessary process of reform in both sentencing and legal aid, but it needs a great deal of work before it leaves this House and a great deal of monitoring when it comes into force.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Nigel Evans): Order. Before I call the next speaker let me say that a number of Members have complained about the near-sub-zero temperatures in the Chamber—I understand that it is a lovely day outside. I have informed the doorkeepers and this will be rectified.

3.13 pm

Mr Jack Straw (Blackburn) (Lab): In his closing peroration, the Lord Chancellor said that he wished he had been able to stay on as Home Secretary for longer than he did in the Administration in the early 1990s, so as to introduce a measure of this kind. I have to say to Conservative Members that they are very lucky he did not stay on for longer than the year he was there.

Philip Davies (Shipley) (Con) *indicated assent.*

Mr Straw: I am glad to have the approbation of the hon. Member for Shipley (Philip Davies) on that.

When he was the Home Secretary, the Lord Chancellor was the last in line of a number of very complacent Home Secretaries who had allowed crime simply to rise and rise. It doubled under the Conservatives, as Michael Howard pointed out, and reached its peak under the current Lord Chancellor. Nothing that he did then, and nothing that he is proposing today, will do anything to make people safer or to cut crime. Indeed, I warn Conservative Members, for whom I have great affection, that in the coming months, if the Bill goes through, they will face—day after day, week after week—stories in the newspapers in which judges and magistrates complain publicly that defendant X or defendant Y should have been remanded in custody awaiting trial but that the courts no longer have any power on that.

I say to the Lord Chancellor, who has some experience of the criminal trial process, that the provisions in clause 73 and schedule 10 regarding restrictions on bail are wholly irrational and take no account whatever of the way in which courts and defendants operate. The court is not going to know whether it needs to send someone to prison until it has heard the full case and the mitigation. If Parliament lays down rules regarding the prospect of a sentence, how is the court to translate that into a real prospect of a prison sentence? What will happen in a case in which there is a low likelihood of a sentence on conviction and the defendant simply refuses to turn up in court? The Secretary of State was obviously completely unaware of the contents of paragraph 5 of schedule 10—I am glad that he is looking at it now—which makes it absolutely clear that even if the defendant fails to appear in court and is arrested, they cannot be remanded in custody unless the court has come to a prior decision that there is a real prospect of their getting a period of imprisonment at the end of the case. That is mad, and the right hon. and learned Gentleman must look at it again.

Simon Reevell (Dewsbury) (Con): I wonder whether the right hon. Gentleman has considered sub-paragraph (b), which makes it perfectly clear that if someone has been convicted of an offence in the proceedings, which would include a bail offence, the provision barring the grant of bail does not apply, so if somebody failed to surrender, they would be dealt with as they are now in their absence, and they could be remanded in custody when arrested by the police. The same qualifying sub-paragraph is present on page 168, which deals with bail in other circumstances.

Mr Straw: I am sorry, but the hon. Gentleman has failed to read the "not" in the first line of proposed new subsection (5A):

> "A justice of the peace may not remand a person in…custody under subsection (5) if…the person was released on bail in non-extradition proceedings".

Simon Reevell: Will the right hon. Gentleman give way?

Mr Straw: No, of course I will not. The explanatory memorandum makes exactly the same point.

Let me address the issue of indeterminate sentences for public protection. I entirely endorse what my right hon. Friend the Member for Tooting (Sadiq Khan) has said from the Front Bench. The Secretary of State made one of his sweeping statements, saying that those sentences have been discredited. No, they have not. Who has discredited them? He has, because he has been forced to save money on indeterminate public protection sentences having had to surrender the 50% cut in the bail discount, as he well knows. IPPs have worked.

The Secretary of State comprehensively failed to answer the hon. Member for Shipley yesterday, when the hon. Gentleman said that the reoffending rate for IPPs has been spectacularly successful—of the 1,449 people released, only 11 have reoffended. The Secretary of State laughs, but what we are dealing with here is the most serious offenders who, under the law, are expected to show that they would go straight, if they were released. He is laughing, but the laugh will be on the other side of the Conservatives' faces when and if his measures go forward and people are released before it is safe for them to be released and they commit further offences. He will be the person to blame for that.

Mr Kenneth Clarke: The right hon. Gentleman is referring to the 200 people who have been released, but more than 6,000 of them are still in prison with no idea when or if they are going to be released. Their reoffending rate is, I agree, very low, but that is not a justification for the system. The vast majority of respondents to our consultation regard it as something of a disgrace that the measure has been put on to the statute book and is working in this way.

Mr Straw: I take that, as they say in court, as an admission. At long last, the Secretary of State now accepts that the reoffending rate of those released under IPPs is low. Perhaps he will now reassess his ludicrous claim that that policy is not working.

Anna Soubry: Will the right hon. Gentleman give way?

Mr Straw: I am afraid that I have had my ration of interventions.

Let me move on to the proposals for civil litigation reform. I established the Jackson review and fully endorsed its conclusions in January 2010. I welcome the fact that this Government are implementing it, but they are doing so only in part.

I want to pick up on the points made by the right hon. Member for Berwick-upon-Tweed (Sir Alan Beith) and the hon. Member for Cardiff North (Jonathan Evans) about referral fees and associated matters. As

[Mr Straw]

colleagues will know, on Monday I published the results of an investigation into what I can only describe as a racket in the motor insurance industry in which almost everyone in the chain, from recovery firms, claims companies, medical experts to insurers themselves, is paying between £200 and £1,000 in referral fees. Everybody in this chain is on the take, and the total is running into billions.

Since Monday, I have been overwhelmed by e-mails, which I am very happy to supply to the Lord Chancellor if he wishes, from members of the public and professionals with even more horrifying detail about the dodgy practices, frauds and near-frauds that are now endemic in this industry, including one from a lady who explained that she "had had an argument with her bicycle". She was the only person present at the time, she went to hospital and ever since she has been pestered to make a claim.

Jonathan Evans: Will the right hon. Gentleman give way?

Mr Straw: No, I am sorry.

One solicitor wrote to me saying that referral fees are no more than a "form of legalised bribery". He is right. They are the parasites eating away at the integrity of the whole of the motor insurance industry and associated professions, including lawyers. Their effect is to drive up costs, and therefore premiums, and actively to encourage individuals—

Heather Wheeler *rose—*

Mr Straw: I am sorry—I am running out of time.

Referrals actively encourage individuals to try their luck in making claims for fictitious or wholly exaggerated injuries. I accept, and do so publicly, that that comes as a result of the Access to Justice Act 1999, which was based on recommendations from Lord Woolf. It gave rise to expectations that have not been met. I was clear when I established Jackson, endorsed it and set up an immediate consultation process that the system needed root-and-branch reform. I am perfectly happy to accept that.

I was glad to hear the Secretary of State's words about that. With respect to the Under-Secretary of State for Justice, the hon. Member for Huntingdon (Mr Djanogly), however, referral fees are not, as he said yesterday, a small part of the problem; they are a central part of the problem. Removing them is not a magic bullet, and other actions will also need to be taken. Unless he deals with referral fees, among other things, as well as changing the whole system, he will not deal with the extraordinary abuse that is taking place.

There are other changes that I ask the Secretary of State to consider. First, there could be legislation, possibly in this Bill, to prohibit the payment of damages for so-called whiplash injuries, save where there is other objective evidence of serious injury, as other jurisdictions have already done. The regulators, the Information Commissioner and Ofcom should crack down hard on the patent abuse of individuals' personal data. I have taken up the issue, and I hope that, as the Secretary of State responsible, he will do so, too.

There should be an urgent review of the effectiveness, or rather the lack of it, of the regulation of claims management companies, as established under the Compensation Act 2006. That, too, is not working as effectively as it should. In Blackburn and in many other urban areas, honest drivers with impeccable driving records are facing huge increases in premiums, not because of any risk that they have any control over but because of the level of claims by other people. It is a form of collective punishment, and it needs to be outlawed.

Over the past 20 years, as a result of taxpayer investment in safer roads and driver investment in safer and more secure cars, there has been a dramatic fall in the number of accidents and the number of thefts from vehicles. There should not be a steep increase in the insurance premium—instead, there should be a fall. It is time for major reforms so that, at long last, motorists can benefit from this investment.

3.24 pm

Mr David Burrowes (Enfield, Southgate) (Con): As a duty solicitor, I declare an interest in—as in the title of the Bill—legal aid, sentencing and punishment of offenders.

It is a pleasure to follow the right hon. Member for Blackburn (Mr Straw). He reminds me of many a client I have represented in Edmonton police station who fails to accept any responsibility despite the compelling case against them. He fails to accept responsibility despite the fact that two thirds of people reoffend when they come out of prison and most of our prisoners are lying idle in prison. Despite the plethora—the incontinence—of criminal justice legislation, all of which he probably had a part in as Home Secretary and Justice Secretary, victims still feel a lack of proper confidence in the justice system, but he does not accept any responsibility for that.

During the 13 years of the Labour Government, there were more than 20 criminal justice Bills, some of which I had the opportunity to scrutinise. I gave my maiden speech on one of those occasions—the debate on the Violent Crime Reduction Bill. That was in many ways one of the messaging Bills that were very much part of the new Labour project; they simply sent out a message without having any real effect. We also had many a Christmas tree Bill. For example, one of their last Bills, the Criminal Justice and Immigration Bill, had many pieces of additional legislation tacked on to it as it went through its stages. That is another danger of over-legislation.

The shadow Justice Secretary criticised the Green Paper, consultation and further consultation on the IPP issue. What is he complaining about? Does he want us to move quickly to legislate and run the risks that we have seen before? We have a litany of unimplemented 2003 legislation that we are now having to deal with. That is part of the legacy. That legacy is not only a failure in our prison system and criminal justice system, but a failure of legislation. The right hon. Member for Blackburn and other Opposition Members have to accept responsibility for that.

One issue that will be raised in the consultation is self-defence and defending one's property. The right hon. Gentleman and others have been involved in discussions about sending out a message on that issue. I encourage him to read the case of R *v.* Keane or the

recent case of R *v.* McGrath. Those show that his efforts at messaging and putting more baubles on Christmas tree Bills have not made a jot of difference in terms of changing the existing legislation that applies in that area. We need to learn those lessons well, and this Government are doing that, because it has taken 13 months for us to introduce this criminal justice Bill. I hope that we will not come back next year with another criminal justice Bill, and that we will scrutinise this properly, making any necessary changes and then moving forward.

What we need in our justice system is to get back to the three R's—retribution, restoration and rehabilitation, which need to be properly balanced. The Bill is not the whole story in relation to what the Government are saying about criminal justice. We would not want that. We do not show our card on the basis of how many laws we pass and the extent of this legislation, for example. Our approach is to do with our intervening early to stop many of these people getting involved in the criminal justice system. It is to do with the way we are dealing with drugs and ensuring that many people more recover instead of getting parked up on methadone. That all matters greatly, as does more structural reform.

In some areas, such as youth justice, the Bill does not have a great number of clauses. There is a recognition of the progress that has been made, including the youth rehabilitation order. That needs to be properly implemented.

One area where there needs to be retribution is knife crime, as I am sure we all agree. In our manifesto, there was a clear commitment to it, so I welcome the intention of clause 113 to make it crystal clear that anyone who threatens with a knife will receive a custodial sentence. I welcome that intention, but I know—sadly all too well in Enfield, where we have had seven fatalities in the past three years and one in the past month, all at the hands of someone with a knife—that any possession of a weapon is in effect threatening. Even if the person possessing the knife does not intend to threaten, he or someone else could well become a victim of its use if he gets involved in any disturbance later.

Rehman Chishti (Gillingham and Rainham) (Con) *rose—*

Philip Davies *rose—*

Nick de Bois (Enfield North) (Con) *rose—*

Mr Burrowes: I give way to my hon. Friend and constituency neighbour.

Nick de Bois: My hon. Friend knows that my constituents in Enfield North will very much welcome the mandatory proposals on using a knife in a threatening way, but is he aware that, of those cases followed up involving individuals carrying a knife or using a knife offensively, more than 30% involved people under 18, and that the legislation before us will not apply to such people? Perhaps that is something we should press for.

Mr Burrowes: My hon. Friend may be making an early bid to be on the Public Bill Committee, but we certainly need to recognise, particularly in areas such as Enfield, that such behaviour is prevalent, that sadly all too often those under 18 are involved in gangs and possess knives, and that clause 113 does not apply to them.

Philip Davies: Does my hon. Friend also accept that the current guidelines for addressing threatening behaviour with a knife state that a magistrates court should refer the case to a Crown court because the magistrates court is not considered to have sufficient powers to punish such people? A six-month penalty could easily become a maximum, rather than a minimum, sentence for the offence.

Mr Burrowes: My hon. Friend makes the point that the current guidance states that such people should receive a serious custodial penalty, and the clause tries to reaffirm that in statute, but we need to ensure that, notwithstanding the worthy intentions of the clause, we do not downgrade the simple possession offence; otherwise a clever lawyer might use it to put in an alternative plea of simple possession, which lends itself to a lesser, non-custodial penalty when compared with the aggravated offence. Ministers may want to pass a note to the Sentencing Council to make it clear that the current guidance on simple possession should remain intact.

I also recognise that there are retributive elements in the Bill. There is the important extension of curfews, which my hon. Friends will very much welcome, and we need to recognise that there are more tools in the box for dealing with matters on a community basis and retributively in order to ensure that liberty is restricted and for a longer period.

The second element of the justice system should be a proper restorative element—the basic requirement of justice to make amends as far as possible. Victims should be central to our justice system, and I hate it when people refer to a victimless crime. It greatly concerns me, because when I see what is happening in Enfield, in particular, and elsewhere, I do not see a victimless crime. That is why I welcome the clause that will ensure a positive and much stronger duty to order compensation for any loss or damage, for personal injury and, indeed, for bereavement or funeral payments.

We all know of cases in which people have waited months and months to hear about a claim to the Criminal Injuries Compensation Board for funeral payments, and the Bill will give much greater access to, and opportunity for, compensation involving people who are victims of the most serious crimes. Similarly, there needs to be proper reparation and compensation for minor crimes.

Currently, the compensation order system is seriously underused. Only 18.1% of offenders in 2010 were ordered to pay compensation. That must change and, as a result of this Bill, it will, but I encourage Ministers to ensure that the duty on all courts extends to reparation, so that not just financial but other means of restorative justice are recognised.

Often, when the door is shut on the prisoner, the victim is shut out as well, so we need to ensure that when prisoners are inside they feel a proper sense of responsibility and do not forget that there is a victim. That is why we are implementing the Prisoner Earnings Act. It was enacted in 1996, and ironically we have had a plethora of legislation since, but that good piece of legislation, which Hartley Booth introduced, is now and quite properly going to be implemented.

The Act recognises that we are not going to accept the answer that I received from the Home Office, when I asked it why it was not going to introduce the legislation

[Mr Burrowes]

in 2007. The Home Office said, "We don't think that prisoners will be able to find the work or work enough to make this viable." We are not accepting that, because this Government have a much greater ambition.

We are not going to let prisoners sit idle in their cells; they will do proper work purposefully, and their earnings will go into a victims' fund. The expectation is for £1 million: £1 million of ambition that the previous Government did not have; £1 million that will and should go into the hands of victims. We need to ensure proper enforcement, too, so that the current outstanding compensation payments of some £152 million reach the right people.

We need to ensure that there is retribution, restoration and rehabilitation. The rehabilitation revolution will go much further and deeper than simply this Bill, because it will ensure that we have payment by results. The right hon. Member for Blackburn talked about outcomes—from a previous Government who were all about process, targets and messaging. Well, we are into outcomes, but we are into proper outcomes, so we will have not just the Peterborough example, although that is welcome. Our ambitions are much greater than simply to introduce a social impact bond in Peterborough.

Mr Straw: Will the hon. Gentleman give way?

Mr Burrowes: There is not time, unfortunately.

We will ensure that that is done across the country—paying people to get into work, to stop reoffending and to ensure that they get off drugs. We are driving through a much more ambitious agenda of recovery to stop this everlasting cycle of criminality—being on drugs, committing crime to feed a drugs habit, going to prison and so on. We will break that cycle of crime.

There are concerns, whether it is magistrates wanting to extend the period of imprisonment to the maximum of 12 months or on legal aid, but this is a good Bill that—

Mr Deputy Speaker (Mr Nigel Evans): Order.

3.35 pm

Alun Michael (Cardiff South and Penarth) (Lab/Co-op): This Bill is a shambles and so is the Lord Chancellor's approach to crime. Far from being a significant reforming measure, it is an incoherent fragment. The Opposition admire the panache of the Lord Chancellor, who is a much-loved and robust performer and who has sought to rise above the U-turns forced on him by a Prime Minister who is more interested in headlines than in reform, but it does not wash.

The Justice Secretary should take particular note of the criticism from his Back Benchers and the significant criticism from the Chair of the Justice Committee. The right hon. Member for Berwick-upon-Tweed (Sir Alan Beith) kindly said that he thought that the baby was not totally being thrown out with the bathwater, but I am not sure about that and I am certainly worried about the health of the baby.

When the Secretary of State was Home Secretary, he presided over a crime wave. He also offended virtually every profession in sight, especially the police, by the cavalier way in which he fulfilled his duties. This Bill is a shambles, his strategy is in tatters and everyone is in confusion. The main problem is that he has such a piecemeal approach to the issue. The Justice Committee's report, "Cutting crime: the case for justice reinvestment", states:

> "A piecemeal approach to justice reinvestment is unlikely to work and a holistic approach to reform is necessary, with a very clear and explicit statement of the purpose of the whole system against which organisational aims can be tested to assess their contribution to cutting the extent and seriousness of offending and re-offending."

This Bill fails that test.

In that report, we also called for better use of resources and a focus by every part of the criminal justice system on cutting offending, because that is what victims want. We keep being told that the views of victims are important, but more than not to have become a victim in the first place, they want to know that they will not become a victim again in the future. Therefore, the purpose of the criminal justice system—and of sentencing—is to ensure that victims are protected from further offending.

Let us cut to the chase—cutting the number of people in prison may save money, but cutting prison numbers to save money is to approach the problem from the wrong end. There is only one acceptable reason for cutting prison numbers, and that is that offending and reoffending have fallen; fewer people are becoming victims; there are fewer offenders who need to be incarcerated; and our streets and homes are safer.

It is a matter of some pride to me that the number of places in young offender institutions has been cut for precisely those reasons. As a result of the work of the Youth Justice Board and the youth offending teams, fewer individuals are reoffending and so fewer places are needed. That reduction in numbers leads to immediate savings, but it is even more significant given that time in custody often acts as a training course in criminal activity for young people. So the long-term benefit of keeping people out of youth offending and preventing reoffending patterns is enormous. That makes it very odd that the Secretary of State will do away with the Youth Justice Board and I urge him to reconsider. I know that he is taking many activities inside the Ministry of Justice—and I am glad that he is encouraging the continuation of those activities and the youth offending teams—but he is taking in people who, as part of an independent body, have acted as the touchstone for success in that aspect of reducing reoffending.

Mr Burrowes: The right hon. Gentleman obviously has great experience and was no doubt the architect of the first such legislation in 1997. He will be interested to know that reoffending rates were very high over the 13 years to 2010, and that is something for which the previous Government should be held accountable. Does he not welcome the fact that in this Bill there is now provision for supervision of prisoners who have a sentence of less than 12 months? That has never happened in the past. Giving supervision to offenders after they are released will no doubt help to reduce reoffending levels.

Alun Michael: I have said for a long time that we should do more to ensure that short sentences work and that they do not accelerate offending. In this legislation, there are things to be welcomed, but the big picture is not bright enough for us to welcome the Bill as a whole.

Yesterday, in answer to my question, the Justice Secretary said:

"The Sentencing Council is already under a duty to provide information about the effectiveness of sentencing practice".—[*Official Report*, 28 June 2011; Vol. 530, c. 738.]

Unless there is a clear focus on reducing reoffending and ensuring that that is understood by sentencers, the Bill will not be effective. That is why I call on the Justice Secretary to change his approach and put a real focus on the work of the Sentencing Council not just to provide information about the effectiveness of sentencing practice but to ensure that sentencing practice is driven in ways in which it can increase the success of the system.

The work of the Youth Justice Board and the youth offending teams shows what can be done if there is a clear and unremitting focus on cutting offending and reoffending. Why not use a new mechanism to focus on the 18 to 25 age group? We are seeing a reduction in the numbers of 18 to 25-year-olds who are reoffending because of the success of intervention with young offenders. Why not learn that lesson and apply it properly to that reduced cohort so that we can further drive down the numbers who reoffend?

The Justice Secretary has admitted that the criminal justice system is fragmented; it does not work as a single system. A series of agencies operate to their own objectives and are held to account for different purposes. Bring it all together. Make it coherent. Let us have some coherent legislation from the Justice Secretary. The criminal justice system should pay attention to the Select Committee's recommendations on justice reinvestment. The whole of the system should focus on reducing reoffending.

Victims want to feel that they are less likely to be offended against in the future. The Home Affairs Committee heard evidence from people who had been involved in restorative justice and it found that it actually works. When offenders are faced with their offending, they are less likely to reoffend. They are made to engage in relationships, which they have often failed to do in the past and which may have led them into offending in the first place. They do not see the victim as another person.

Although it is essential that we do something about what has been described as relational justice, there is nothing about it in the legislation. Too often, it is low down the agenda. The possibility is there but we are not driving it through the system and getting the benefits. I appeal to the Secretary of State to push relational justice up his agenda.

I also appeal to the Secretary of State to work with the Home Secretary to derive greater success from crime reduction partnerships, which again have been important, as my right hon. Friend the Member for Blackburn (Mr Straw) said in his contribution a few moments ago. We have been successful in reducing crime, but we can go further and go faster if the right mechanisms are used. In this regard, I commend the violence reduction project in Cardiff, which, since I last referred to it in this Chamber, has been endorsed by the World Health Organisation and is the subject of an article in *The British Medical Journal*. Such acclaim shows that the approach in Cardiff has worked. It has driven down violent crime by 25% more than the cohort of cities with which it can properly be compared. The project works; it reduces offences and protects people from becoming victims. That is what needs to be put at the centre of our criminal justice system.

I regret that we have a Home Secretary who has failed to defend her budget and is imposing cuts on the police that are too deep, too soon and disgracefully front-loaded, and a Secretary of State for Justice who, by his failure to apply clarity and logic to the challenge of justice reinvestment and effectiveness in cutting crime, is doomed to fail. Sadly, it is the victims and not he who will pay the penalty for that.

3.44 pm

Mrs Helen Grant (Maidstone and The Weald) (Con): I was a legal aid family lawyer for 23 years before becoming an MP, and my husband continues to run our firm in Croydon. I declare an interest in the debate.

The Government's plans to reform legal aid are brave and bold. The consultation has been taken seriously and important concessions have been made, but I continue to have some serious concerns. The plans rely on people being able to represent themselves, but what about people with learning difficulties, limited English or mental health problems? Those people cannot help themselves; they cannot do it. The plans rely on our hard-pressed voluntary sector dealing with the fallout from the legal sector, but our not-for-profit organisations are already overstretched and under-resourced.

Dr Sarah Wollaston (Totnes) (Con): Does my hon. Friend agree that many citizens advice bureaux—such as my own, South Hams—receive 55% to 65% of their funding from legal aid and are concerned about the time frame with the proposals being introduced in October?

Mrs Grant: My hon. Friend makes a good point, and change must be paced. Not for profit does not mean "No funds, please." Those organisations still need cash just to stand still, let alone to deal with the massive glut of cases that will fall into their laps, but I am reassured and encouraged by what my right hon. and learned Friend the Secretary of State for Justice said about directing an additional sum of some £20 million towards them. That is very positive indeed.

The plans rely on judges, magistrates and tribunal chairmen having the time to assist numerous litigants in person, but I can honestly tell hon. Members that that time does not exist, because judges already have back-to-back lists. Delays in court will become even worse. The plans rely on less dependency on legal proceedings, but as I have said before in the House, mediation is no panacea. It frequently fails, especially in family cases, where there is often an imbalance of power between the parties. Where will all the mediators come from? Who will pay for them?

Oliver Heald: I am closely following my hon. Friend's sincere and important remarks, but does she not agree that the advantage of mediation is that people are brought together and that disputes are reduced in circumstances of family life, thus achieving something worth while in itself? Mediation is the right way to go, even though I accept that some cases will also need to be litigated.

Mrs Grant: The problem is that not all cases can be mediated, and the difficult ones—the ones that we are dealing with—usually end up in court anyway.

[Mrs Grant]

The plans have telephone advice as an alternative to a trusted and recommended solicitor, but the law is complicated. The law can be an ass, and it is not easy to understand. Having tried to explain maintenance pending suit or some other aspect of the Matrimonial Causes Act 1973 to a frightened and vulnerable litigant, I can tell hon. Members that it makes clients feel frustrated and confused and leaves solicitors feeling quite inadequate.

The plans badly impact on women, especially in the categories of family, education and housing law. Some 75% of domestic violence victims are women, 90% of single parents are women, and 97% of those who are eligible for child maintenance are women. Women are more likely to be in non-unionised jobs, and men are more likely to be financially better off and able to pay privately.

Over the years, my firm has looked after about 14,000 clients in south London, Surrey and west Kent. The family profile that I describe is, sadly, not unusual. One mother presented with some learning difficulties and a history of self-harm and drug abuse, but says that she is now clean. She has three children, all girls, with three different fathers. The father of the eldest daughter sought a residence order and a contact order. Mother and daughter were resistant in view of the father's history of bullying and drunkenness. There were no previous injunction orders, but many police call-outs. All the girls were having problems at school, and the middle daughter had been diagnosed with ADHD—attention deficit hyperactivity disorder. The school had threatened suspension due to disruptive behaviour. The mother was on income support and was being chased by loan sharks due to debt. She was feeling suicidal and was on antidepressants. All the children were on the child protection register.

When I took instructions from that lady, judging by her physical appearance and demeanour, I thought that she was about 50. It was only when I asked her for her date of birth that I realised that she was just 25 years old. Under the current plans, that highly vulnerable woman would not be entitled to help with residence and contact applications, debt problems or her children's educational difficulties. That is what family life is like for many in our country. Those are the people who rely on the family courts and legal aid to resolve their problems. Tragically, the children growing up in such families are watching and learning bad behaviour, have absent boundaries, and are breeding future generations of victims and perpetrators. It is a vicious circle.

Legal aid cost £500 million in 1982. The cost is £2 billion today. I make no case for ring-fencing from the cuts, and I see a genuine need for reform.

Mr Kenneth Clarke: I have a high regard for my hon. Friend's expertise on the issue, which greatly exceeds mine as a result of her practice. The case that she makes is moving, but surely such things do not lend themselves to litigation. Our argument is not that we will leave such people with no support at all, but that legal advice and litigation are not the best way of proceeding to resolve important social and family problems of the kind that she describes.

Mrs Grant: If matters such as residence and contact can be resolved without litigation, as they sometimes are, that is a good thing. Unfortunately, a woman in the situation that I have described and a man who has historically been difficult, drunken and abusive might not, regrettably, be able to sort things out.

We must accept that the past 50 years have created a social mess, caused largely by the demise of the family unit and stalling social mobility. We cannot pull the rug from under the feet of 500,000 people who have no genuine alternative. Civil liberty is about the freedom of our nation; civil legal aid is about protecting citizens. For some, civil legal aid is the only sword and shield in their armoury. We must therefore wear kid gloves when handling that delicate aspect of the public purse. For all the above reasons, I hope that further significant changes will be made to this important Bill in Committee and on Report.

3.53 pm

Julie Elliott (Sunderland Central) (Lab): Thank you for giving me the opportunity to take part in this important debate, Mr Deputy Speaker. I agree with many of the comments made by the hon. Member for Maidstone and The Weald (Mrs Grant). The Government should listen to her experience and knowledge.

For 60 years, legal aid has provided secure and guaranteed access to justice for those who cannot otherwise afford legal representation, often protecting the most vulnerable in our society. With their reforms, the Government are undermining the principles of justice. The right to access it will become the privilege of the few who can afford it. The more I understand about the Government's approach to justice policy, the more I realise that there is nothing just about it. Despite receiving thousands of representations from a wide range of organisations expert in delivering legal aid effectively and productively that say this is not the right approach, the Government are not willing to listen.

We know that seeking legal representation is an expensive undertaking. I understand that, but the Government are trying, inexcusably, to put a price on justice, which is embedded in the British democratic system. That undermines us as a free and fair society where all have an equal right to justice. Everyone has the right to be treated fairly under the British legal system. Who someone is, how much they earn and where they live should not be taken into account. The expense of access to our legal system makes legal aid so important. Justice is a right, not a privilege. Everyone deserves their day in court.

The Government have said that they want to ensure through the reforms that legal aid is targeted at those who most need it. They must have made a mistake. Surely that cannot be correct when they are cutting legal aid for the aspects of law that are often the last protection for the most vulnerable in our society: housing, debt, welfare and employment advice. Legal aid has stood up for people and given them the voice that they deserve. I am not sure where the Government expect an alternative to step in to deal with representation and advice in the aspects of law that will be removed from the scope of legal aid provision. Perhaps it is another job for the big society.

When people have to represent themselves in court because they cannot afford the legal fees, something is not right. As with so much of their legislation, the Government have left the most vulnerable wanting. It is

a travesty that 500,000 people will be denied their right to legal representation and a chance for justice. The Secretary of State has said:

"It cannot be right that the taxpayer is footing the bill for unnecessary court cases that would never have even reached the courtroom door, were it not for the fact that somebody else was paying."—[*Official Report*, 15 November 2010; Vol. 518, c. 659.]

I seriously object to that trivialisation of our justice system. The right hon. and learned Gentleman's reference to "unnecessary court cases" shows where the Government have gone wrong. Debt, social welfare, housing and education law are not unnecessary. They are serious and complex areas of law that deserve their chance in court.

Legal aid provision has improved and strengthened our laws on protections and compensation and given justice to victims of negligence. Legal aid has been critical in many precedent-setting cases, such as the Hillsborough disaster, the thalidomide cases and the Clapham rail crash. Advances in case law as a direct result of legal aid provision have improved protections for everyone. British law is in a better place because of the chance to access legal aid. Although I can sympathise to some extent with the Government's desire to promote other forms of legal settlement outside a courtroom, such as through mediation, that should be an alternative, not the only option. In my experience, it does not always work.

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): Does my hon. Friend agree that the Government do not seem to have taken on board the fact that sometimes solving disputes out of court is possible only when the credible sanction of going to court at some stage is available? By taking that away, they undermine the system of mediation in which they put so much faith, and that will lead to miscarriages of justice.

Julie Elliott: I absolutely agree with my hon. Friend. The stick-and-carrot approach, whereby there is something to make people see sense, agree and discuss things sensibly, often makes the difference between mediation working and not working.

Despite the Government's laissez-faire approach to access to our legal system and their willingness again to leave the most vulnerable members of our society out in the cold, one of my biggest problems with the reforms to legal aid provision is their economic short-sightedness. The cuts will ultimately lead to higher costs for society. The cost-benefit analysis of the reforms has shown that they are not cost-effective, but short-sighted and counter-productive. The costs to society will have to met elsewhere, by other Departments, including the Department of Health, the Home Office and the Department for Communities and Local Government. It is disappointing that, despite calls for it, no cross-Government departmental review is taking place to assess the inevitable extra costs.

Yesterday, I asked about the matter at Justice questions, and was told that other Departments' impact analysis of the proposals was "ongoing". Surely that should have been sorted out before Second Reading. Citizens Advice estimates that £24 million spent annually on debt advice saves the Government some £188 million elsewhere, and that for every £1 spent on legal aid, the state saves £2.34 on housing advice, £7.13 on employment advice and £8.80 on benefits advice.

Rehman Chishti *rose—*

Julie Elliott: I may not be an economist, but I am a British taxpayer and I can tell the House that the figures simply do not add up.

Even the Justice Committee, in its third report on legal aid, said:

"We are surprised that the Government is proposing to make such changes without assessing their likely impact on spending from the public purse".

This is another case of the Government not listening to the experts on legal aid. I think we are detecting a theme here.

Let us maybe have one more for luck. I commend the good work of organisations such as the Law Society on looking at alternative cost-saving measures. The Law Society proposed alternative savings worth £384 million—£34 million more than the Government are looking to cut—which would still protect all civil and family legal representation. The Law Society made its representations but was ignored. Then the Justice Committee recommended that the Government assess the merits of their proposals. Again, that recommendation was not listened to.

With these reforms the Conservatives are demonstrating their reckless handling of the British justice system. We already knew that we could not trust the Conservatives to protect the most vulnerable members of our society; we now know that we cannot trust them to uphold the founding principles of British justice either. The Government's own impact assessment says that these reforms will increase costs, increase criminality and reduce social cohesion. With that testament, I am left wondering: what are the real costs of these reforms to legal aid?

4.1 pm

Stephen Phillips (Sleaford and North Hykeham) (Con): Thank you for calling me, Mr Deputy Speaker. During the early part of the speech preceding that by the hon. Member for Sunderland Central (Julie Elliott), I absented myself to go and have a sandwich, not having had any lunch, so I was not expecting you to call me quite as early in the debate.

This is obviously an important debate. I shall not necessarily speak for the full time that is available to me, but I want to focus on the sentencing aspects, specifically of the Green Paper. I do so from my perspective as one of the two sitting recorders in the House; I am not sure whether the other intends to speak. It seems to me important that I do so in circumstances where sentencing has got itself into a bit of a mess in this country. At least in England and Wales, it has become exceptionally complicated for the judiciary, and for that reason the proposals that the Government are putting forward in the Bill are important, not only from the perspective of "breaking the cycle," which was the concern of the consultation document, but from the perspective of the judiciary and the operation of the criminal courts in effectively sentencing criminals and meting out due punishment for the offences of which they have been convicted by a jury.

The starting point with sentencing, of course, is the fact that in 2003 a Criminal Justice Bill was placed before the House and passed by the previous Government. It was amended on a number of occasions thereafter

[Stephen Phillips]

but was in fact a complete minefield. It was so complicated that in one case, the Court of Appeal commented that the relevant provisions were "labyrinthine"; in another they were described as a "legislative morass". In a case called CPS *v.* South East Surrey Youth Court, the Court of Appeal said:

"So, yet again, the courts are faced with a sample of the deeply confusing provisions of the Criminal Justice Act 2003 and the satellite statutory instruments to which it is giving stuttering birth. The most inviting course for this Court to follow, would be for its members, having shaken their heads in despair, to hold up their hands and say: 'the Holy Grail of rational interpretation is impossible to find'."

I have to tell the House that the position in which the courts have found themselves in relation to sentencing during the last decade has been utterly intolerable. Judges have had to spend considerably more time than they ought to when they should be trying cases on preparing sentences, giving reasons above and beyond those which they were previously obliged to give, and in fact giving reasons that are probably immaterial for either the victims of crime or, indeed, those who are on the receiving end of the sentence to hear.

The simplification of that aspect of sentencing by the Bill, assuming that it becomes law, is therefore much to be welcomed. But I want it to go further, because the issue is important. I hope that the Lord Chancellor will listen to what I say in this regard and to what others, including the Sentencing Council—and, I think, the Bar Council and the Law Society—have said.

What we need, and what I hope we will see during this Parliament, is a consolidating statute that brings together sentencing for the entirety of the criminal law. Only then will the process become simpler and judges be able to give sentences that they are satisfied will not be taken to the Court of Appeal unless they have got things very wrong. Only then will people know precisely what sorts of sentences the courts are likely to hand down for the same sorts of offence. In due course, I imagine that that will ensure that considerable public support is given to the criminal justice system.

I want to say a few words about legal aid. My hon. Friend the Member for Maidstone and The Weald (Mrs Grant) spoke for many of us in expressing concerns about the removal of legal aid in relation to some of the areas proposed by the Ministry. I hope that those will be explored in great detail in Committee, particularly given the Lord Chancellor's comments in his intervention on her. I want the Bill to come back with a report from the Committee that it is satisfied that the most vulnerable in our society will continue to have access to justice in precisely the same way as those who are able to buy justice. I say that from the perspective of one who, as a lawyer, considers access to justice extraordinarily important.

Like my hon. Friend, I am concerned about those particular provisions and how they might discriminate against some of the most vulnerable. That said, I have no doubt that the Bill will be amended in Committee and that the Government will listen; I hope that they will. I am not sure that the Bill has absolutely everything right, but it is a step in the right direction, particularly in respect of the burgeoning legal aid budget under which we in this country pay eight times as much as the French taxpayer to give access to justice to those entitled to legal aid. It is not suggested that there is some desert in France where nobody has access to justice, so it must be possible to reduce the costs of legal aid.

Indeed, the shadow Lord Chancellor said that last year, when he accepted that if Labour was in power, it too would have to make cuts to the legal aid budget. It is a matter of regret and shame that rather than coming to the House to say where he would be making those cuts, he made a series of—[Hon. Members: "No, he didn't; he spelled it out."] It is extraordinary to hear at least one Opposition Member saying that the shadow Lord Chancellor spelled it out. I listened to the entirety of his speech, and I did not hear anything spelled out at all. *[Interruption.]* The shadow Minister is on the Opposition Front Bench. Perhaps he will tell us now where Labour would make the cuts in the legal aid budget.

Mr Andy Slaughter (Hammersmith) (Lab): There is a publication called *Hansard*, which the hon. and learned Gentleman might wish to read tomorrow. He will see what I will repeat now, although I feel that I am taking Back-Benchers' time. The proposals in the March 2010 consultation, which were put forward by the then Labour Government and have not been taken forward by this Government, would more than compensate for the cuts being made in social welfare legal aid. If the hon. and learned Gentleman has a look at that consultation, he will see.

Stephen Phillips: I will go and have a look, and I am sure that Government Front Benchers will, too. We will be able to see during the winding-up speeches whether that is accepted as correct. For my part, I rather doubt that it will be.

Mr Slaughter: You don't even know; not a clue.

Mr Deputy Speaker (Mr Lindsay Hoyle): Order.

Stephen Phillips: I am grateful, Mr Deputy Speaker. I did not really want to get into the legal aid aspects of the Bill. I have expressed my concerns and I am sure that Front Benchers are listening to them. I am concerned that the Opposition have at least not spelled out any detail as to where they would make the cuts that they accept have to be made to the legal aid budget.

4.9 pm

Ian Lavery (Wansbeck) (Lab): As Lady Hale warned earlier this week, the £350 million legal aid cuts made by the Bill will hit the poorest and most vulnerable in society. She said that there is a well-known, ironic saying that

"in England, justice is open to all—like the Ritz".

She went on to say:

"Courts are and should be a last resort but they should be a last resort that is accessible to all, rich and poor alike. The big society will be the big loser if everyone does not believe that the law is there for them."

That sums up the current position very clearly.

The Bill represents a further attack on hard-working people and on the most vulnerable in society. It is a cobbled-together, dangerous, coalition concoction of the most risky kind. I think that it was the Justice Secretary who said today that it was a mixture of the Conservative dry and tough, and the soft, wet and

liberal. I am honestly baffled by that. I do not know what it means; it does not make much sense. Should not our justice policy be wholly focused on the protection of the general public, on punishing offenders properly and on being on the side of the victim?

The Bill presents more questions than it answers. The measures go too far, too fast; they are incoherent. The cuts are aimed at saving money, not at reducing crime. The Bill puts cutting costs ahead of what is in the best interests of the victims and of reducing crime and punishing offenders. We are seeing massive cuts in front-line police, prison officers and probation trusts. Cuts to social welfare legal aid will leave the most vulnerable without any legal support. It is a one-size-fits-all approach to remodelling the civil justice system that threatens to render many areas of law unenforceable.

The Bill is unworkable, with a departmental cut of 23%. It is hardly the rehabilitation revolution promised by the Justice Secretary. The 23% cut to the Ministry of Justice budget means 10,000 fewer front-line staff in prisons and in probation, and a 50% reduction in capital spending on the prison estate. The cuts are intended to save £130 million, with a 3,500 reduction in the prison population. Undoubtedly the planned cuts will create massive problems with regard to the future security of prisons, the condition of the prison estate, and the safety of prison officers and their capacity to maintain order. It is an absolute nonsense for the Government to speak of the plans to improve rehabilitation and cut reoffending while cutting the number of prison and probation officers, and allowing the prison estate to be degraded.

There are three parts to the Bill: legal aid, litigation and funding costs, and sentencing and punishment of offenders. Like other hon. Members, I want to focus on the proposals for personal injury cases in the Jackson report, the precursor to the Bill. Jackson proposed that the after-the-event insurance premium become the responsibility of the claimant; that there be qualified one-way cost shifting to the defendant except in specific circumstances; that success fees be paid by the claimant; that referral fees be banned; and that there be a new test for proportionality. Those strong recommendations for reform are a package that needs to be implemented in full. The Bill does not deal with one of the most serious issues, the proposal to ban referral fees.

There are no proposals to ban referral fees. No one can have failed to become aware of the furore in the past two or three days created by the "revelation" of the market in road traffic accident claims. It now seems difficult to see which intermediary is not in receipt of a fee for selling on a claim. This cannot continue and should result in the banning of the payment of referral fees.

Many people were caught by surprise by this week's revelations by insurance companies. They were shocked to hear that profits were being made from the sale of personal information, but some of us have been complaining vigorously about this practice for many years. The failure to ban referral fees is yet another example of the double standards that operate.

No legitimate claimant should be deterred from bringing a claim, and with no win, no fee no sensible lawyer would pursue a claim they did not have a reasonable prospect of winning. Make no mistake: this presents a huge struggle between the access rights of the injured person and the interests of those who have a financial interest in the outcome for the employer or third party who injured them. It also affects all Members' constituents who find their ability to protect themselves and their families diminished by the savage cuts to legal aid.

What does the Bill do to address the delay caused by the unnecessary cost of defending the undefendable? It removes the claimant's eligibility to legal aid to pursue a legitimate claim, leaving the weakest and most vulnerable in a much weaker position in investigating their claim or commencing proceedings.

Along with other organisations, the trade union movement sees that these changes will have a severe impact on health and safety. The employer who injures the employee will have no sanction imposed on him if the employee is discouraged or prevented from pursuing a legitimate claim for injury caused by the employer's negligence. It is ironic that we are debating this on the day the Health and Safety Executive announced a huge increase—more than 170 in the past year—in workplace deaths. The trade union movement has a long and proven history of protecting its members, but that will be adversely affected by the Bill's proposed changes.

Members have spoken about mediation, in respect of which there is cross-party support. The Government's preferred option is not suitable for all, but it is an important tool in dealing with family breakdown. The Justice Committee and the family justice review have warned of the impact on vulnerable people, specifically those affected by domestic violence.

Mrs Louise Mensch (Corby) (Con): Will the hon. Gentleman make it clear that mediation is not suitable in all cases, especially those involving domestic violence, for which legal aid will remain available?

Ian Lavery: If the hon. Lady had been present earlier in the debate she would have heard hon. Members on both sides of the House discuss that point.

The cuts to legal aid are likely to provide no real saving to the public purse but will lead to courts struggling to cope as the weak and vulnerable struggle to represent themselves. Should not the weakest and most vulnerable have the same access to justice as those with plenty of finance behind them? The Bill fails to ensure fairness across the board and is, as many Members have said, an utter shambles.

4.18 pm

Philip Davies (Shipley) (Con): The Lord Chancellor's statement last week bore the worst hallmarks of a Budget speech delivered by the right hon. Member for Kirkcaldy and Cowdenbeath (Mr Brown): all the good stuff was announced but all the catastrophes were laid out in the small print.

In his statement last week the Justice Secretary proclaimed that the best way to reduce crime is to reduce reoffending—a point to which many can, I am sure, subscribe—but his stance on indeterminate sentences shows beyond all doubt that, despite what he says, reoffending is not his main priority for the Bill or the criminal justice system. The right hon. Member for Blackburn (Mr Straw) kindly mentioned the question I put to the Secretary of State yesterday. The reoffending rates among those

[Philip Davies]

released from prison on indeterminate sentences are among the lowest in the criminal justice system. If the Lord Chancellor's priority is reoffending, why on earth does he want to get rid of one of the parts of the criminal justice system with the lowest rate of reoffending?

Anna Soubry: Will my hon. Friend please understand this? When someone is subject to an IPP, they have no knowledge about when they will be released. Does he know that they can be released only when they are deemed no longer to be a risk to society? A relatively small number of people have been released and we can assume that they were released only because they were no longer deemed a risk to society. The reason for that is that they have been on the sort of courses that other people on IPPs have not had the benefit of. The lack of courses is the real problem.

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. May I ask for shorter interventions, because many Members wish to speak and I want to try to get everyone in?

Philip Davies: My hon. Friend is right that people are released only when it is safe to release them. My constituents think that it is rather a good thing that people are released from prison only when it is safe to let the out. I am all for that, unlike the Lord Chancellor.

The reason why the Lord Chancellor is not bothered about reoffending and indeterminate sentences is that he is not interested in reoffending at all. What then is his priority? It is the same as it has always been: simply reducing the number of criminals in prison. That is highlighted in the Bill's explanatory notes, which state:

"The overall impact of the sentencing proposals will result in annual savings of approximately £80m in 2014/15, due to a reduction in the demand for prison places of 2,650".

I invite all my hon. Friends to look back at what they promised their constituents at the general election in their personal manifestos and at what they said against their opponents at the hustings. Which of those who will vote for the Bill tonight said at the hustings that they were standing on a platform of reducing the number of criminals sent to prison by 2,650? I suspect that none of us said that, and I invite my hon. Friends to consider that when they decide how to vote tonight.

I am also concerned about the widely reported mandatory six-month sentence for thugs who use knives to threaten people. As I have already shown, this is a solution looking for a problem, because the sentencing guidelines already insist that such cases are sent to Crown court for a first offence because it is deemed that magistrates do not have sufficient sentencing powers.

It gets worse. On threatening with knives, clause 113 states:

"It is a defence for a person charged with an offence under this section to prove good reason or lawful authority for having the article with him or her in the place...concerned."

That is a reasonable defence for possession of a knife, but how is it a reasonable defence for using a knife threateningly just to be able to explain why one has the knife in the first place? Either that is a drafting error or it is complete nonsense. Perhaps the Minister will enlighten us in his reply.

The provision is not mandatory anyway, because it is later stated that people do not have to be sent to prison if there are particular circumstances that relate to the offence or the offender that would make it unjust to send them there. So much for it being mandatory. It is a joke.

Clauses 56 and 57 are further examples of the Lord Chancellor's aim of sending fewer people to prison. Clause 56(2)(a) removes the duty of the court to impose more onerous conditions once someone breaches a community order, or to resentence them to custody. It says that the court "may" do so instead of saying that it "must", as currently applies.

Clause 56(2)(b) allows the court to impose a fine as a punishment for breaching a community order. That provision did not exist before. Clause 57 increases the length of sentence that can be suspended from a maximum of 51 weeks to two years and removes the need to attach any community requirements at all. If a criminal has committed an offence that deserves a custodial sentence of up to two years in prison, that is what they should get: a two-year sentence in prison. Furthermore, if someone is given a suspended sentence with no requirements, they will effectively not be punished at all.

As I said a couple of weeks ago, breaches of suspended sentences can now result in a fine, thanks to clause 58. Anybody who breaches their existing get-out-of-jail-free suspended sentence should go to one place only: immediate custody. Is it any wonder that the British public have no faith in sentencing? The criminal justice system can be effective only if the public have confidence in it.

The Bill also fails to extend a magistrate's power of sentencing to up to 12 months, yet that was a firm manifesto commitment. Not only are we not implementing what was already in the law, we are repealing that part of the law in this Bill. We have already heard at length how schedule 10 removes the ability of the courts to remand somebody in custody, to try to make it harder for people to be remanded in custody so that they are instead granted bail. In the previous Parliament, the last Labour Government introduced the mechanism that time spent on bail on a tag could be knocked off a prison sentence in the same way as time spent on remand is knocked off a prison sentence. We were apoplectic with rage about that, and my hon. and learned Friend the current Solicitor-General said when we were in opposition that this proposal

"will cause a great deal of scepticism, undermine public confidence in the justice system and make the Government look increasingly ridiculous if the court is then required to say, 'By the way, all the time that you have spent at home in bed is time that can be taken away from your custodial sentence.'"—[*Official Report*, 9 January 2008; Vol. 470, c. 369.]

I could not agree more. The only difference is that I still believe that this is wrong, whereas my Front-Bench colleagues have gone from thinking it was utterly ridiculous to formalising the policy as part of the Bill. Of course, the other measure to which we were wholly opposed in the previous Parliament was the automatic release of people halfway through their prison sentence, and that, too, is formalised in this Bill.

The British public are losing faith in the criminal justice system. One only has to look at the Populus polling carried out by Lord Ashcroft that showed that 80% of the public—80% of victims of crime, 80% of police officers—think that sentences for convicted offenders are already too lenient. When asked how they expected

the new coalition Government would compare on crime with the last Labour Government, more than 50% of those polled said they expected them to be tougher. When asked their views a year after the coalition Government came to office, only 13% thought the Government had been tougher, whereas 23% thought they were less tough. That perception is a disaster for the Conservative brand, and this Bill will only further weaken our position.

All the above shows that this Bill is not the rehabilitation revolution or the reduced reoffending revolution we were promised; rather, it is a release revolution that will simply catapult more criminals out on to the streets to commit more crimes. I do not know if the Lord Chancellor is trying to break the world record for the number of manifesto pledges broken in one Bill, but if he is, he has made a good fist of it.

4.27 pm

Mr Elfyn Llwyd (Dwyfor Meirionnydd) (PC): I am going to speak against much of this Bill, but probably not as vehemently as the previous speaker.

The Bill serves two purposes: it attempts to advance and also to set back our legal system. I am reminded of the section in Lewis Carroll's "Through the Looking Glass" in which the heroine, Alice, takes one step forward only to find herself taking two paces back. Some of the proposed sentencing reforms in part 3 of the Bill will tidy up the current sentencing framework by correcting some anomalies to do with release on licence, yet the concurrent cuts to legal aid we are being asked to push forward would hijack any claim our legal system has to being just. In my contribution, I will briefly set out my thoughts on both aspects of the Bill.

Although I have mentioned Lewis Carroll, I hope it will not seem too topsy-turvy for me to start by considering the end of the Bill. As I have mentioned, part 3 introduces some positive reforms, and I am particularly interested in clauses 93 to 96. In February, I introduced a ten-minute rule Bill with the aim of correcting various anomalies in sentencing, and I am pleased that some of them have been included in the Bill. My Bill's aim was to ensure that prisoners serving determinate sentences of four years or more, as well as those on indeterminate sentences for public protection, are released back into the community only when a parole board has determined that they are a low risk to the public. Harry Fletcher of the National Association of Probation Officers assisted me in making those arguments. Incidentally, my Bill also argued for the ability to have regard to mental health problems when sentencing convicted persons. I am pleased that clause 62 goes some way towards realising that.

Under section 244 of the Criminal Justice Act 2003, when a fixed-term prisoner has served the requisite custodial period, the Secretary of State should release them on licence. Since 2005, however, those serving four years or more have come out after serving only 50% of their sentences, regardless of what progress they make in prison. My Bill proposed to add a subsection that would have ensured that before the release of a person sentenced to four years or more in prison, the Parole Board must be satisfied that the individual is at low risk of causing harm to the public and of reoffending. Clause 94 goes one step forward in that regard, in that those released will not automatically be eligible for home detention curfew.

My Bill also suggested a reform of the indeterminate public protection sentence. I understand from the Lord Chancellor that there is to be a review of that. That is welcome, but the devil will be in the detail. The review is long overdue, and something must be done. As the hon. Member for Broxtowe (Anna Soubry) has said, one of the main problems is that there are no courses for those people. That is the backlog—where the wall is. I am glad that those sentences will be looked at. I continue to press the argument that participation in offender management programmes should be taken into account when deciding whether to release a prisoner early. All things considered, I am glad about that provision.

I come now to the disappointing aspects of the Bill. As I have indicated, any attempt by the Ministry of Justice to suggest that the reforms in the Bill aim to make the criminal justice system fairer are undermined at the outset by the provisions in part 1, which will result in cuts of roughly £450 million a year to the legal aid budget. The consultation document boasts that legal aid will be retained in cases in which people's life or liberty is at stake, in which they face the threat of serious harm or immediate loss of their home, or in which their children will be taken into care. It is almost as if we are meant to applaud that magnanimous decision, but the self-same document proposes to slash legal aid for almost all private family law, clinical negligence, employment and immigration cases, and all but the most severe debt, housing and welfare benefits cases.

Jessica Morden (Newport East) (Lab): Does the right hon. Gentleman agree that the timing of the proposals is particularly difficult? They are being made at a time when the Government are proposing major changes to the welfare system. Many who will wish to challenge unfair decisions will be left without access to legal aid at the time of most need.

Mr Llwyd: The hon. Lady is absolutely right and has hit on an important point. In any event, this is the wrong time for this Bill. I hope that the Government pause in Committee to think again.

As I set out in my contribution to the legal aid debate in February, if the legal aid reforms are implemented, they will create a market for legal aid, which will be driven by cost rather than by the needs of clients. The most vulnerable people, including those with mental health problems and other disabilities, will find it almost impossible to gain access to free legal advice, because their cases will be too complex for firms to take on. The MOJ's equality impact assessment acknowledges that the losers will predominantly be women, ethnic minorities and disabled or ill people, at 57%, 26% and 20% respectively.

The proposals about which I was most concerned—removing ancillary relief and private family proceedings from the scope of legal aid—remain largely unchanged, despite respondents, including me, arguing that not all cases can be successfully diverted to mediation; that without early legal advice fewer cases would settle, increasing the burden both on courts and those involved in disputes; and that decisions should be delayed until the outcome of the family justice review. Those pleas have fallen on deaf ears. Ancillary matters, such as child custody and maintenance, will not be dealt with sensibly, I am afraid, and it is difficult to overestimate the devastating effect that that will wreak on children caught

[Mr Llwyd]

up in these kinds of disputes. I speak as someone with 30 years' experience in family cases, both as a solicitor and a barrister—I should declare that many of those cases were publicly funded.

In their response to the consultation, the Government conceded that legal aid should be available for victims of domestic violence. That is an important step, since in a 2005 study by Tridner et al 53% of women reported physical or emotional abuse as a cause of separation. Sir Nicholas Wall, president of the family division, has pointed out how "ill advised" the Government are to concentrate on domestic violence alone. Abuse, as Sir Nicholas said, is much broader and can be psychological, financial and/or emotional. One-size-fits-all solutions simply do not work with the complexities of our justice system.

The cuts to legal aid will increase rates of injustice, which is difficult to square with what the Prime Minister said about the reforms. He said last week at a press conference on the wider proposed reforms that his mission was to make sure that families felt safe in their homes—a worthy aim, of course, but there are many, many problems with the detail of the Bill. Vulnerable people will be left to go it alone. As Justice has said:

"The duty of a democratic state should be to ensure that members of society abide by, and benefit from, the provisions of the law."

Both considerations appear missing from the cuts.

Hon. Members do not need to take it from me how dangerous these moves are. The European Court of Human Rights has criticised them, as has the United Nations Committee on Human Rights and the UN Human Rights Council. Our justice system should serve everybody, not the few, but these cuts to legal aid are crude, cumbersome and callous. The cuts in the scope of legal aid will undermine not only the reforms that the Government are promoting, but, if the cuts are implemented, the very principles on which our justice system rests.

4.37 pm

Simon Reevell: I declare an interest in accordance with the Register of Members' Financial Interests, as I have practised as a barrister since 1990.

There is not much in the Bill that is not about saving money, which, in itself, is not necessarily a bad thing. I am afraid, however, that some of the proposals could undermine confidence in the system. On the criminal law side, one example is how the Bill makes provision for the greater use of cautioning. West Yorkshire police, who operate in my constituency, are an innovative force pioneering a scheme called "In the Dock", which displays photographs and details of convicted criminals on the internet. They hope that it will act as a deterrent and provide reassurance. It might work, but at the same time victims and the wider public might be more reassured, and potential criminals might be better deterred, if the same force did not caution thousands and thousands of criminals each year, including for sex and violent offences. The Bill encourages cautioning for adults, however, together with the greater use of fixed-penalty notices. That is cheaper, sure, but the message goes out, "Don't worry, you'll only get a caution." Is there really a clamour from victims of crime for the increased use of cautioning by the police?

Other powers sought in the Bill are simply unworkable. Clause 12 allows the provision of legal advice at police stations to be means-tested. Before Labour Members get too excited, I should say that the only reason why that was not introduced through the back door by the previous Labour Government was that the High Court stopped them. The provision simply will not work. Legal advice at police stations is guaranteed by Act of Parliament. If the police were anxious to interview someone who was self-employed and did not have three years of accounts on him when arrested, what would happen? Someone would have to sit down and work out whether he qualified for assistance. There is no basis for bringing that sort of provision into the criminal justice system.

The Bill also introduces a knife crime offence that already exists in at least two other statutes. It does not mean that jail for carrying a knife is automatic— nor should it. The young ex-soldier I represented who had been blown up in Kosovo and who had a knife in his coat as he walked through Middlesbrough for reasons he did not really feel able to explain should not be sent to prison automatically because he falls foul of legislation. There has to be room for discretion. Sentences of up to four years are already available to the courts, and if the new offence in clause 113 is to be introduced, I invite the Minister to review its wording. The current wording certainly creates an offence, but it will also create practical difficulties for prosecutors seeking to secure convictions.

There are positive measures in the Bill. The Legal Services Commission is dysfunctional, and it is a courageous but necessary decision to bring it in-house. Already the inability to process legal aid forms is causing delays of months, which are unfair to victims and a waste of resources. The LSC's inability to process payments threatens jobs in small businesses and is a disgrace. If a template for how to do that job well is required, the Minister should visit the Armed Forces Criminal Legal Aid Authority, at which a small group of people working in a portakabin demonstrate what can be achieved.

Other aspects of the Bill appear to cause concern but in reality do not. Schedule 10 might not be a good advert for drafting, but it does nothing to change the status quo as far as the granting of bail is concerned. The double negative involved means that the absconder or the reoffender will not benefit from those provisions. Elsewhere in the Bill, unfortunately, positive features—of which there are some—are overshadowed by the steps being introduced to achieve savings. An example of that is clause 57, which takes away the mandatory requirement to impose a community sentence alongside a suspended sentence. There are occasions on which that is simply unnecessary and is a waste of resources as far as the probation is concerned, but, as my hon. Friend the Member for Shipley (Philip Davies) has indicated, the clause also moves back up to two years the length of sentence that can be suspended. Suspended sentences have been fashionable, then unfashionable, and have become fashionable again over the past 20 years, but the effect of the measure is that a sentence of 18 months, which currently has to be served, could in future be suspended. I agree with my hon. Friend that sentences of more than 12 months really ought to be served.

Let me address the measures on civil courts, in which decent people who have suffered dreadful loss through personal injury or clinical negligence receive financial compensation to offset their suffering—and no more than that. There is no profit element to a victim's damages, and a victim of surgical error can be as much a victim as a victim of crime. Some of those victims are children whose births were so badly mismanaged that they will never become adults. I remember acting for one such child: not only was he going to require 24-hour care for the rest of his life, but his parents had not even been told by the hospital how long that life would be. When I told them that number at a meeting—it was not a large one—two of the most dignified people I have ever met looked at each other and said, "Well, at least we'll always be young enough to look after him properly." The compensation they received was carefully costed to provide only what was necessary and no more.

The Bill introduces the concept that the successful claimant should pay part of their costs from the damages. The idea that this might make people more involved in the claim may have a certain appeal, but in reality it means that that element will have to be funded from damages that are awarded for pain and suffering. In practical terms it means that although someone wins their case, not all the steps around their house can have a ramp and not all the doors in the property can be widened.

In clinical negligence claims, a claimant inevitably requires expert medical evidence. As that is expensive the claimant can take out a policy to insure against the cost, if the claim fails. At present, that is recoverable from the other side and will remain so, but only in clinical negligence cases. If the same injuries with the same consequences occurred as a result of a surgeon driving into the victim, rather than performing a negligent operation, the premium will have to be paid by the successful claimant from the damages they receive. That seems strange, because the people who will be affected by it are not ambulance chasers or part of a compensation culture, but innocent victims. The offer of a safety net that requires claimants to demonstrate human rights violations in order to get justice is a poor solution.

We should prosecute those who should be prosecuted and jail those who should be jailed. We should make provision that allows those whose lives are ruined not by crime but by the negligence of others to achieve proper redress. We should, because we must, look to make savings, but savings in the justice budget must not become synonymous with providing less justice.

4.45 pm

Sir Gerald Kaufman (Manchester, Gorton) (Lab): This Bill has not had a good reception on either side of the House of Commons. Several hon. Members have referred to the impact of these changes on women who suffer domestic violence and who will be ineligible for legal aid under the Bill because the evidence that they will be required to present is far too restrictive. Because of these proposals, there is likely to be an increase in the number of women being cross-examined by a perpetrator in detail about the physical or sexual violence that they have experienced. That will mean that a woman who is already a victim will be re-victimised.

My constituency is one of the most deprived in the country. The latest figures show that we have 9.7% unemployment. What the Government have done across the spectrum in ending the health in maternity grant, ending the education maintenance allowance, cutting Sure Start and increasing tuition fees will mean that life is harder for the people who sent me to Parliament. This Bill is yet another instalment in what they are doing to the people of Gorton and the people of Manchester. In the past two years, two independent advice centres in my city have closed down. Manchester Advice, which had about 100 staff providing advice on welfare rights, housing and consumer affairs and debt, closed in April. All that is left is the community legal advice service and a couple of solicitors who have a contract for rather less than £3 million over three years but are facing a 10% cut in October. In any case, none of the specialists' work will be funded when the contract expires in two years' time.

South Manchester Law Centre in my constituency struggles on with a small immigration contract. The situation is such that the law centre may well be destroyed, and that is the body to which my constituents with immigration problems have to turn. That means that they will increasingly have to turn to their Member of Parliament or pay exorbitant sums to grasping, greedy solicitors. There are now only two legal aid immigration advice providers in Manchester, but within three miles of South Manchester Law Centre there are 50 solicitors firms, and at least the same number of non-solicitors, all anxious to part vulnerable people from their money. On Friday evening, I shall have my constituency surgery, and people will come to me and tell me of the hundreds of pounds they are being forced to pay because of the lack of adequate free advice that is so essential to them.

Again and again, this Bill damages the people who can least survive the damage. In Manchester, there will be some £2 million-worth of cuts in the civil legal aid budget, approximately two thirds of which are directed at people who are currently eligible for legal aid, while one third will come from remuneration cuts to providers who will be expected to do the same work for less money. All that affects the same people who have been hit by the cuts in public service delivery. The majority of the 6,500 people in our area who have used the civil legal aid service come from low-income households, and they are predominantly women, black and minority ethnic people and sick and disabled people. People with mental health problems and other disabilities experience much higher rates of unemployment, homelessness and discrimination, and they will be disproportionately affected.

Again and again, we hear examples of how people in my constituency and more widely will be damaged. The areas of welfare benefit, employment and debt, except for cases in which the client's home is at immediate risk, will be removed completely from the legal aid remit, and such access as there will be to legal aid will become more difficult. For example, the community legal advice helpline has an 0845 prefix, which is expensive for people to dial and, in addition, people want and need face-to-face advice. They do not want to talk to somebody who will not be able to see or assess them; they want advice from other human beings who care about them.

People with learning disabilities and mental health issues prefer to receive advice in person in order to pick up on non-verbal signals and to build the trust necessary to talk about their problems, because people are shy, reluctant and, sometimes, ashamed to talk about their

[Sir Gerald Kaufman]

problems. Women who suffer domestic violence put up with it because they are ashamed to talk about it and ashamed about getting into the predicament.

We are faced with a Government who are taking away from people who need the services that members of the Government do not need and have never needed, so they do not understand the damage that they are causing. I say to the Government and to the many Government Members who have had the decency to talk about their misgivings, let us try to improve the Bill, because people's lives, well-being, peace of mind and domestic situations all depend upon it. We cannot go on like this—victimising those who are already victims.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. Just before I bring the next speaker in, I am going to reduce the time limit to six minutes. We still have 20 speakers to come, and I do want to get everybody in, so anybody who can shave a little time off that will be gratefully welcomed.

4.53 pm

Nadine Dorries (Mid Bedfordshire) (Con): I thank the Secretary of State and Lord Chancellor for bringing forward a balanced and pragmatic Bill that identifies problems that have built up over a longer period, but I, like many colleagues, have several concerns about the sentencing and legal aid proposals. Speeches have been cut to six minutes, but my hon. Friend the Member for Dewsbury (Simon Reevell) highlighted subtly and beautifully all the points that I wanted to make about clinical negligence, so there is no point in me making any of them again.

I should like to discuss the sentencing proposals, however. Before I became a Member in 2005, I spent three years working for the current Minister of State, Cabinet Office, my right hon. Friend the Member for West Dorset (Mr Letwin), who during that time was shadow Home Secretary. For a year, I went in and out of prisons and, for most of that time, in and out of young offenders institutions throughout the country.

One observation that I made during that year was that the young offenders all came from chaotic backgrounds. They had learning disabilities, many had mental health issues; very few had had a father at home and many had drug problems. They could not read or write, they lacked confidence and they had had very little education, mainly because no one had been there to take them to school from an early age. They had never got into the routine of attending school, and their lives before they entered the young offenders institution were abysmal.

The YOIs gave them three meals a day, however; they got into a routine whereby they went to bed at night and got up in the mornings; they were introduced to drug rehabilitation programmes; they had a chance to learn such skills as bricklaying; some of them painted for the first time in their lives and learned how to be decorators; and at Thorneywood YOI in Warrington they worked in the kitchens for a while with the caterers. It was good to see the work that was being done with some of the people in those institutions.

I believe that prison works. It works because it takes the young offenders away from their chaotic lifestyles and puts them where work can be done. The Lord Chancellor mentioned "radical reform", but I would like to see radical reform that introduces really serious drug rehabilitation programmes. I would like sentences to be served in full so that work can be done with these people when they come into the prison or YOI.

One of the main problems with reoffending was that once people left the YOI, there was no housing for them. The probation officers used to tell me, "We have nowhere for them to live." So they would go back to the squats and the friends they had been with before, and therefore straight back into the lifestyle that put them into the YOI. They became recidivists and ended up back in prison. That is where the social impact bond scheme in Peterborough is doing so well and where its real strength could lie. Let prison work and ensure that people serve their sentences in full. Do not put 2,650 people back into the chaotic environments they came from. Ensure that we have true prison reform so that they go somewhere they can receive true education and be taught skills, come off drugs and build up their confidence. Put them into the institutions because prison can work.

Will the Minister confirm when he winds up whether it is the case that private prisons in the UK operate at a cost that is 40% less than state prisons? If so, why are we looking at putting 2,650 prisoners back on the streets to save costs? Why do we not take on the Prison Officers Association and address the reason why it costs 40% more to run state prisons than it does private prisons? Why not look at marketeering in prison reform as well as in education and health?

My main point is that people should not be put back out on the streets: we should make prison work. We have institutions that can offer everything that people need—education, skills training—to ensure that they do not offend when they get out.

4.57 pm

Yvonne Fovargue (Makerfield) (Lab): As I am the chair of the all-party group on legal aid, it will come as no surprise that I wish to speak today mostly about the proposals to reform legal aid. However, I first wish to take issue with the attempt by the Government to legitimise the cuts in legal aid by insisting that England and Wales have by far the most expensive legal aid system in the world. The one piece of research that has been done on this is on the Ministry of Justice website and it says that it does not compare like with like. It is an interesting piece of research and I commend it to hon. Members.

Legal aid is the smallest proportion of the justice budget and it is the hardest hit. More than 5,000 individuals and groups responded to the consultation and 90% said, "Do not take social welfare law out of scope." I stress that these were not fat cat lawyers, worried about their income, but individuals and organisations who see the effect that the proposals will have on their most needy and vulnerable clients—those who are least able to defend themselves.

Stephen Lloyd (Eastbourne) (LD): Does the hon. Lady agree that the reforms will be a tragedy for the citizens advice bureaux, which have a tremendous reputation for serving those very disadvantaged individuals who will lose out as a result of these cuts in legal aid?

Yvonne Fovargue: I accept that point and I will address the effect on citizens advice bureaux and other advice agencies later in my speech.

The Government's impact assessment acknowledges that the losers will be predominantly women, people from ethnic minority backgrounds and the ill and disabled—yet another example of the most vulnerable bearing the brunt of the cuts.

It is worth reminding the House why the scope of legal aid was extended to include social welfare law, and why advice agencies and not-for-profit advisers were able to enter the field. The Labour Government recognised that it was cost-effective to provide early intervention and advice and help with dealing with a cluster of problems. Dealing with problems at an early stage stopped people reaching crisis point and turning to other more expensive Government-funded services.

The Government recognised that advice agencies, such as the CAB, had expertise in this area and could provide an effective and a trusted delivery mechanism. Not all bureaux have contracts, but more than 200 do, and they have more than 1,500 outlets that provide advice. Throughout the country, they provide specialist services that are funded by the Legal Services Commission. Without this funding, the viability of all those outlets and their main bureaux is under threat coupled as these cuts are with cuts to local authority funding, loss of primary care trust funding and no certainty about the financial inclusion fund.

In 2010, 3,080 cases in my own borough were procured by the LSC. If these plans go through, there will be a 76% cut in those cases. Some 2,342 people will be denied access to justice. The total loss of funding in Wigan will be £428,000. Behind those figures are people, including the woman who attended my local CAB because she was being prosecuted for fraud by the Department for Work and Pensions. She was told that she owed £26,000, but after three appeals, it was found that she owed less than £300, due to departmental errors.

There was also the couple who had borrowed money to adapt their property for their disabled child. After her unexpected death, they could no longer maintain all the repayments due to the drop in their income, and they had the bailiffs at their door. Then there was the woman in the secure mental health unit who needed help after she had been refused disability living allowance and had had her jobseeker's allowance suspended for not attending an interview. I could go on but each example demonstrates that it is the vulnerable who are losing out, and they are now losing those who are there to speak out for them.

The timing of such cuts, with the Welfare Reform Bill coming in in 2013, is absolutely appalling. People's fundamental right to have a decent income and to live without fear of debt is being removed. The loss of legal aid in welfare law means that people are also losing the ability to hold Government Departments to account. The DWP already loses more than 60% of its cases, and those cases will now no longer be challenged by advice agencies.

Demand for debt advice is also going up, as rising prices, static wages and job losses mean that people can no longer afford to maintain payments. Tackling the issue when it reaches crisis point and people are in imminent danger of losing their home is not a sensible, fair or economic way in which to deal with the problem. Dealing with debt at an early stage ensures that priority debts are not ignored to pay the clamorous non-priority creditors and, most important of all, it takes away the extreme levels of stress and depression that any threat of losing a home or possession, imminent or not, causes to individuals. In 2009, the Legal Services Research Centre found that unresolved debt matters cost the public purse more than £1,000 on average. Legal aid for each debt cases costs £196. The figures speak for themselves.

I could go further but I would like the Minister to answer some questions. What is his Department doing to address the impact of the Government proposals on the advice sector? What assessment has he made of the availability of advice in 2013? What assessment has been made of the effect on the tribunals service of increasing numbers of people representing themselves? Finally, has any assessment been made of the cost to the public purse of not providing access to social welfare law under the legal aid scheme?

5.4 pm

Anna Soubry (Broxtowe) (Con): I would like to speak about the criminal justice system and our sentencing policy as reflected in the Bill. I declare my interest: I practised as a criminal barrister for some 16 years before being elected to the House.

If there was ever a man without a plan, it was the right hon. Member for Tooting (Sadiq Khan). He and the right hon. Member for Blackburn (Mr Straw) and, indeed, many other Opposition Members really should hang their heads in shame. After 13 years of a Labour Government, we are faced with a legacy of complete failure in the criminal justice system. Yet again, rather like the deficit, it falls on this Government to clear up the mess left by Labour.

Karl Turner (Kingston upon Hull East) (Lab): Does the hon. Lady not accept that crime fell by 43% under the previous Government? As a criminal barrister, she really ought to acknowledge that fact.

Anna Soubry: I am afraid that I do not accept that figure. I do not think that things are as simple as that. For example, as the Lord Chancellor explained, the theft statistics have fallen because of the protection that is now afforded to motor vehicles. Antisocial behaviour is not a recordable offence. I know from my own experiences in Nottinghamshire that the police are almost bending over backwards not to record criminal activities as recordable offences. So I cast real doubt on those statistics.

The hon. Gentleman talks about statistics, so let us listen to those on the legacy that we have inherited. Our prisons are full to bursting. Reoffending grew under Labour to 61.1% for offenders who serve short sentences. Half of adults leaving jail are reconvicted within a year, and 74% of young people sentenced to youth custody and 68% of young people on community sentences reoffend within a year. Those are the damning statistics. That is the legacy, and that is the reality.

We face other realities as we approach those difficulties. Prisons are awash with drugs. How many people are astounded to hear that there are things called drug-free wings? Hon. Members might suppose that all our jails should be free of drugs, but unfortunately they are not.

[Anna Soubry]

Some people actually turn for the first time to class A drugs because they are in custody. I know from my experience of the people whom I represented that not only are drugs freely available in prisons, but they are often cheaper on the inside than out on the street. That is the legacy that we inherit.

Too many of our prisoners languish in 23-hour bang-up, because they cannot get on to courses and no work for them is available. The Bill specifically addresses such difficulties and issues, and I want to herald the proposals and want them to triumph. That will mean that people in prison will actually work. They will earn money that will go back to the people who are the victims of the crime. We are introducing good and right measures that will go a long way to ensure that prison works. At the moment, prison does not work. That is why we have those reoffending rates, why prisons are awash with drugs and why so many prisoners are on 23-hour bang-up.

We must not take a simplistic and broad-brush approach to sentencing. With great respect to many hon. Members, that is, unfortunately, what they do. The Bill achieves a difficult and delicate balance: it recognises the need to reform, but it does so within the financial restrictions and realities that this nation faces. Those who say simply, "Bang 'em all up and throw away the key," fail then to say how much that would cost and how on earth we would pay for it.

The Bill recognises the failures of too many short-term sentences, as well as the fact that some people need to spend longer in prison. We are now considering the reform of indeterminate sentences for public protection. The last Government changed the distinction between short and long-term imprisonment, which fell at four years. Under their legislation, there was no such distinction. Those who got four years served three quarters of their sentence; those who got less than four years served half. Labour abolished that, so that all prisoners on determinate sentences were automatically released halfway through. We are now considering reforming imprisonment for public protection so that the most serious offenders return to serving three quarters of their sentence. We should welcome the measures, as I certainly do.

I am grateful that the Government have listened and consulted, especially among those of us who have only recently returned from the front line of the criminal justice system. I welcome the fact that we will not increase the amount of discount for a guilty plea to 50%. I spoke out against that without any difficulty. I urge the Government to go further and consider freeing our judges so that there is no mandatory figure. In some cases, a discount of more than 50% is needed and would be welcomed, while in other cases, there should be no discount however early a plea is entered. My message to the Government is to free our judges.

I know that many Government and Opposition Members have concerns about legal aid. I urge the Government to ensure that the poorest and most vulnerable in our society continue to have access to legal aid, especially women, who might be abandoned by feckless and adulterous husbands or partners who leave them penniless while themselves remaining in funds. Such women will not have access to legal aid to ensure that they are properly sorted out in the proceedings on divorce and ancillary relief for them and their children. We must protect them.

I am afraid that the clock is against me; I wanted to talk about IPPs. I welcome the Government's proposals and I look forward to the consultation. I also put in a quick plug for the hon. Member for Kingston upon Hull East (Karl Turner), who is determined to increase sentences for dangerous driving, which is a thoroughly good idea. The Bill is a mixture of soft and hard. It is realistic, given the circumstances, and I commend it thoroughly to the House.

5.12 pm

Karl Turner (Kingston upon Hull East) (Lab): It is always an absolute pleasure to follow the hon. Member for Broxtowe (Anna Soubry). I agree with some of what she says, and certainly with her remarks on my Bill about dangerous driving.

I do not disagree with everything that the Government propose in the Bill, but I have concerns about parts of it. On civil liberties, for example, clause 12, which seeks to limit advice and assistance in a police station, is a mistake. It is no good for the Government to say that the previous Government proposed to do similar things; I am concerned about what this Government are doing. Section 58(1) of the Police and Criminal Evidence Act 1984 provides that people in a police station are entitled to legal advice from a solicitor in private consultation. That absolutely must remain. Clause 52 proposes to prevent people from recovering defence costs in Crown courts. If they pay their own fees, they will be prevented from recovering their costs if they are successful at trial. That is a mistake.

I am concerned that the Government seem to be ignoring advice. Some of it is very good—the hon. Member for Maidstone and The Weald (Mrs Grant) made some superb remarks about what effects she thinks the Government's plans will have—but the Government seem to be passing it off as irrelevant and unimportant. *[Interruption.]* The hon. Member for Broxtowe says that that is not right, but I have seen it. The Bar Council has provided detailed proposals for alternative savings. I have seen no evidence of the Government's acknowledging those proposals. That also applies to Law Society proposals. I agree with the remarks of the Bar Council, my professional body, that the Bill represents do-it-yourself justice, not access to justice.

Of course, solicitors, whether family or criminal—whatever the nature of the practice—are bound to want to protect themselves from cuts to their businesses. However, in my experience, publicly funded lawyers do not act just for money but because they want to help people, give them advice and protect them from often complex law. Lawyers always say that law is complex—we are bound to do that. I say it constantly, even to myself. However, it is genuinely difficult, and the procedure is often complicated. Lay people struggle with the most basic proceedings, and I have real concerns about the Government's agenda. It is truly the most vulnerable who will suffer the consequences of the Government's proposals.

Let us consider only a few of the matters that will be outside the scope of legal aid provision: clinical negligence, criminal injuries compensation, debt, education and employment. It is madness. Providing employment advice and assistance saves money in the long run. If a client

goes to an experienced employment solicitor with instructions about a case, the solicitor is often the filter that prevents them from completing what is nowadays called an ET1 and getting it to a tribunal. That prevents costs in the long run. The Government have failed to recognise that.

Rehman Chishti: Employment tribunals do not currently have the power to order costs. What about a position whereby a malicious claim is made, someone defends their character and fights all the way but cannot be awarded costs at the end? Does the hon. Gentleman think that that needs to change?

Karl Turner: I am not sure. I do not think that I have time to consider the hon. Gentleman's point properly and give him a fair answer. It worries me that, although the Government are trying to save money, not providing advice and assistance at this early stage will cost them much more in the long run.

Excluding housing law and welfare benefits will mean the most vulnerable in society suffering the most. The Chairman of the Bar said:

> "The Government has failed to listen to the views expressed by many in the judiciary, the legal profession and voluntary organisations in formulating its proposals on legal aid.
>
> Legal aid will be withdrawn from whole swathes of areas of law and access to justice will be systematically deprived."

I agree entirely. He does not have an axe to grind. He has been in the profession for a terribly long time and should be respected for his professional opinion.

I could mention many solicitors in my area who have contacted me in recent days to warn me of the dangers of lack of access to justice. They make those points not because they are worried about not buying the next flash car, but because they represent people and they care about those clients. I mean that sincerely.

5.19 pm

Amber Rudd (Hastings and Rye) (Con): The Bill falls into two distinct parts, despite its tripartite title: first the reforms to sentencing and the punishment of offenders, and secondly the changes to legal aid.

On the first part, I welcome the key changes. The public need reassurance that this Government can protect them from crime and tackle the issue of reoffending, about which my hon. and learned Friend the Member for Sleaford and North Hykeham (Stephen Phillips) spoke so well. I particularly welcome the work for prisoners' reform. Locking up offenders is fine, but how much better to have them repaying their debt by working, and increasing their own motivation and appetite for work on exit. Part of that must be the crackdown on drug abuse inside prisons. I completely agreed with my hon. Friend the Member for Broxtowe (Anna Soubry) when she pointed out how many people recently have expressed their concern and outrage at the concept of drug-free wings in prison. Our ultimate aspiration must be drug-free prison. That, above all, will help people avoid offending. I welcome this tough but fair Bill, which addresses the problems of drugs and worklessness in that respect.

Turning to the legal aid side and the cuts in the civil sector, the Government have provided much evidence of the disproportionate costs of legal aid in this country, and I do not doubt it. I agree heartily with the strategy of discouraging too much litigation, particularly at a cost to the public purse. But surely the challenge that we are setting ourselves is to fillet out areas of waste while leaving intact the essential service of legal aid for the most vulnerable.

I wonder whether the cuts as currently set out fall too harshly in an area that has as its sole objective the support for people who are least able to speak up for themselves. As the hon. Member for Kingston upon Hull East (Karl Turner) said, that area is not replete with fat cat lawyers; it is mostly populated by men and women who are committed to helping the most needy in their communities. [HON. MEMBERS: "Hear, hear."] As we know, not everyone is able to speak up for themselves. We talk of telephone lines and of self-representations at tribunals, which are things that MPs could do, although naturally we hope not to be in that situation, but which many people who are less educated simply cannot.

I therefore ask the Government to consider carefully the issue of taking welfare benefits out of scope. That phrase needs some explanation; when talking to colleagues I have found that not everyone understands it. What it means is professional advice going to people who need it, regarding their welfare claims on the ground. It sounds trivial but it is absolutely not. This is about critical sums of money for families who need every penny—and, by the way, most of these situations do not involve a lawyer.

In Hastings, three agencies have come together. They have a contract for £270,000, and last year they gave face-to-face service to 1,500 people—detailed advice and support, often including accompanying them to tribunals. Make no mistake: we need those services. I am told that 56% of those who attended that service had long-term illness or disability, and of those 69% had mental health issues. Where will they go? I hope we shall have an answer, because although we have had some encouraging comments from Ministers we need reassurance that there is somewhere for those people to go if that service is taken away.

Last year, the Hastings advice and representation centre supported 250 benefits appeals, of which it lost only two, which clearly demonstrates the value of that work and the fact that it takes things on only where there is a real case to answer. If we knew that the Department for Work and Pensions made only good decisions and that the reforms to universal credit which we are so looking forward to had come through and the system worked 100%, I would have no doubts about supporting the cuts to that aspect of legal aid, but at the moment we know that is not the case, and while that problem exists we must have a system to support these people.

I am not saying that there are no cuts to be made—oh no. We have a major deficit to sort out and we must make these cuts. The Law Society has made some suggestions; I have another. I would like to look very carefully at the funding of trivial human rights cases, in which lawyers have spent huge sums on establishing largely technical violations of the European convention. For instance, how much money was spent last year by the last Government on legal aid for prisoners? Can we have less legal aid for prisoners and more for the most vulnerable in our society?

5.25 pm

Jack Dromey (Birmingham, Erdington) (Lab): Thirty years ago, as secretary of the Brent Trades Council and the Brent Federation of Tenants and Residents Associations, I brought together, with progressive lawyers, the group that formed the second community law centre in Britain. It is still going strong to this day. For three decades, the centre has been a lifeline for those in need of legal advice and representation, challenging public authorities as we did when we won the battle to change housing regulations following the tragic death of a young husband on a high-rise block on the Stonebridge estate; he had been trapped because there was no way out of his burning flat.

Three decades on, as the Member of Parliament for Birmingham, Erdington, I was alongside four brave families who, funded by legal aid, won a landmark case against Birmingham city council, which had cut care to 4,100 elderly and disabled residents in Birmingham. Without legal aid, justice for the vulnerable would have been denied and a heartless council would have ploughed on regardless.

The hon. Member for Maidstone and The Weald (Mrs Grant) spoke on behalf of many on both sides of the House when she summed up the nature of the dilemma. Hundreds come to my surgery, as they do to hers, every month. Many face urgent and serious problems relating to everyday issues such as debt, employment, benefits, care services and family matters. I often refer them to specialists such as those at the Birmingham Law Centre, Citizens Advice or other legal aid solicitors.

Without that help, the people I see would not be able to stay in their homes, in work or in education. The vital advice provided by the specialists in social welfare law has helped many families and individuals whom I see to avoid costly litigation and prevent or mitigate the effects of marital and family breakdown.

Now, under these proposals, 650,000 at recent estimates—and half a million, according to the Ministry of Justice's own impact assessment—will lose out on that vital help through changes to legal aid alone, when other funding streams for free advice have already been cut or are under threat. In Birmingham, about 6,500 cases will no longer be funded as a consequence. Each represents a loss of specialist help when it is most needed.

Legal aid funding is being withdrawn from all employment advice, welfare benefits advice, virtually all debt advice, nearly half of housing advice and nearly all education advice. There can be only one outcome: avoidable poverty and distress for many thousands of people. Not only will people be less likely to receive advice, but advice will be harder to find as agencies currently funded through legal aid find it more difficult to carry on. For example, the average impact of the cuts on individual not-for-profit providers will be a 92% drop in legal aid. That makes no sense, given that we know that the right advice early on can save the public purse up to £10 for every £1 invested.

It is absolutely wrong that in a civilised society, when things go wrong, we deny the people affected access to the specialist help that they need to put things right. As the hon. Member for Hastings and Rye (Amber Rudd) said, we need to tackle the root of the problem—poor decision making by the various state bodies involved—as well as continuing to invest in the existing value-for-money front-line advice services such as the five tremendous citizens advice bureaux and the 13 advice centres in Birmingham.

In conclusion, the Government said that they made their legal aid proposals following consultation. It is clear that these are friendless proposals. It is clear that there has been a dialogue with with the deaf because the Government simply have not listened. They have not listened to people such as Gillian Gray from Citizens Advice, who says that civil legal aid keeps people in their houses, in jobs and out of debt. Hundreds of thousands of people will now have nowhere to turn. Serious cases of family breakdown, unfair dismissal and refusal of benefits will simply get nowhere.

Like my right hon. Friend the Member for Lewisham, Deptford (Joan Ruddock), I was present to hear Supreme Court Justice Baroness Hale earlier this week as she forensically dissected the Government's proposals, arguing that access to the courts without representation is a denial of justice. In her words:

> "There is a well-known ironic saying, usually attributed to Lord Justice Mathew, that in England justice is open to all—like the Ritz."

Justice for the well-off only is no justice at all.

5.31 pm

Rehman Chishti (Gillingham and Rainham) (Con): I speak as a lawyer who practised as a criminal barrister and, for a period of time, appeared in the county court representing victims of domestic violence in seeking non-molestation and harassment injunctions and looking at contact and family law cases. With all that in mind, I consider the Bill in two parts. First, I look at it in terms of improving our criminal justice system and our justice system overall. What do I mean by that? I mean making our justice system more friendly and less acrimonious, and resolving matters at an earlier stage rather than allowing them to go to court. People have talked about mediation and said that it may not be possible in every case. Of course, that is right. However, it is right and proper to consider how to resolve matters before they get to the courts.

Let us consider the consultation proposals put forward for the small claims courts. It is absolutely right that matters are resolved before they get to court because it is often the case that people lose more in legal fees than they gain in compensation or fees awarded back to them by the court.

Mediation cannot, however, be used in cases of domestic violence. That is why the 5,000 responses to the Government's 12-week consultation made it clear that the Government had broadened the criteria for objective evidence to be used in domestic violence cases.

I turn briefly to a matter that is often raised with me by my constituents, who say that it is morally wrong that legal aid is being given to squatters to fight eviction. I asked the Department for Communities and Local Government how many squatters there are in the United Kingdom, and was told that there are 20,000. How can it be right that people can occupy the homes of others and cause damage, and then be given legal aid by the taxpayer—your money, my money—to fight eviction? That is absolutely wrong, and it is right and proper that the Government are carrying out consultation to improve the situation. That would also put us on a par with Scotland, where squatting is a criminal offence.

I want briefly to touch on the subject of legal aid being given to foreign students who want to appeal decisions on visa applications. It is fantastic that people from different parts of the world want to study in our country, but when they apply for a visa at the high commission or embassy in their country and are turned down, they appeal to immigration judges in our country. Who pays for that legal aid? Those students do not pay taxes. British citizens pay for that legal aid. That is wrong and it must stop.

Another important point about immigration cases, which the Bill deals with, is the instances of repeated appeals on judicial review on the same point, one after the other. I spoke to an immigration tribunal judge who raised that very point. He said that people make numerous appeals, one after the other, on the same point, and get legal aid. Clearly that is wrong, and it has to change.

The Law Society proposes that legal aid be capped at £250,000 per lawyer, but that is unworkable as it means that legal aid would have to be transferred to another lawyer. Its proposal does not tackle the root cause.

The shadow Justice Secretary said that under the previous Government reoffending and offending behaviour had been looked at. That is complete nonsense. I tabled a written question to the Ministry of Justice asking how many prisoners had lost remission for disciplinary offences in the previous 12 months. The answer revealed that

"in 2009 the disciplinary punishment of additional days was imposed on 11,550 occasions".—[*Official Report*, 27 June 2011; Vol. 530, c. 517W.]

That quite clearly shows that the system is shambolic. In the past, prisoners did whatever they wanted and misbehaved, yet they were let out early. That is the record of the previous Government.

The Secretary of State spoke of rehabilitation and of prisoners doing 40 hours of work. A judge imposing a custodial sentence will be able to instruct the defendant to work for 40 hours and pay compensation to his victim. That is restorative justice and it stops the victim being hung out to dry.

I very much welcome the Secretary of State's proposals. We must listen and engage, but the 12-week consultation showed that we have listened about broadening the definition of domestic violence and are working with other parties to ensure that hard-working taxpayers' money is not given to people who enter properties, cause damage and yet are given money to avoid eviction.

Applying the principle that brevity is a virtue and not a vice, I end my remarks.

5.36 pm

Lisa Nandy (Wigan) (Lab): I want to discuss a problem that the Bill creates for the victims of human rights abuses committed by UK-based multinationals operating overseas.

In the wake of the financial crisis there is near-universal recognition that the moral code that binds individuals and states also binds business, that nobody is above the law and that multinational corporations cannot be allowed to put profit before people by committing crimes against them and the environment. That is why I am deeply concerned about the proposals on civil litigation costs, which will make it virtually impossible to bring cases against multinationals.

Members will know that such cases are lengthy, taking several years, if not decades, to bring to court. Teams of lawyers are required to work overseas, often in group actions, and, as in the South African miners' case against Cape plc, companies seek to cover the impact of their actions, creating significant difficulties for lawyers gathering evidence to put before courts.

Such cases are not eligible for legal aid. They are brought under a conditional fee agreement or a no win, no fee basis. Given the costs and risk incurred, law firms rely on the success fee to cushion them and to future-fund other cases. As the success fee will no longer be recoverable, the ability to take a case will be severely restricted. The success fee costs us nothing: it is paid by the defendant, but it is vital.

Taken with the proposal to prevent claimants from recovering after-the-event insurance, that will be absolutely devastating. The Government accept that, because of the high costs, this approach is not appropriate for clinical negligence cases. I urge them to think again about these cases, which are similar in terms of the high costs incurred in taking cases to court.

Proposals outside the Bill make the situation worse. The Government intend to introduce a proportionality rule so that costs awarded do not exceed compensation in successful cases. In the cases I have mentioned there is a particular problem with that. Since 2009, the Rome II regulation has meant that compensation awarded to victims is based on the country where the harm was done, but the costs in the UK are considerably higher and will outstrip the compensation. That is why there is a particular issue in this case. Taken together, the three measures will mean that it will be impossible for victims of human rights abuses to get redress.

There are countless examples of where harm has been done. Many Members on both sides of the House fought hard on the Trafigura case in Ivory Coast. There is also Cape plc in South Africa and Rio Blanco in Peru. Victims cannot usually get redress at home, which is why it falls to the UK to act. That is no surprise when we consider that the power of such companies often outstrips the power of the states in which they operate. Wal-Mart has a turnover of $414 billion, which would make it the 26th biggest economy in the world, ranking just behind Norway. It is no wonder that people cannot get redress in their home states.

Last week, the Lord Chancellor told me in answer to a question that he would stand up for the small man. One cannot get much smaller or more voiceless than the people I am describing but his proposals will make the situation much worse, not better. That is not just my view but that of Amnesty International and Friends of the Earth. It is also the view of Professor John Ruggie, the UN special representative on business and human rights, and of Michael Mansfield QC. On this specific issue, he said that the proposals were a

"flagrant violation of the coalition's own commitment to human rights."

That is why I am asking for exemption in these particular cases.

Speaking at a packed meeting for MPs that I hosted last week, the US Assistant Secretary of State for Democracy, Human Rights and Labour, Mike Posner, said that the impact of business will be the defining human rights issue of the 21st century. He said that in the wake of a

[Lisa Nandy]

landmark resolution passed unanimously by the UN this month. It was a landmark in that it was the first time in the 65-year history of the UN that a resolution that was not negotiated by the UN has been passed unanimously.

The UK should be leading the way on this issue. It will cost absolutely nothing, but the cost will be devastating for some of the most vulnerable people in the world if we fail to act.

5.41 pm

Jane Ellison (Battersea) (Con): I welcome the continuing focus of Ministers on tackling the country's appalling levels of reoffending, which we have heard a lot about. I want to focus my comments on the need to tackle drugs dependency among prisoners, not least because to reduce reoffending is to reduce the number of victims, a point to which many hon. Members have returned.

For many low-level offenders, turning them away from crime back to the law-abiding majority depends on a system of rehabilitation that works. The one that we inherited is clearly flawed. Reoffending rates for short prison sentences of less than 12 months had increased to 61% in 2008.

The statistics linking drug addiction among prisoners and reoffending rates are stark. Evidence submitted to the "Breaking the Cycle" Green Paper stated that, from a sample of offenders, 62% of those who had taken drugs in the four weeks prior to custody were reconvicted within a year of leaving prison. That compared to 30% reconviction rates among prisoners who had never used drugs. If we want to address recidivism, tackling drug taking in prison must come incredibly high on the agenda, not least stopping prisoners getting a habit inside, on which we have heard some horrendous statistics.

Like my hon. Friend the Member for Hastings and Rye (Amber Rudd), I welcome the pilot programme of drug-free wings in our prisons. We have all said that we would prefer that the need for them were the exception rather than the rule, but the reality of our prison system is that people go to extraordinary lengths to smuggle illegal drugs in. The Ministry of Justice's own survey last November found that 19% of offenders questioned had tried heroin for the first time in prison, so it is a vital subject to tackle and an abject record that we have inherited.

I very much welcome the fact that the Ministry of Justice and the Home Office are showing joined-up thinking on this. The Home Office's drug strategy 2010 document sets out clearly the need to tackle the counter-productive influence of drugs in prison, boosting intelligence capabilities and security technology in prisons. Those are both key factors in dealing with the problem. Both the Home Office and the Ministry of Justice have highlighted the need for integrated support to help drug-reliant offenders.

This Government are taking a proactive approach to rehabilitating and supporting prisoners addicted to drugs, both illegal and prescription. Some who are released do not want to go on to commit other offences but their reliance on substances is the route to reoffending. Many of them want to free themselves from drugs but instead slip through the net. One is a constituent who wrote to me earlier this year who was coming to the end of an 18-month sentence. After a course of painkillers in prison, he became addicted to significant doses of diazepam. He was desperate to get off drugs before he was released. He knew that if he was released addicted, he would be drawn back towards the same circle of people and propelled back into crime. I was able to help him, but he told me he had exhausted all other avenues of getting help, and that cannot be right. He subsequently found help in the community with an ex-offenders charity. He is now training in a useful skill, and even hopes to start a small business. That is a positive story, but I fear it does not apply for far too many people. Many people are simply released still addicted to drugs and in a vulnerable state, and are then sucked back into the same criminal circles, making it almost inevitable that they will relapse.

There is clearly great benefit in taking a proactive and multidisciplinary approach to tackling this problem. If drug recovery wings are successful, I hope that the pilot will be rapidly expanded, particularly as they have proved to be especially successful for women. I also agree with my hon. Friend the Member for Hastings and Rye that we should aspire to have drug-free prisons, and there are some good examples from around the world. The Sheridan correctional facility in Illinois was reopened as a purpose-built drug rehab prison in 2004 and has had some very encouraging results over the last eight years. The reoffending rates of the prisoners released from there are between 20% and 50% lower than for those released from traditional facilities in Illinois.

Reducing reoffending rates and tackling drug addiction have both a clear economic benefit, as has been discussed, and a clear social benefit. We want fewer victims of crime, and we want to help offenders get clean and go straight, and get a job, pay their taxes and keep their families together. I welcome the Secretary of State's approach on this matter.

5.46 pm

Mrs Jenny Chapman (Darlington) (Lab): It is a pleasure to be called to speak in this debate, but I shall follow the Whip's advice and be as brief as possible as I know that many other Members wish to contribute.

My interest in the penal system began when I was 19, when I did work experience—or what might now be called an internship—at HMP Frankland, a category A prison with every one of its inmates serving a sentence of more than four years. I worked there for six months, and later in my career I worked at YOI Deerbolt, followed by a stretch at Dartmoor before returning to Frankland. I have therefore seen a bit of life inside.

I commend the Secretary of State on his ambition and on the headline of "rehabilitation revolution", because that is undoubtedly what is needed. The problem, however, is that despite the headline, the story he is attempting to tell is full of unfinished or unwritten chapters. When the Bill reaches Committee, I hope that Committee members will seek to find the answers to the outstanding questions, because there are a lot of holes in the information that we have been given so far.

I am at odds with some of my party colleagues in that I am a fan of imprisonment for public protection. When I was working at Frankland—a dispersal prison—in the early '90s, which was a pre-indeterminate sentences era, some category A inmates who had served life sentences and had not been recommended for de-categorisation through the prison system were set

free, even though their probation report, psychology report, education report and personal officer report said, "This inmate will reoffend. He is a danger." That did not happen very often, but it did happen. Some such inmates were released, and there was nothing we could do about it. The courts could do nothing about it; that was the system at the time. It is good that we no longer have that, but I hope that when the IPP system is reviewed the Secretary of State will take great care to ensure that public protection is at the forefront of his mind, rather than reducing the number of IPP inmates.

I know there are strong calls from inmates and their families for the system to be reformed, but the essence of these sentences must remain in place. There is a place for indeterminate sentencing in our system. When an inmate says to me, "Miss, I'm on an IPP, what can I do about it?" I say, "Sort yourself out. First, admit your guilt." It is amazing how many people fail to do that, and until someone has confronted their own internal offending behaviour, there is absolutely no point whatever in sending them on any course—any anger management, drugs rehabilitation or social skills course—because it will not succeed until they have confronted their offending behaviour.

The thing that upsets me most about the Bill is the lack of concern for victims. The fandango that we went through on 50% reductions and discounts in sentences was an insult to victims. The recent treatment in court of Milly Dowler's parents lacked any trace of humanity whatever. It is appropriate for the Secretary of State to say, "This is not acceptable. I will look at this and do something about it." In any case, we need more than words. We need clear actions to put a stop to that kind of behaviour in court. It damages not only individuals but future witnesses, and victims will be less likely or willing to put themselves in that position—I do not blame them.

Opposition Members are frequently asked, "What should happen?" As someone who has worked in prisons, I have some very strong views on that. I find myself agreeing and disagreeing with the Prison Officers Association. I disagree with the POA on private prisons—I believe that there is a role for them—but we need more openness. The hon. Member for Mid Bedfordshire (Nadine Dorries) has said that she would welcome the increased use of private prisons. She might have a point, but I would not welcome that until we can find out, using the freedom of information method, what they do on rehabilitation, what their outcomes are, how they treat their staff and what medical provision they offer. At the moment, we cannot do that.

Prison officers have no idea when an inmate has gone on to reoffend, unless the inmate goes back on to their wing. Closing that feedback loop of information to include sentencers, prison officers and probation officers is essential if the Secretary of State is to get anywhere near to a rehabilitation revolution. I can tell him that with his current proposals, he will get nowhere near that. He should cut the rhetoric and the hubris, and he should get down to some real policies that will make a difference.

5.52 pm

Sarah Newton (Truro and Falmouth) (Con): I welcome the Bill's focus on making the criminal justice system more victim oriented. In the few minutes allowed, I shall focus my contribution on what more can be done in the Bill to help to prosecute and punish offenders for the crime of child sexual exploitation.

Despite being a mother of three children, I was unaware that horrendous crimes were being perpetrated in my community—crimes of online grooming, and the sexual abuse and rape of children. Like most of my constituents, as the news broke of the prosecution of Michael Williams last year, I found it difficult to believe that such crimes were possible in this century and this country, and especially in the community where I grew up.

A few months later, the further revelation of six men operating a paedophile ring in my part of Cornwall—it was uncovered and prosecuted by Devon and Cornwall police's Operation Lakeland—forced me to find out more about the horrendous crimes that those men perpetrated against children as young as five years old. I am impressed by the determination to tackle and prevent that and to raise awareness shown by the Home Secretary, the Under-Secretary of State for Education, my hon. Friend the Member for East Worthing and Shoreham (Tim Loughton), who has responsibility for children, and the Under-Secretary of State for the Home Department, my hon. Friend the Member for Old Bexley and Sidcup (James Brokenshire), who has responsibility for crime prevention. However, they need some help from their colleagues in the Ministry of Justice in two respects. First, the Ministry of Justice could improve support for young witnesses who give evidence in criminal proceedings, and secondly, it could improve sentencing policy.

As with all crimes, to secure successful prosecutions witnesses must be prepared to come forward, give evidence and be cross-examined in court. Unless witnesses, their families and carers believe that they will be supported and fairly treated when they go to court, they will not come forward. I am grateful to Sheila Taylor of Safe and Sound Derby who has given me information on cases that vividly illustrate why the current system must change.

The first case concerns a 15-year-old girl who was repeatedly sexually abused. She was forced to give evidence in court for eight days, and she was cross-examined by a team of nine defence lawyers, including, on one occasion, by five in a row, working as a team to try to undermine her evidence. Although the court showed respect for the defendant's human rights, there was no understanding of how the crimes perpetrated against the victim had left her a vulnerable and terrified witness. She was physically sick every day before she came to court and became so traumatised by the experience that she ran away from home during the case. Sadly, the case was dropped. The second case concerns a girl who, when shown into the witness box, found that the screens promised to her to prevent her from having to see the people who had abused her had been forgotten. Seeing the men who had sexually abused her, she understandably became hysterical. As such, she was deemed unfit to give evidence, and again the case was dropped.

I want to improve the experience and cross-examination of children in our courts. I am fully aware that the Ministry of Justice has prioritised this concern with the recent publication of "Achieving Best Evidence in Criminal Proceedings: Guidance on Interviewing Victims and Witnesses, and Using Special Measures". However, there is still an issue about how to get legal practitioners to

[Sarah Newton]

use it. The majority of cases that go to trial at the Crown court have first to go through a plea and case management hearing. According to Crown Prosecution Service guidance, a PCMH is compulsory only where the child is a defendant but not a victim. That should be changed.

Such a hearing should be compulsory for both a child defendant and complainant, because the PCMH, which is purely an administrative hearing at which outstanding issues of law or procedure are dealt with by the judge before trial or evidence commencement, provides the judge with an opportunity to give a direction to all counsel that they should abide by the Ministry's own "Best Evidence" publication when dealing with young witnesses, be they defendants or complainants. If such judicial direction was made compulsory at the PCMH, lawyers could not say that they had no knowledge of such information or that their approach was the norm in practice.

Furthermore, some judges need to be made aware of this issue and be encouraged to intervene when questioning methods are inappropriate. Publishing guidance for judges in the criminal procedures rules would greatly improve good practice. I believe that the Government really want to make our criminal justice system more victim-orientated. What better place to start than with the children and young people who are the victims of the most horrendous of crimes? What better way to convince them and society as a whole that we consider these crimes to be totally unacceptable than by ensuring that perpetrators serve long sentences, including life sentences—sentences designed to ensure that they will not be released until they have demonstrated that they have effectively controlled their sexual urges and can resist reoffending.

For the victims, the combination of the crimes perpetrated against them, even when the disclosure and subsequent support is excellent, and the experience of giving evidence in court can give them a lifelong sentence of suffering. Is this fair? Surely, the life sentence should go to the perpetrator not the victim. I urge the Government, therefore, while the Bill passes through the House—

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. The hon. Lady's time is up.

5.58 pm

Pat Glass (North West Durham) (Lab): I want to speak today about legal aid and social welfare law, not because I am an expert in either, but by drawing on my many years' experience in education and my year as a new MP. Before that, however, I want to comment on today's debate. As with many debates, some hon. Members have popped in, ranted a bit and left, but overall this afternoon I have sat through some of the most informed and thoughtful contributions that I have ever heard in the House. They have come from Members on both sides of the House and indicate the level of concern on both sides. It was a shame that the Lord Chancellor was not here for the contributions from his colleagues the hon. Members for Maidstone and The Weald (Mrs Grant) and for Dewsbury (Simon Reevell).

Mr Kenneth Clarke: I listened to them.

Pat Glass: I am pleased that the Lord Chancellor listened to those contributions, because they were worth hearing.

If legal aid for social welfare law, which currently funds advice centres and, in some instances, representation for people with such problems, stops being available, it will affect large numbers of people. I particularly want to discuss parents who have issues with education, disabled people who incorrectly or inappropriately have their access to benefits withdrawn and those who, because of medical negligence, need access to additional resources and support.

I have worked in education for many years, and I have seen many parents who were very angry that their children had been refused admission to their preferred school. Most of the parents I have come across were quite capable of standing up for themselves and their children in admissions appeals, but some needed additional help. I welcome the Government's recent moves to take out of these proposals access to legal aid to support parents who need advice on preparing special educational needs tribunals. Nevertheless, if the proposals go through, vulnerable parents, or parents who have SEN themselves, will no longer be able to get the advice they need on admissions or exclusions. We all accept that middle-class, educated and socially mobile parents are best placed to get their children into the schools of their choice and that it is the more vulnerable, poorly educated and socially immobile parents who are least successful in the admissions process. Some 70% of pupils who are excluded from school have SEN in some form or other, and many of their parents also have SEN. Those people need advice and representation, but that will no longer be available to them.

Last Friday, I met representatives of my local citizens advice bureau in Consett who told me that they are bracing themselves for the increased numbers of people who will come to them as a result of changes in welfare reform. My constituency office staff and I are making arrangements and preparing ourselves for the increased work load as people are reassessed for disability living allowance and employment support and are put through new assessments.

At my surgery on Saturday, I met an elderly couple who told me that their middle-aged daughter had received notification of a forthcoming review. She has severe learning difficulties and mental health problems but no physical or visible disability. The mother broke down in tears as she told me that her daughter was eagerly looking forward to telling the people at the interview how well she could look after herself, cook for herself and dress herself appropriately, none of which is true. However, although none of it is true, it will have an immediate effect on her access to benefits. I have no doubt whatever that the decision will be overturned on appeal, but the parents told me that they have had years of being burdened down by caring, anxiety and worry about the future, and that they simply cannot face another battle with the benefits agency and the appeals people. In the past, I would have been able to signpost those people to the right kind of legal advice, but I will not be able to do that in future.

If the proposals go through, there will no longer be access to legal aid for housing matters. As a new MP, I have been stunned by the amount of casework I have had on housing, none of which is trivial. Those cases

are not about people who fancy a council house, but about people have real priority needs, such as elderly couples who are now disabled, a lady who has gone blind, disabled young people who need access to appropriate housing and people who are at risk of losing their homes. Legal aid will no longer be available to those people when their landlord, housing company or local authority fails to meet their statutory duties.

Legal aid will no longer be available to fund help and representation in cases of medical negligence. In my job before I came to Parliament I worked with a number of parents whose children suffered profound and multiple learning, physical and sometimes medical needs as a result of medical negligence. Using legal aid, those parents were able to secure a financial future for their child, to adapt their homes and to access therapy that would improve their children's lives. That will no longer be available to them. I think that the most vulnerable in society will be affected by the measures and I ask the Lord Chancellor to reconsider these matters, but I do not have the slightest hope that he will.

6.4 pm

Damian Hinds (East Hampshire) (Con): There can be no doubt that change is needed in this area. We spend record amounts on the criminal justice system and incarcerate record numbers of people, and yet the conveyor belt to crime and the cycle of reoffending remain intact. My hon. Friend the Member for Broxtowe (Anna Soubry) listed some of the disturbing reoffending statistics. The cost of offending by ex-prisoners now stands at £11 billion per annum. My hon. Friend the Member for Enfield, Southgate (Mr Burrowes) reminded us of the purposes of imprisonment—retribution, restoration and rehabilitation. We should of course add to those prevention and deterrence. We need to be bold and adventurous in the way that we go about those things because, in the words of the old saying, "If you always do what you always did, you will always get what you always got."

This is a Second Reading debate, so we are voting on the principles of the Bill, and I shall certainly vote in favour. On legal aid, there are clearly considerable concerns about several aspects that will have to be carefully considered. It is also undeniable, however, that we need to deal with the much-increased bill for legal aid. The hon. Member for Stockton North (Alex Cunningham) thought that the shadow Secretary of State had listed how he and his party would go about doing that, because the right hon. Gentleman said on several occasions that he was about to do so, but I am afraid that we never quite got that list.

Prison, at its heart, is about punishment, but it is also, vitally, about rehabilitation. Several hon. Members have talked about the importance of getting prisoners off drugs, and of course alcohol as well, but there are other important aspects of helping offenders to prepare for life on the outside and improving their ability to live a full, positive and constructive life. I want to touch on one of those, work, and the related matter of financial capability. A lot of good work is done on work in prisons by the likes of DHL, Travis Perkins, Cisco Systems and Timpson; I am delighted that the eponymous Member, my hon. Friend the Member for Crewe and Nantwich (Mr Timpson), is with us for this debate. In spite of that good work, less than a third of the prison population is in work in prison at any one time and, on average, prisoners do only 12 hours of work a week. That tends to suggest that we are still not nearly sufficiently far enough advanced from the situation in 2005, when the Home Affairs Committee described prison industries as being largely "peripheral" to the way in which the Prison Service went about its business.

I strongly welcome, in the Bill and in the Government's approach, the commitment that prisons should be places of hard work and industry. Two aspects are particularly welcome: first, the ability to make deductions from work wages to go to support victims; and secondly, the ability to make deductions to create a savings account for the prisoner for when they eventually leave prison. If we are to realise those two ambitions to a significant degree, we will have to find ways to ensure that work in prison is of higher value so those deductions that can be afforded.

Debt and lack of financial capability is an acknowledged central factor in ex-offenders being unable to adjust properly to life outside prison and eventually in reoffending. Work by Paul Jones at Liverpool John Moore's university identifies a clear statistical link in that prisoners who leave and are then able to open a bank account, with all the things that that leads to, including work, are much less likely to reoffend. In some prisons, there are already very encouraging pilots involving financial capability. The probation service, including in my own county of Hampshire, helps prisoners to deal with things such as budgeting and the advantages of opening a bank account.

Classes, and so on, are one thing, but there is no substitute for the practice of actually using financial services. That is why the ability to build up a small savings account is important, not so much for the amount of money involved, which would always be small, but in trying to encourage the development of a savings habit. I acknowledge the role already played by credit unions such as Leeds City Credit Union in working with prisons in this respect. More broadly, I hope that the Bill can facilitate an expansion and extension of payment by results, which I fully accept has a cross-party provenance, and rightly so. I hope that that will help to integrate work within prison and on release as a specialist and intensive branch of the Work programme.

I welcome the Bill because it has at its heart proper sentences that the public can have confidence in, but combines that very plainly with the rehabilitation of offenders by improving their ability to deal with life on the outside, while being innovative and bold in its approach to encouraging incentives and giving rewards for success.

6.9 pm

Heidi Alexander (Lewisham East) (Lab): I feel somewhat unqualified to take part in this debate, because we have heard from a lot of lawyers, and I confess to not being a lawyer. I must admit that I am marrying one at the beginning of August, but he is not affected by these changes.

I will speak about the changes to legal aid and the new provisions on knife crime. I do not stand here today to claim that the current system of legal aid is perfect, because it is not. The Opposition recognise that, and we made a commitment in our manifesto to reforming it, but reforming the system is different from decimating it,

[Heidi Alexander]

and that is what the Government propose to do. This Bill will restrict access to justice to those who can afford to pay, and it will leave some of our poorest and most vulnerable citizens completely defenceless. It is a shameful Bill, and I hope that it will change hugely as it progresses through Parliament.

One of the first occasions on which I had reason to think about the availability of legal aid was when I was a local councillor in Lewisham. I was the cabinet member for regeneration, and I led the council's work to try to find a new Travellers site. Towards the end of the process, the authority's decision to build a new site was subject to a judicial review challenge that was funded by legal aid.

I remember hearing how an elderly woman of limited means had been persuaded by her neighbours to front the challenge, and I remember being annoyed by that, questioning in my own mind whether it was right, but as time passed I concluded that it was right: right, because there is a fundamental principle at stake, and right that, irrespective of somebody's means, they can challenge with the appropriate legal advice and assistance a decision that the state has taken.

Although I appreciate the Government's plan to retain legal aid for such situations, I think that the principle has to apply across the board. Taking whole areas of social welfare law out of the scope of civil legal aid means that hundreds of thousands of people will not be able to secure the legal advice that they need on housing, education and benefits.

Many decisions challenged using legal aid are taken by the state. They include decisions not to award benefits or to provide housing, and some of that work requires a detailed understanding of the law, yet the Government seem to suggest that people will be able to go it alone. I honestly cannot see how that will work.

Every fortnight I hold my advice surgery, to which many people come with plastic bags full of paperwork, and I spend hours sifting through it with them to find the key document, and to understand what stage of the process they are at and whether they have a right to appeal against a decision. Those people are not the people for whom DIY justice, as my hon. Friend the Member for Kingston upon Hull East (Karl Turner) described it, is an option.

A few months ago I visited Morrison Spowart, a small firm of legal aid solicitors in my constituency. Solicitors at the firm are paid generally between £25,000 and £30,000. They are not City lawyers earning £100,000, but they do change people's lives, and they talked me through a case in which a legal aid fee of £174 enabled them to overturn a council decision not to house a family, thereby avoiding a whole number of knock-on costs to the public purse, not to mention the misery that the decision would have caused the parents and children.

Members will know that organisation after organisation has sent out briefings for this Second Reading debate, talking about the false economy of these cuts to legal aid. The list of organisations that make the argument is a long one: the Law Society, Liberty, Shelter, Citizens Advice, the Law Centres Federation and the Child Poverty Action Group. I ask the Minister: are they all wrong? The Government have not listened to the consultation's respondents, and, as I have already said, the Bill is shameful given what it proposes to do to access to justice.

In the final minute and a half of my speech, I turn to the new provisions on knife crime and the new offence of possessing a knife in aggravated circumstances. I represent a constituency where lives have been devastated by knife crime, and the Government will have to do much better than this Bill.

Last year I researched on YouTube the videos that gangs put up. Young men—probably boys, to be honest—brandish knives on the internet and wave them around in front of the camera as if they are just cigarettes. Tens of thousands of people have viewed these videos and I wonder whether that would qualify as aggravating circumstances. The videos glorify knife crime and the intimidating and aggressive violence that accompanies it, so I ask the Minister to think about such incidents and whether any change can be made to the law to try to tackle the culture that exists around the use of knives—

Robert Halfon (Harlow) (Con): Will the hon. Lady give way?

Heidi Alexander: I only have 30 seconds and many other hon. Members wish to speak—

Robert Halfon: I will not be able to speak.

Heidi Alexander: In that case, I will give way.

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. The hon. Gentleman has only just come into the Chamber.

Robert Halfon: I beg your pardon, Mr Deputy Speaker.

Is the hon. Lady aware that knives are often sold on the internet priced with British pound signs and does she agree that action needs to be taken to combat that?

Heidi Alexander: Some of the things that we see on the internet are of huge concern. I tried to get YouTube to take those videos down, but I did not really have a hope in hell of it doing so. I tried to interest Home Office Ministers in the issue and failed. We have to look at what is out there in cyberspace in order to tackle these issues. If anything will entice someone to get involved in knife crime, it might be the idea that they will get their 30 seconds of glory on the internet with 16,000 people looking at their video. Can we think about other ways to tackle this issue?

I do not think that the provisions in the Bill on knife crime will get to the nub of the problem. I cannot see what will really change as a result of these proposals. While I am inclined to support a mandatory sentence for possession of a knife in aggravated circumstances, I question what will really change.

Several hon. Members *rose—*

Mr Deputy Speaker: Order. I have three Members to get in, but only 14 minutes left.

6.16 pm

Tom Brake (Carshalton and Wallington) (LD): I will keep my comments brief, Mr Deputy Speaker.

I think that it was the hon. Member for Sunderland Central (Julie Elliott) who said that she detected a theme in the contributions from coalition Members: I detect a theme in the contributions of Opposition Members. They criticise the Government for the action that we are taking, acknowledge that they would have done something about legal aid funding themselves, but completely fail to articulate what that alternative would be—*[Interruption.]* The right hon. Member for Tooting (Sadiq Khan) says that we should look at *Hansard*. We will do so, but I can assure hon. Members that it will say absolutely nothing about what Labour would have done as an alternative.

What Labour's proposals amount to is a £65 million cut from legal aid and a significant reduction in the number of firms that could practise legal aid. That would have a very heavy impact on the accessibility and availability of legal aid around the country. When the hon. Member for Hammersmith (Mr Slaughter) replies to the debate, I hope that he will confirm that that would have been the impact of Labour's proposals.

It is clear that the legal aid reforms will have a significant impact, and there is no doubt that the changes will have an impact on existing legal aid users. That is why I am pleased that in Justice questions the Under-Secretary of State for Justice, my hon. Friend the Member for Huntingdon (Mr Djanogly), confirmed that the Government have commissioned research on the ability of people on low incomes to access the courts, the availability of appropriately qualified lawyers prepared to undertake publicly funded work and the sustainability of legal services provided by bodies such as Citizens Advice. I hope that that research will become available very soon, so that we can assess the impact.

We need to keep these matters under review, especially in relation to litigants in person—an issue that the NSPCC raised with me, as I am sure it and other organisations have raised it with many other hon. Members. In a debate in the Justice Committee, the right hon. Member for Dwyfor Meirionnydd (Mr Llwyd) raised the issue of litigants in person—*[Interruption.]* He has woken up and is back with us. Given that exchange, I am pleased that my hon. Friend the Under-Secretary also said that a report is being commissioned at the moment on litigants in person, and he may be able to use this opportunity to confirm when that report will be published and whether it will include significant proposals on how we can ensure that the court process is simplified.

Mr Djanogly *rose—*

Tom Brake: It would be more appropriate for the Minister to respond at the end.

Clearly, we are pleased that the concerns over the definition of domestic violence have been taken on board. I would have liked to have covered many other areas, including drug recovery wings, prisoner working and, as a starting point, prisoner volunteering—the listener schemes are very effective in that respect. I would also have liked to discuss the support that is provided to prisoners on release. Certainly there are some good organisations involved in that work, including Vision Housing, which is based in my constituency. It provides not only housing for ex-offenders but the support to ensure that they do not reoffend.

Finally, it is entirely appropriate for the Government to undertake a review of indeterminate sentences. The issue was identified many years ago by, among others, Lord Carlile, whom Opposition Members like to quote. In relation to IPPs, he said:

> "The consequence of the IPP provision has been unpredicted, remains unpredictable and is shocking to many."—[*Official Report, House of Lords*, 11 December 2007; Vol. 697, c. 189.]

The views of Lord Carlile in 2007 are likely to be repeated by many Members today.

I would have also liked to touch on the Rehabilitation of Offenders Act 1974, restorative justice schemes and the age of criminal responsibility, which I suspect might have been somewhat controversial.

In conclusion, this Bill contains many sound proposals. It is in good shape, but it is not perfectly formed yet. There are issues that we will need to address in Committee, but the Bill is making headway on our priorities, including tackling the scandal of reoffending and ensuring that providers are paid for by results, which will have a huge impact on the success of rehabilitation and on our ability to deliver a justice system that works.

6.21 pm

Kate Green (Stretford and Urmston) (Lab): In the short time that is available, let me highlight two or three points. First, in looking at meaningful and appropriate sentences, it is very important to ensure that community penalties are well designed and right. I welcome the recognition that Ministers are giving to the significance of such an aim. I am concerned that as further cuts have to be found in the justice budget, it will be probation that will bear the brunt.

The probation service in my constituency is already facing a 24% funding cut over three years. It has told me absolutely clearly that it cannot take any further cut without it compromising both the protection of the public and its ability to run programmes that will contribute to the reduction in reoffending that we all seek. It is particularly concerned that its ability to manage prolific offenders will be compromised if it has to undergo further cuts. The cuts will have an impact not just on the probation service, but—because of the multi-agency approach that it adopts for the management of prolific offenders—on those outside the ambit of the Lord Chancellor's control, such as the police. The service is very anxious indeed that the cuts will have a damaging affect on its work.

Secondly, payment by results is a model that has been accepted across the House. None the less, it is important that we ensure that we design the models to secure the results that we want. In particular, we must not create short-term contracts. We cannot be rewarding organisations for keeping people out of the criminal justice system only for a very short period after they emerge from whatever sentence they have undergone. Let us ensure that these contracts are of a sufficient length to challenge providers to achieve long-term reductions in reoffending and that we make use of the best and most expert support from the private and voluntary sectors. There is much to be learned. I hope that the Lord Chancellor will use the experience that was gained from the provision and design of the Work programme. The role of voluntary and specialist providers was very much to pick up some crumbs from the private sector table rather than to have a proactive approach in helping to design the best-quality programmes.

[Kate Green]

Thirdly, let me briefly cover prisoner working. I welcome the intention to extend prisoner working and the comments that the Lord Chancellor made in response to a question from me recently in relation to ensuring that prisoner working would be not just any old work but meaningful work that would improve long-term employability, with an important link to prisoner education too. I hope that, as we consider the Bill, the Lord Chancellor can give us more information on prisoner working and tell us how exactly how the employability programmes run by the probation service will correlate with the DWP's Work programme, which was alluded to by the hon. Member for East Hampshire (Damian Hinds).

I must tell the Lord Chancellor that there are some fears. For example, my probation service runs effective employability programmes for the offenders under its management that may not be what the DWP is looking for in the Work programme. It would seem extremely foolish to unwind effective programmes run in the criminal justice system, when a good bit of coherent planning across Departments could ensure that we have the best Work programme for those who are in the criminal justice system.

Finally, may I tell the Lord Chancellor that the prisoner working that has been available so far has not been brilliantly well-designed for women in custody? We need to consider how it can meet women's needs while in custody and when they leave it, so that they can access the labour market. I am pleased that the Government are continuing with many of the reforms to the women's custodial system that we began to put in place when in government, following Baroness Corston's excellent recommendations, but I regret that we have now apparently lost a ministerial champion for women in the penal system. I strongly urge the Lord Chancellor to think about reinstating that important post to ensure that a focus on women in the custodial system remains centre stage.

6.26 pm

Mr Robert Buckland (South Swindon) (Con): I am grateful for the opportunity to speak in this debate. I declare an interest as a legal aid practitioner for nearly 20 years and a recorder of a Crown court. I am one of those damned lawyers, I am afraid to say, and I apologise for that at the beginning of my speech.

I was particularly struck by the measured and reasonable contribution of the hon. Member for Stretford and Urmston (Kate Green). I have great respect for the hon. Member for Lewisham East (Heidi Alexander), whose parents live in my constituency, and her contribution was excellent. If only the debate about legal aid and sentencing was heard in those tones throughout the House and in the media.

Twenty years ago, criminal justice and sentencing was not a matter for great and low party politics; it was a matter for measured discussion. There were occasional criminal justice Acts, to tidy up a system that was perhaps at times not keeping pace with the changes in our society, but then something got into the DNA of the body politic and things took a turn for the worse. Egged on by the populist press, politicians from both sides of the House got into an arms race about being tough on crime, as opposed to being soft.

Where are we now, 20 years later? We have ended up being just plain stupid on the subject—stupid in the amount of legislation that we have passed; stupid in the language that we have used about crime and criminality; and stupid and vain to claim that politicians' actions in the House can have a significant effect on crime rates in this country. We know the real reasons why crime rises and falls; they are economic, familial and social. They relate to a range of issues that are best dealt with by means of crime prevention and social policy.

Opposition Members should take my speech in its intended spirit—that of cross-party co-operation. I invite them to make constructive proposals about what to do with our broken system. If they had got into power, they would have had to deal with the system.

Alun Michael: Will the hon. Gentleman give way?

Mr Buckland: No; I am afraid that I will not take interventions, as there is no time. I say that with great respect to the right hon. Gentleman, who has much experience in these matters. I am sure that he will forgive me, but there is a lot that I need to say. This is my first opportunity in 20 years to speak about criminal justice legislation from this side of the fence. I have been one of the people dealing with the reality of the impact of year after year of incontinence in legislation.

Court staff, practitioners and judges have all had to deal with the baleful consequences of the avalanche of work that ill-judged reform, sponsored by, among others, the right hon. Member for Blackburn (Mr Straw), who had the brass neck to come to the House today and tell us that, under his guidance, all was well with the world. He would not allow me to intervene on him. Had I done so—I am grateful that he is here—I would have reminded him about sentences of indeterminate length for public protection and the chaos that that system caused the Government. They were warned by the Court of Appeal that the system that they had introduced was in danger of being untenable.

As a result, the Government passed an Act in 2008 to amend the system, but it was still a bad system, because it was not transparent to the victims. When victims of crime went to court and heard about sentences of indeterminate length for public protection, they did not know what that meant; they did not know when the perpetrator of the crime against them was to be released. They did not understand the system. That was a failure of transparency. It was the single most important failure of the regime, which is why I will be glad after the review to see the back of the system and to see clear, long, determinate sentences with automatic release after two thirds of time is served. We have been here before; that was the system that existed before the Criminal Justice Act 2003. Sentences of longer than four years attracted automatic release after two thirds of the time was served. The merry-go-round has come around again.

Opposition Members say that the Bill is imperfect. That is inevitable, because it must undo years of damage inflicted by their party. The Bill is not finished business; I accept that. It would be good to have a consolidation Act to bring sentencing provisions under one umbrella. I pay tribute to the right hon. Member for Blackburn for doing so in 2000 with an excellent measure, but within two years it was all upended again by some brave new policy initiative designed to assuage the populist

press. It is time to end the charade in the debate on criminal justice. It is time to start talking clever rather than tough. It is time to change the ambit of the debate. The Bill gives us an opportunity to do so, which is why I will support it on Second Reading.

6.31 pm

Mr Andy Slaughter (Hammersmith) (Lab): This has been a mature and authoritative debate, and a better debate than this Bill deserves. Some 29 right hon. and hon. Members have spoken from the Back Benches, and by my reckoning, only four gave the Government unqualified or nearly unqualified support: the hon. Members for Enfield, Southgate (Mr Burrowes) and for Gillingham and Rainham (Rehman Chishti), the hon. Member for Broxtowe (Anna Soubry)—no surprise there—and the hon. Member for Carshalton and Wallington (Tom Brake)—and increasingly no surprise there either.

Many Members spoke about cuts to legal aid and advice: my hon. Friend the Member for Houghton and Sunderland South (Bridget Phillipson); the right hon. Member for Dwyfor Meirionnydd (Mr Llwyd); my hon. Friend the Member for Kingston upon Hull East (Karl Turner); my right hon. Friend the Member for Manchester, Gorton (Sir Gerald Kaufman); the hon. Member for Hastings and Rye (Amber Rudd); and my hon. Friends the Members for Birmingham, Erdington (Jack Dromey), for North West Durham (Pat Glass) and for Lewisham East (Heidi Alexander).

Many Members discussed their concerns about the Bill's sentencing provisions, including the hon. Members for Shipley (Philip Davies), for Dewsbury (Simon Reevell) and for Mid Bedfordshire (Nadine Dorries) and my hon. Friend the Member for Darlington (Mrs Chapman). My right hon. Friend the Member for Blackburn (Mr Straw) made a forensic examination of the appalling provisions on remand. My right hon. Friend the Member for Cardiff South and Penarth (Alun Michael) discussed the cuts in youth offending that occurred under the Labour Government. We heard from the Chairman of the Select Committee on Justice that the inefficiency of Departments is partly responsible for legal aid costs. My hon. Friend the Member for Stretford and Urmston (Kate Green) told us about cuts to the probation service. My hon. Friend the Member for Wigan (Lisa Nandy) gave a fine speech about conditional fee agreements and their importance in multi-party actions, particularly against large corporations. The hon. Member for Truro and Falmouth (Sarah Newton) spoke movingly about victims, the hon. Member for Battersea (Jane Ellison) spoke about drug dependency and the hon. Member for East Hampshire (Damian Hinds) spoke about reoffending.

They were all excellent speeches, but I will mention three or four in particular. The hon. Member for Maidstone and The Weald (Mrs Grant) spoke about the need for litigation in some cases, despite what the Lord Chancellor says. My hon. Friend the Member for Makerfield (Yvonne Fovargue) spoke from experience about the effects that the cuts will have on citizens advice bureaux and advice services. The hon. and learned Member for Sleaford and North Hykeham (Stephen Phillips) spoke about the need for sentencing reform and—I hope that I am not putting words in his mouth—the reasons why this Bill will not deliver it. Notwithstanding his tone, the hon. Member for South Swindon (Mr Buckland) made a fine speech. Those and many other speeches came from knowledge and experience of the criminal and civil justice system over many years. Therefore, whatever side of the House they came from, I hope that the Government will heed them.

The Bill was supposed to launch a rehabilitation revolution. Then the spin doctors decided that it would be the Bill to punish offenders, but it is neither. It is a damaging and unfunded mess. It will not protect the public, reduce crime, support victims or reform offenders, but do the opposite. It will place victims at risk, cut access to justice for all but the wealthiest and take away even basic legal advice and representation from the most vulnerable in society.

Legal aid, no win, no fee litigation, remand pending trial, access to legal advice on arrest, and a system that diverts young people from offending are coherent parts of a coherent justice system that is envied around the world. The Government put that at risk through the Bill. A dizzying series of U-turns on sentencing and swingeing cuts to police, probation and youth offending teams have created a shambles that will not keep us safe in the short term or lower prison numbers in the long term. We have already had the first warning. Yesterday's figures show that, under this Government, crime in London is increasing, not decreasing, for the first time in years.

Access to legal aid for the poorest and most vulnerable people will now be the exception, not the rule. Cutting legal aid for housing, education, welfare benefits, debt and family cases will be an economic as well as a social disaster. That is the view of 5,000 individuals and organisations, many with decades of experience, expressed in their responses to the Government's consultation. Citizens Advice, the National Society for the Prevention of Cruelty to Children, Shelter, the Law Centres Federation, the Children's Society and End Violence Against Women, to name but a few, explained why legal help and representation is good value for money. It is provided by lawyers who earn, on average, less than £25,000, citizens advice bureaux staff and volunteers, supplemented with pro bono advice. They explained why helping people at an early stage prevents homelessness, debt, family breakdown and crime, which end up costing society and the Treasury far more in the long run. They also explained—it should not be necessary to do so, but it is for this Government—the moral duty of a civilised society to support those most in need in the times of greatest stress.

The Government's impact assessments confirm that women, children, disabled people and minority groups will suffer disproportionately from the cuts, to which the Under-Secretary of State for Justice, the hon. Member for Huntingdon (Mr Djanogly), who is responsible for legal aid, responds, "What do you expect? They're the ones getting legal aid now." The Under-Secretary sounds increasingly like Marie Antoinette. I will do what the hon. Member for Carshalton and Wallington asked and cite Lord Carlile. Last week, at a meeting of the all-party parliamentary group on legal aid, Lord Carlile put a compelling case to the Under-Secretary. He asked:

> "What would the Minister tell the mother of a child with catastrophic injuries caused by clinical negligence who could no longer get legal aid?"

The response was:

> "I don't know. She'd better ask a lawyer."

[Mr Andy Slaughter]

Despite the Lord Chancellor's protestations, the Government have not listened to the women's institute or Amnesty on domestic violence. They have not listened to people such as Jeannie Bloomfield, president of the women's institute in Suffolk, who survived domestic violence years ago and has become an advocate for those who suffer it today. She wrote to me, fearful for the future. She said that, under the Government's definition of domestic violence, she would not have received the legal aid that allowed her and her daughters to escape abuse. Under the plans, the Government will abandon many women like Jeannie.

Let us also consider the Government's meddling with civil litigation.

Stephen Phillips: I am grateful to the hon. Gentleman for giving way and for his remarks about my speech. He will remember that I made the point that we had heard nothing from the Opposition about what they would do, given that the shadow Lord Chancellor again accepted in his speech that cuts had to be made to legal aid. The hon. Gentleman told me to read *Hansard*. I have done that and I am none the wiser. The information is not there. I wonder whether he would like to apologise to me and the House for inadvertently misleading it. What cuts would the Opposition make if they were in government?

Mr Slaughter: I am delighted to respond to that. I thought that the hon. and learned Gentleman had slightly more perception. He should look at the Green Paper that was published on 22 March 2010, entitled "Restructuring the Delivery of Criminal Defence Services". That is the document to which my right hon. Friend the shadow Chancellor and I referred. How many more times do we have to explain it to the hon. and learned Gentleman? *[Interruption.]* The Lord Chancellor, who has only opened the Bill for the first time today, could perhaps go and look at the document himself.

Turning to the Government's meddling with civil litigation, they justify the need to upend no win, no fee by reference to the compensation culture, but their own investigation, led by Lord Young of Graffham, found:

> "The problem of the compensation culture prevalent in society today is one of perception rather than reality."

The Government are legislating to fit false perceptions. A system that allows people on moderate incomes to access justice is being overturned to please the insurance industry and large corporations.

While the justification for reform may be imagined, the victims are all too real: children brain-damaged by medical negligence, workers injured by unsafe machinery or suffering industrial disease and, as my hon. Friend the Member for Wigan (Lisa Nandy) said, hundreds of thousands of overseas victims of multinational companies in cases like Trafigura.

Again, public money will be wasted. The Revenue has objected that insolvency cases in which it is a major creditor will not come to court in the future. The NHS and the Department for Work and Pensions will have to pick up the tab for individuals who cannot get compensation from those that harmed them. There is a need to control costs of civil cases; all parties agree on that. We were already doing that by controlling costs in road traffic claims, which are 75% of all personal injury claims. Costs could be further controlled by capping success fees and encouraging early settlement by both parties, but the Government prefer to put all the onus on claimants and force them to pay up to 25% of the damages that they have been justly awarded. A Supreme Court judge, Baroness Hale, warned this week that we risk returning to an England where justice is denied to all but the rich.

Finally, we come to sentencing. What a mess. What an extraordinary debacle—the product of a Government who just don't get it on law and order. The coalition agreement promised a full review of sentencing. This is the opposite: a mixture of U-turns, delays, false promises and sleights of hand. Some things that were in the Bill are now out, like 50% discounts. Some, such as indeterminate sentences, have gone off for even more consultation. Some, such as the new knives offence, have been added with the ink hardly dry. Some may be added later, on burglary and squatting. Many of the tough measures announced by the Prime Minister are not in the Bill, but lots of the so-called "soft" measures are. Courts will be allowed to take no action for breach of a community order or impose a fine for breach of a suspended prison sentence. Magistrates' power to impose sentences of up to 12 months will be repealed rather than implemented. Judges and magistrates will have their hands tied on remand. To limit the use of remand as the Government have done is fundamentally to misunderstand its purpose. Judges, magistrates and victims' representatives all oppose that measure. It is an extraordinary step for any Government to take. It undermines law and order and the discretion of the judiciary, and it is solely here—as was the sentencing discount—to save money.

Under Labour Governments, crime fell 43% over 13 years. Youth offending fell 34% over the last Parliament alone. That was the product of investment in youth offending teams—which this year will see an average cut of 18% in their budgets—and of a long-term strategy to reduce criminal behaviour. The legacy that we left has been squandered by a Department that is in chaos—a Department of chaos. Cuts of 23% will be achieved by restricting access to justice for the vulnerable, taking money from injured parties, and meddling with sentencing to reduce prison places.

The faults are clear in the process of the Bill—rushed out on the same day as the responses to consultation, rushed to Second Reading in one week and now being rushed into Committee, but with new provisions promised for the autumn and a raft of key measures left for secondary legislation. It is a lazy Bill. It lacks integrity. The Secretary of State should feel embarrassed to present it to the House for Second Reading tonight. I urge all right hon. and hon. Members on all sides to vote against.

6.44 pm

The Parliamentary Under-Secretary of State for Justice (Mr Jonathan Djanogly): We have listened to many considered and knowledgeable speeches today. The breadth of debate has only confirmed the importance of the issues before the House. The Bill contains provisions that would make a significant contribution to our reform of the justice system, and those reforms will deliver justice effectively and affordably, provide value for money

for the taxpayer, protect the public from serious and violent offenders and tackle the over-reliance on courts and lawyers.

The Bill will also make an important contribution to the Ministry's deficit reduction commitment, worth £2 billion by 2014-15. I can confirm that we have engaged widely on the Bill, as my hon. Friend the Member for Gillingham and Rainham (Rehman Chishti) recognised. Most of the Bill's proposals have been subject to three major consultations published last year, and they have been widely debated in the House—indeed, we have had no fewer than nine debates on our justice reforms since December last year. There have been hundreds of oral and written parliamentary questions and legal aid has been the subject of one Justice Committee inquiry and one report. I am looking forward to the Public Bill Committee, where we will continue these debates.

Many important issues have been raised and I shall refer to a number of them. The point about getting a balance between sentencing and punishment was made by my hon. Friends the Members for Broxtowe (Anna Soubry), for East Hampshire (Damian Hinds) and for Carshalton and Wallington (Tom Brake). In that context, I note that the length of sentence is important, but what happens within the sentence is just as important for punishment and rehabilitation.

As my hon. Friend the Member for Enfield, Southgate (Mr Burrowes) noted, for too long prisoners have spent their time in prison lying around and doing nothing. We want to make criminals work hard, an issue discussed very well by my hon. Friend the Member for East Hampshire. Prisoners, some of whom hardly know the meaning of work, will face the tough discipline of a regular working week of up to 40 hours. As we refocus prison regimes around work, we will create more opportunities to make prisoners pay back to their victims. The Bill includes a new power to take a portion of money earned by offenders to help victims. Offenders serving community sentences will work longer and harder on unpaid work.

My hon. Friend the Member for Mid Bedfordshire (Nadine Dorries) spoke strongly in favour of rehabilitation. Her points about private prisons were well taken, although the savings involved will depend on the prisons concerned. To answer the point made by the right hon. Member for Tooting (Sadiq Khan) about knives, the Bill will send a clear message that those who possess a knife to threaten and endanger can expect to face a minimum prison sentence. My hon. Friend the Member for Enfield, Southgate spoke strongly about that; I agree that we must check its interaction with other offences. That point was also made in a different way by my hon. Friend the Member for Shipley (Philip Davies) and the hon. Member for Lewisham East (Heidi Alexander). I note, however, that this is not an all-embracing review of knife crime; it is filling a gap in existing legislation. We will be looking at the practical issues mentioned by my hon. Friend the Member for Dewsbury (Simon Reevell).

Indeterminate sentences were a contentious issue for a number of Members, including my hon. Friend the Member for Shipley and the hon. Member for Darlington (Mrs Chapman). Others, such as the right hon. Member for Dwyfor Meirionnydd (Mr Llwyd) and my hon. Friend the Member for Broxtowe, supported the proposals. We will review indeterminate sentences with a view to replacing them with a clear, tough, predictable system of long, determinate sentences—the best way to punish criminals for their crimes and reform them so that, on release, they are no longer a danger to the public. We will complete the review by the autumn and bring forward our proposals for reform.

The right hon. Member for Tooting said that Labour would limit the use of indeterminate public protection sentences, but in reality by the time Labour had left power, those had gone out of control, as my hon. Friend the Member for South Swindon (Mr Buckland) explained in his excellent contribution. The Bill will also change the law to allow courts to hand down tougher punishments when prison is not an option. As part of community sentences, courts will be able to impose tougher curfews for longer periods, detaining offenders in their own homes with electronic tags to help enforce those curfews.

I am pleased to confirm to my hon. Friend the Member for Shipley that we are not introducing a new requirement on courts directing that the periods that offenders spend tagged on bail should count towards a subsequent prison sentence. As part of the community sentence, courts will also be able to ban offenders from going abroad. We strongly support help for victims, and I tell the hon. Member for Darlington that we will change the law to encourage courts to make more offenders pay compensation directly to their victims.

My hon. Friend the Member for Enfield, Southgate spoke up on the important need to support victims, as did the right hon. Member for Cardiff South and Penarth (Alun Michael), who also used his speech to promote the Youth Justice Board. My hon. Friend the Member for Truro and Falmouth (Sarah Newton) spoke up for child victims very strongly.

Fines will not be a soft option. We are launching two schemes, in Norfolk and Cheshire, to seize prized possessions such as cars, TVs and other valuable items from criminals who ignore their fines.

My hon. Friends the Members for Enfield, Southgate and for Enfield North (Nick de Bois), the hon. Member for Kingston upon Hull East (Karl Turner) and my hon. Friend the Member for Dewsbury spoke on means-testing for advice given at police stations. I am pleased to be able to confirm that we do not intend to stop paying for police station advice.

On the point made by my hon. Friend the Member for Shipley about suspended sentences, a number of judges have asked if the custodial sentence that is suspendable could be increased from 12 months to two years. That would add to judges' discretion, but it is not a requirement to suspend in cases of offences that could attract two-year sentences.

I can confirm to my hon. Friends the Members for Hastings and Rye (Amber Rudd) and for Battersea (Jane Ellison) that we intend to get more offenders off drugs for good by using drug recovery wings and by cracking down on the use of illicit drugs in prison. Many hon. Members made strong points about that. We also want to create a more transparent sentencing framework, which was elaborated on very well by my hon. and learned Friend the Member for Sleaford and North Hykeham (Stephen Phillips).

Turning to our reforms of legal aid, I would like to thank hon. Members for their contributions.

Mr Straw: Before the Minister turns to legal aid, will he deal with the central proposal in respect of sentencing, which is to restrict the ability of the courts to remand defendants in custody in advance of trial? He skated lightly over that, saying absolutely nothing. Will he confirm what it says on page 166 of the Bill, which is that even where a defendant fails to surrender to bail, that defendant cannot be remanded in custody unless there is a "real prospect" of a custodial sentence? Is that what is intended?

Mr Djanogly: I shall write to the right hon. Gentleman. My understanding is that he is wrong on the issue.

Turning to legal aid, I thank hon. Members who have contributed today and those who have responded to the consultation, along with some 5,000 other people. The Bill sets out those elements of the reform that will require primary legislation. We received a number of detailed alternative proposals from respondents to our consultation, including the Law Society.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): On a point of order, Mr Speaker. The Minister is not making a speech or addressing the House; he is reading something into the record.

Mr Speaker: That is a point not of order but of frustration.

Mr Djanogly: We carefully considered those points in our consultation response, but we are clear that the proposals put forward by respondents do not, overall, represent a realistic alternative to our programme of reform. We can all agree on the need for greater efficiency. That point was made strongly by my right hon. Friend the Member for Berwick-upon-Tweed (Sir Alan Beith), and we already plan to deliver £1 billion of the Ministry's savings through efficiencies. The Justice for All campaign also asked us to improve alternatives to legal processes instead of cutting legal help. The Government seized the point, which is why we are increasing the funding available for mediation by £10 million. Some 50% of the proposals suggested by the Law Society amounted to new taxation, but legal aid is primarily funded out of general taxation, and the Government are seeking to reduce the amount of public spending overall. The deficit is also shared across government, and suggestions of cost shifting will not address the overall financial position.

As the Lord Chancellor said earlier, we have the most expensive legal aid system in the world, except for Northern Ireland. As my hon. Friend the Member for Carshalton and Wallington said, the Opposition have been quick to criticise but they have offered no viable alternative. They profess to want to cut legal aid without saying what they would do. They propose to spend £65 million more on social welfare. Does the right hon. Member for Tooting mean to say that he would cut criminal legal aid? If so, by how much would he cut it? By the way, we have looked into the proposals of 20 March 2010, and they were on criminal competitive tendering, so where will the right hon. Gentleman get his savings? This is an unsustainable level of expenditure. In some cases the system encourages people to bring issues before courts where other solutions might be better. In others, it enables people to pursue litigation that they would not contemplate were they paying for it from their own pockets.

I firmly believe that the range of cases identified for inclusion within the scope of civil legal aid reflects the desire—

Mr Speaker: Order. There is quite a lot of chuntering in the Chamber. I am sure that the Minister will want to speak up a bit so that everyone can hear him

Mr Djanogly: We must make tough choices and target scarce legal aid on those who need it most. I am sorry to tell the hon. Members for Sunderland Central (Julie Elliott) and for Wansbeck (Ian Lavery) and the right hon. Member for Manchester Gorton (Sir Gerald Kaufman) that legal aid has never been available for all cases and that we simply need to prioritise our spending. The hon. Member for Sunderland Central said that everyone deserves their day in court. That might be so, but mediation can sometimes be more appropriate.

The Bill's reforms are not limited to public funding but extend to provisions to implement a fundamental reform of privately funded no win, no fee conditional fee agreements. The changes we propose will rebalance the CFA regime.

The right hon. Member for Tooting, incredibly, refused to say whether he supports our attack on the compensation culture. Under current arrangements, claimants can bring cases without any financial risk. Risk-free litigation encourages unnecessary or avoidable claims to be pursued and puts businesses and other defendants under pressure of excessive legal costs. Under our changes, claimants using CFAs will have to think carefully about whether it is necessary to pursue their claim. I confirm to the hon. Member for Wigan (Lisa Nandy) that CFAs will still be available for group actions against multinational companies.

My right hon. Friend the Member for Berwick-upon-Tweed rightly mentioned fixed costs and referral fees, which we need to look at. My hon. Friend the Member for Cardiff North (Jonathan Evans) mentioned the disgraceful episode involving referral fees in relation to miners' compensation. The right hon. Member for Blackburn (Mr Straw) felt strongly about referral fees and made a number of valid suggestions that are outwith the direct scope of the Bill but do, I agree, need to be looked at.

We are aware of the strong concern that the payment of referral fees in personal injury cases adds to the costs of civil litigation. We are considering the issue and will announce the way forward in due course. I point out, however, that in 1999 claimant costs represented 50% of damages but that by 2010 the figure had risen to 150%. The previous Government lost control of the situation. Under the relevant provisions in the Bill, the legal costs of all defendants facing CFA-funded claims will reduce. That said, we recognise that there are complex and difficult cases, such as clinical negligence cases, which the Chairman of the Justice Committee, my hon. Friends the Members for Dewsbury and for Mid Bedfordshire and the hon. Member for North West Durham (Pat Glass) raised. Our Jackson and legal aid reforms will address such cases. CFAs are a viable alternative to legal aid for these cases and the Bill will, exceptionally, enable the recovery of after-the-event insurance premiums for expert reports in clinical negligence cases, in recognition of the fact that they are important.

Bridget Phillipson: Will the Minister answer the question I asked the Lord Chancellor earlier about whether the Government will rethink their proposals to scrap legal

aid for women applying for indefinite leave to remain under the domestic violence rule? It is a very small number of women.

Mr Djanogly: It is a small number but it is a complicated point, so I shall write to the hon. Lady.

Taken together, this is a balanced and sensible package of reforms of the kind that the Government were determined to achieve when we published our proposals. The overall effect will be to achieve significant savings while protecting fundamental rights of access to justice.

Question put, That the Bill be now read a Second time.

The House divided: Ayes 295, Noes 212.

Division No. 310] **[6.59 pm**

AYES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Amess, Mr David
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Barker, Gregory
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Beith, rh Sir Alan
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bottomley, Sir Peter
Bradley, Karen
Brady, Mr Graham
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Browne, Mr Jeremy
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burns, rh Mr Simon
Burrowes, Mr David
Byles, Dan
Cable, rh Vince
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, rh Mr Alistair
Carmichael, Neil
Carswell, Mr Douglas
Chishti, Rehman
Chope, Mr Christopher
Clappison, Mr James
Clarke, rh Mr Kenneth
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crabb, Stephen
Crockart, Mike
Crouch, Tracey
Davies, Glyn
Davis, rh Mr David
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dodds, rh Mr Nigel
Donaldson, rh Mr Jeffrey M.
Dorrell, rh Mr Stephen
Dorries, Nadine
Doyle-Price, Jackie
Duddridge, James
Duncan, rh Mr Alan
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Featherstone, Lynne
Field, Mr Mark
Foster, rh Mr Don
Fox, rh Dr Liam
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Gale, Mr Roger
Garnier, Mr Edward
Garnier, Mark
George, Andrew
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Gove, rh Michael
Graham, Richard
Gray, Mr James
Grayling, rh Chris
Green, Damian
Greening, Justine
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Hague, rh Mr William
Halfon, Robert
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Matthew
Hancock, Mr Mike
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Holloway, Mr Adam
Hopkins, Kris
Howell, John
Hughes, rh Simon
Huhne, rh Chris
Hunt, rh Mr Jeremy
Hunter, Mark
Hurd, Mr Nick
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kelly, Chris
Knight, rh Mr Greg
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lamb, Norman
Lansley, rh Mr Andrew
Latham, Pauline
Laws, rh Mr David
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lilley, rh Mr Peter
Lloyd, Stephen
Lord, Jonathan
Loughton, Tim
Luff, Peter
Lumley, Karen
Macleod, Mary
Maynard, Paul
McCartney, Jason
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Mensch, Mrs Louise
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Milton, Anne
Moore, rh Michael
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Mundell, rh David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Ottaway, Richard
Paice, rh Mr James
Parish, Neil
Patel, Priti
Pawsey, Mark
Penning, Mike
Penrose, John
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Pritchard, Mark
Pugh, John
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reid, Mr Alan
Rifkind, rh Sir Malcolm
Robathan, rh Mr Andrew
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Ruffley, Mr David
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Simmonds, Mark
Skidmore, Chris
Smith, Miss Chloe

Smith, Henry
Smith, Julian
Smith, Sir Robert
Soubry, Anna
Spelman, rh Mrs Caroline
Spencer, Mr Mark
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Syms, Mr Robert
Tapsell, Sir Peter
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Villiers, rh Mrs Theresa
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Walter, Mr Robert
Ward, Mr David
Watkinson, Angela
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Willetts, rh Mr David
Williams, Roger
Williams, Stephen
Willott, Jenny
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Simon
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Ayes:
Mr Shailesh Vara and Jeremy Wright

NOES

Abrahams, Debbie
Ainsworth, rh Mr Bob
Alexander, rh Mr Douglas
Alexander, Heidi
Ali, Rushanara
Allen, Mr Graham
Ashworth, Jon
Austin, Ian
Bailey, Mr Adrian
Bain, Mr William
Balls, rh Ed
Banks, Gordon
Barron, rh Mr Kevin
Bayley, Hugh
Beckett, rh Margaret
Begg, Dame Anne
Benn, rh Hilary
Benton, Mr Joe
Berger, Luciana
Betts, Mr Clive
Blears, rh Hazel
Blenkinsop, Tom
Blomfield, Paul
Blunkett, rh Mr David
Bradshaw, rh Mr Ben
Brennan, Kevin
Brown, Lyn
Brown, rh Mr Nicholas
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burnham, rh Andy
Byrne, rh Mr Liam
Campbell, Mr Alan
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clarke, rh Mr Tom
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Connarty, Michael
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Crausby, Mr David
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cryer, John
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Dakin, Nic
Danczuk, Simon
Darling, rh Mr Alistair
David, Mr Wayne
Davies, Philip
De Piero, Gloria
Denham, rh Mr John
Dobbin, Jim
Dobson, rh Frank
Docherty, Thomas
Doran, Mr Frank
Dowd, Jim
Drax, Richard
Dromey, Jack
Dugher, Michael
Eagle, Ms Angela
Eagle, Maria
Efford, Clive
Elliott, Julie
Ellman, Mrs Louise
Engel, Natascha
Esterson, Bill
Evans, Chris
Field, rh Mr Frank
Fitzpatrick, Jim
Flello, Robert
Flynn, Paul
Fovargue, Yvonne
Francis, Dr Hywel
Glass, Pat
Glindon, Mrs Mary
Godsiff, Mr Roger
Goggins, rh Paul
Goodman, Helen
Greatrex, Tom
Green, Kate
Greenwood, Lilian
Griffith, Nia
Gwynne, Andrew
Hain, rh Mr Peter
Hamilton, Mr David
Hamilton, Fabian
Hanson, rh Mr David
Havard, Mr Dai
Hillier, Meg
Hodgson, Mrs Sharon
Hollobone, Mr Philip
Hopkins, Kelvin
Howarth, rh Mr George
Jackson, Glenda
James, Mrs Siân C.
Jarvis, Dan
Johnson, Diana
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jowell, rh Tessa
Joyce, Eric
Kaufman, rh Sir Gerald
Keeley, Barbara
Kendall, Liz
Khan, rh Sadiq
Lammy, rh Mr David
Lavery, Ian
Lazarowicz, Mark
Leslie, Chris
Lewis, Mr Ivan
Lloyd, Tony
Llwyd, rh Mr Elfyn
Lucas, Caroline
Lucas, Ian
Mactaggart, Fiona
Mahmood, Mr Khalid
Mahmood, Shabana
Mann, John
Marsden, Mr Gordon
McCabe, Steve
McCarthy, Kerry
McDonagh, Siobhain
McDonnell, John
McFadden, rh Mr Pat
McGovern, Alison
McGovern, Jim
McKinnell, Catherine
Meacher, rh Mr Michael
Meale, Sir Alan
Michael, rh Alun
Miliband, rh Edward
Miller, Andrew
Mitchell, Austin
Moon, Mrs Madeleine
Morden, Jessica
Morrice, Graeme *(Livingston)*
Morris, Grahame M. *(Easington)*
Mudie, Mr George
Munn, Meg
Murphy, rh Paul
Nandy, Lisa
Nash, Pamela
Nuttall, Mr David
O'Donnell, Fiona
Onwurah, Chi
Owen, Albert
Pearce, Teresa
Percy, Andrew
Perkins, Toby
Phillipson, Bridget
Pound, Stephen
Qureshi, Yasmin
Raynsford, rh Mr Nick
Reed, Mr Jamie
Reeves, Rachel
Reynolds, Jonathan
Riordan, Mrs Linda
Robertson, John
Robinson, Mr Geoffrey
Rotheram, Steve
Ruane, Chris
Ruddock, rh Joan
Seabeck, Alison
Shannon, Jim
Sharma, Mr Virendra
Sheerman, Mr Barry
Sheridan, Jim
Shuker, Gavin
Skinner, Mr Dennis
Slaughter, Mr Andy
Smith, rh Mr Andrew
Smith, Angela
Smith, Nick
Smith, Owen
Spellar, rh Mr John
Straw, rh Mr Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Tami, Mark
Thomas, Mr Gareth
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turner, Karl
Twigg, Stephen
Umunna, Mr Chuka
Vaz, rh Keith
Vaz, Valerie
Walley, Joan
Watson, Mr Tom
Watts, Mr Dave
Whitehead, Dr Alan
Williams, Hywel
Williamson, Chris
Winnick, Mr David
Winterton, rh Ms Rosie
Wood, Mike
Woodcock, John
Woodward, rh Mr Shaun
Wright, David
Wright, Mr Iain

Tellers for the Noes:
Phil Wilson and Mark Hendrick

Question accordingly agreed to.

Bill read a Second time.

LEGAL AID, SENTENCING AND PUNISHMENT OF OFFENDERS BILL (PROGRAMME)

Motion made, and Question put forthwith (Standing Order No. 83A(7)),

That the following provisions shall apply to the Legal Aid, Sentencing and Punishment of Offenders Bill:

Committal

1. The Bill shall be committed to a Public Bill Committee.

Proceedings in Public Bill Committee

2. Proceedings in the Public Bill Committee shall (so far as not previously concluded) be brought to a conclusion on Thursday 13 October 2011.

3. The Public Bill Committee shall have leave to sit twice on the first day on which it meets.

Consideration and Third Reading

4. Proceedings on Consideration shall (so far as not previously concluded) be brought to a conclusion one hour before the moment of interruption on the day on which those proceedings are commenced.

5. Proceedings on Third Reading shall (so far as not previously concluded) be brought to a conclusion at the moment of interruption on that day.

6. Standing Order No. 83B (Programming committees) shall not apply to proceedings on Consideration and Third Reading.

Other proceedings

7. Any other proceedings on the Bill (including any proceedings on consideration of Lords Amendments or on any further messages from the Lords) may be programmed.—*(Mr Dunne.)*

The House divided: Ayes 289, Noes 205.

Division No. 311] **[7.14 pm**

AYES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Amess, Mr David
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Barker, Gregory
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Beith, rh Sir Alan
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blunt, Mr Crispin
Boles, Nick
Bottomley, Sir Peter
Bradley, Karen
Brady, Mr Graham
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Browne, Mr Jeremy
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burns, Conor
Burns, rh Mr Simon
Burrowes, Mr David
Burstow, Paul
Byles, Dan
Cable, rh Vince
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, rh Mr Alistair
Carmichael, Neil
Carswell, Mr Douglas
Chishti, Rehman
Clappison, Mr James
Clarke, rh Mr Kenneth
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crabb, Stephen
Crockart, Mike
Crouch, Tracey
Davies, Glyn
Davis, rh Mr David
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Dorries, Nadine
Doyle-Price, Jackie
Duddridge, James
Duncan, rh Mr Alan
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Featherstone, Lynne
Field, Mr Mark
Foster, rh Mr Don
Fox, rh Dr Liam
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Gale, Mr Roger
Garnier, Mr Edward
Garnier, Mark
George, Andrew
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Damian
Greening, Justine
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Hague, rh Mr William
Halfon, Robert
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Matthew
Hancock, Mr Mike
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Holloway, Mr Adam
Hopkins, Kris
Howell, John
Hughes, rh Simon
Huhne, rh Chris
Hunt, rh Mr Jeremy
Hurd, Mr Nick
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kelly, Chris
Knight, rh Mr Greg
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lamb, Norman
Lansley, rh Mr Andrew
Latham, Pauline
Laws, rh Mr David
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Leech, Mr John
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lilley, rh Mr Peter
Lloyd, Stephen
Lord, Jonathan
Loughton, Tim
Luff, Peter
Lumley, Karen
Macleod, Mary
Maynard, Paul
McCartney, Jason
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Milton, Anne
Moore, rh Michael
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Mundell, rh David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Ottaway, Richard
Paice, rh Mr James
Parish, Neil
Patel, Priti
Pawsey, Mark
Penning, Mike
Penrose, John
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Pritchard, Mark
Pugh, John

Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reid, Mr Alan
Rifkind, rh Sir Malcolm
Robathan, rh Mr Andrew
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Ruffley, Mr David
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Scott, Mr Lee
Selous, Andrew
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Simmonds, Mark
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soubry, Anna
Spelman, rh Mrs Caroline
Spencer, Mr Mark
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Syms, Mr Robert
Tapsell, Sir Peter
Thurso, John
Timpson, Mr Edward
Tomlinson, Justin
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Villiers, rh Mrs Theresa
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Walter, Mr Robert
Ward, Mr David
Watkinson, Angela
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Willetts, rh Mr David
Williams, Roger
Williams, Stephen
Willott, Jenny
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Jeremy
Wright, Simon
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Ayes:
Mr Shailesh Vara and Mark Hunter

NOES

Abrahams, Debbie
Ainsworth, rh Mr Bob
Alexander, rh Mr Douglas
Alexander, Heidi
Ali, Rushanara
Allen, Mr Graham
Ashworth, Jon
Bailey, Mr Adrian
Bain, Mr William
Banks, Gordon
Barron, rh Mr Kevin
Bayley, Hugh
Beckett, rh Margaret
Begg, Dame Anne
Benn, rh Hilary
Benton, Mr Joe
Berger, Luciana
Betts, Mr Clive
Blears, rh Hazel
Blenkinsop, Tom
Blomfield, Paul
Blunkett, rh Mr David
Bradshaw, rh Mr Ben
Brennan, Kevin
Brown, rh Mr Nicholas
Bryant, Chris
Burden, Richard
Burnham, rh Andy
Byrne, rh Mr Liam
Campbell, Mr Alan
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clarke, rh Mr Tom
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Connarty, Michael
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Crausby, Mr David
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cryer, John
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Dakin, Nic
Danczuk, Simon
Darling, rh Mr Alistair
David, Mr Wayne
Davies, Philip
De Piero, Gloria
Denham, rh Mr John
Dobbin, Jim
Dobson, rh Frank
Docherty, Thomas
Dodds, rh Mr Nigel
Donaldson, rh Mr Jeffrey M.
Doran, Mr Frank
Dowd, Jim
Drax, Richard
Dromey, Jack
Dugher, Michael
Eagle, Ms Angela
Eagle, Maria
Efford, Clive
Elliott, Julie
Ellman, Mrs Louise
Engel, Natascha
Esterson, Bill
Evans, Chris
Field, rh Mr Frank
Fitzpatrick, Jim
Flello, Robert
Flynn, Paul
Fovargue, Yvonne
Francis, Dr Hywel
Glass, Pat
Glindon, Mrs Mary
Godsiff, Mr Roger
Goggins, rh Paul
Goodman, Helen
Greatrex, Tom
Green, Kate
Greenwood, Lilian
Griffith, Nia
Gwynne, Andrew
Hain, rh Mr Peter
Hamilton, Mr David
Hamilton, Fabian
Hanson, rh Mr David
Havard, Mr Dai
Hillier, Meg
Hodgson, Mrs Sharon
Hollobone, Mr Philip
Hopkins, Kelvin
Howarth, rh Mr George
James, Mrs Siân C.
Jarvis, Dan
Johnson, Diana
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jowell, rh Tessa
Joyce, Eric
Kaufman, rh Sir Gerald
Keeley, Barbara
Kendall, Liz
Khan, rh Sadiq
Lammy, rh Mr David
Lavery, Ian
Lazarowicz, Mark
Leslie, Chris
Lewis, Mr Ivan
Lloyd, Tony
Llwyd, rh Mr Elfyn
Lucas, Caroline
Lucas, Ian
Mactaggart, Fiona
Mahmood, Mr Khalid
Mahmood, Shabana
Mann, John
Marsden, Mr Gordon
McCabe, Steve
McCarthy, Kerry
McDonagh, Siobhain
McDonnell, John
McFadden, rh Mr Pat
McGovern, Alison
McGovern, Jim
McKinnell, Catherine
Meacher, rh Mr Michael
Meale, Sir Alan
Michael, rh Alun
Miller, Andrew
Mitchell, Austin
Moon, Mrs Madeleine
Morden, Jessica
Morrice, Graeme *(Livingston)*
Morris, Grahame M. *(Easington)*
Mudie, Mr George
Munn, Meg
Murphy, rh Paul
Nandy, Lisa
Nash, Pamela
Nuttall, Mr David
O'Donnell, Fiona
Onwurah, Chi
Owen, Albert
Pearce, Teresa
Percy, Andrew
Perkins, Toby
Phillipson, Bridget
Pound, Stephen
Qureshi, Yasmin
Raynsford, rh Mr Nick
Reed, Mr Jamie
Reeves, Rachel
Reynolds, Jonathan
Robertson, John
Robinson, Mr Geoffrey
Rotheram, Steve
Ruane, Chris
Ruddock, rh Joan
Seabeck, Alison
Shannon, Jim
Sharma, Mr Virendra
Sheerman, Mr Barry
Shuker, Gavin
Skinner, Mr Dennis
Slaughter, Mr Andy
Smith, rh Mr Andrew
Smith, Angela
Smith, Nick
Smith, Owen
Spellar, rh Mr John
Straw, rh Mr Jack
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Tami, Mark
Thomas, Mr Gareth
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turner, Karl
Twigg, Stephen
Umunna, Mr Chuka
Vaz, rh Keith
Vaz, Valerie
Walley, Joan
Watts, Mr Dave
Whitehead, Dr Alan
Williams, Hywel
Williamson, Chris

Wilson, Phil
Winnick, Mr David
Winterton, rh Ms Rosie
Wood, Mike
Woodcock, John
Woodward, rh Mr Shaun
Wright, David
Wright, Mr Iain

Tellers for the Noes:
Lyn Brown and
Mark Hendrick

Question accordingly agreed to.

LEGAL AID, SENTENCING AND PUNISHMENT OF OFFENDERS BILL (WAYS AND MEANS)

Motion made, and Question put forthwith (Standing Order No. 52(1)(a)),

That, for the purposes of any Act resulting from the Legal Aid, Sentencing and Punishment of Offenders Bill, it is expedient to authorise—

(1) the imposition of charges by virtue of the Act in connection with motor vehicle orders,

(2) the making of deductions from, or the imposition of levies on, payments to prisoners and persons required to be detained in young offender institutions, and

(3) the payment of sums into the Consolidated Fund.—*(Mr Dunne.)*

Question agreed to.

LEGAL AID, SENTENCING AND PUNISHMENT OF OFFENDERS BILL (MONEY)

Queen's recommendation signified.

Motion made, and Question put forthwith (Standing Order No. 52(1)(a)),

That, for the purposes of any Act resulting from the Legal Aid, Sentencing and Punishment of Offenders Bill, it is expedient to authorise—

(1) the payment out of money provided by Parliament of any expenditure incurred by a Minister of the Crown by virtue of the Act, and

(2) any increase attributable to the Act in the sums payable under any other Act out of money so provided.—*(Mr Dunne.)*

Question agreed to.

Business without Debate

DELEGATED LEGISLATION

Mr Speaker: With the leave of the House, it will be convenient to take motions 6 to 8 and 10 and 11 together.

Motion made, and Question put forthwith (Standing Order No. 118(6)),

CRIMINAL LAW

That the draft Justice and Security (Northern Ireland) Act 2007 (Extension of duration of non-jury trial provisions) Order 2011, which was laid before this House on 5 April, be approved.

That the draft Corporate Manslaughter and Corporate Homicide Act 2007 (Commencement No. 3) Order 2011, which was laid before this House on 16 May, be approved.

That the draft Corporate Manslaughter and Corporate Homicide Act 2007 (Amendment) Order 2011, which was laid before this House on 16 May, be approved.—*(Mr Dunne.)*

Question agreed to.

Motion made, and Question put forthwith (Standing Order No. 118(6)),

PARLIAMENT

That the draft Insolvency Act 1986 (Disqualification from Parliament) Order 2011, which was laid before this House on 3 May, be approved.—*(Mr Dunne.)*

Question agreed to.

Motion made, and Question put forthwith (Standing Order No. 118(6)),

PENSIONS

That the draft Pensions Act 2008 (Abolition of Protected Rights) (Consequential Amendments) (No. 2) Order 2011, which was laid before this House on 16 May, be approved.

That the draft Pensions Act 2007 (Abolition of Contracting-out for Defined Contribution Pension Schemes) (Consequential Amendments) (No. 2) Regulations 2011, which were laid before this House on 16 May, be approved.—*(Mr Dunne.)*

Question agreed to.

PETITION
Khalsa Academy (Slough)

7.28 pm

Fiona Mactaggart (Slough) (Lab): I have the honour to present, on behalf of the Slough Sikh Education Trust and members of the Sikh community in Slough and south Buckinghamshire, a petition in support of Khalsa secondary school in Slough. This afternoon, together with officers of the trust, I presented a petition in similar terms, with 1,500 signatures, to the office of the Prime Minister. I am trying to speak slowly so that the Secretary of State for Education will hear me, because the promoters of the petition tell me that he gave a pledge that he would help them to ensure the building of the school, if it was the only site they could find. That is indeed the case, and that is what the petition deals with.

The petition states:

The Humble Petition of the Slough Sikh Education Trust and members of the Sikh community within Slough and South Buckinghamshire.

Sheweth that the application of the Slough Sikh Education Trust to build and open a new Sikh Secondary Faith School, Khalsa Academy, in September 2012, was submitted in June 2011; that the Academy is to be sited next to the existing successful Sikh primary school; and that the trustees have, over the past year, exhausted all other feasible site options in the Slough area.

I must say that I know that, because I have been helping them. The petition continues:

Wherefore your Petitioners pray that your honourable House urges the Government to approve the application of the Slough Sikh Education Trust to build and open the Khalsa Academy in September 2012; and to support their endeavours to build the school on land near the existing Sikh Primary School.

And your Petitioners, as in duty bound, will ever pray &c.

[P000933]

Home Ownership (Armed Forces)

Motion made, and Question proposed, That this House do now adjourn.—*(Mr Dunne.)*

7.30 pm

John Glen (Salisbury) (Con): I welcome the opportunity to bring this important matter to the Floor of the House. It is a vital matter for serving armed forces personnel, and I speak today as someone who wants to make some constructive suggestions to the Minister in order to improve the uptake of mortgages. I do not think that that will mean new financial commitments from or undertakings by the Government, but I hope that it will deliver meaningful savings, if implemented well. I am particularly grateful for the support of my hon. Friend the Member for Beckenham (Bob Stewart) and the hon. Members for St Austell and Newquay (Stephen Gilbert) and for Ellesmere Port and Neston (Andrew Miller), who will contribute later.

Before I focus on access to mortgages, I pay tribute to Heropreneurs, a new charity founded by Richard Morris with the relatively simple aim of providing those who leave the armed forces with an entire business package, including start-up capital via a debt-for-equity model, pro bono legal and financial advice, a dedicated mentor, access to second-stage funding and a support network of people who have already made that journey from military to civilian life.

One beneficiary of Heropreneurs is Nick Cowan, a former colour sergeant with 23 years' service in the Royal Green Jackets, who has set up a not-for-profit company called Mortgage for Life, which enables those in the armed forces to buy accommodation at significantly reduced cost via special deals that it sets up with developers, banks and building societies. Mr Cowan has met various hon. Members, including the Minister for the Armed Forces and the leadership of the Council of Mortgage Lenders.

In discussions with Heropreneurs and Nick Cowan, however, it has become clear that there are specific issues with enabling service personnel to get on the housing ladder prior to their exit point, so I want to focus on that and on how the Ministry of Defence and the Department for Communities and Local Government can enable more serving armed forces personnel to overcome the particular inhibitors of their employment status in order to access the housing market in the same way as their civilian peers.

Despite the investment of Governments before and after the general election, the National Audit Office has found that the MOD did not have sufficient accommodation overall to meet current demand; that, if it did, the properties were in the wrong location; and that many did not match the need among those families in the right places. The NAO estimates that it will take two decades to sort that out, so the MOD is spending £38 million on maintaining vacant properties and paying out £16 million annually on private rented accommodation.

One way to resolve those issues and high costs is to make home ownership a more accessible alternative option. It is potentially a cost-saving alternative to private rentals, and the MOD is responding. Giving the military covenant statutory force means that we have some confidence in the seriousness with which it takes a range of issues, and the Minister for Housing and Local Government, who is in his place, has also made encouraging announcements in the past week.

Housing agents will be dispatched to barracks throughout the country and abroad to help troops apply to buy a home under the £500 million Firstbuy scheme, which aims to help more than 10,000 households purchase a new build home over the next two years. There are some questions about that, however. Who are the agents? Will they be paid? Will they be on commission? How often will they visit personnel? And, what qualifications do they have?

The first indications from those who have been observing this matter are that, in the Firstbuy paperwork, priority for housing will be given to existing social tenants and MOD personnel, so service personnel will not receive quite the priority that was suggested in the announcement by the Minister a week ago. Though that was welcome, it is still the case that there is very little social housing in this country and most property is owned by housing associations. If we want to tackle this problem in its entirety, we have to unlock the issue of housing associations having the autonomy to decide what to do with properties. The challenge is to make them open up the categories of person to whom they let property. An ongoing concern is that service personnel no longer receive a discount towards purchasing their social housing or housing association property. In the past, time served in service families accommodation would count towards the discount when buying their council house. The removal of that rule offers some challenges.

The challenges remain significant. As a member of the Select Committee on Defence, I am clear that thousands of personnel will leave the services in the next six months and, while specific initiatives will assist in the short term, we need to do more to change the lending culture towards the armed forces. The Council of Mortgage Lenders has confirmed that the industry supports measures to help overcome barriers to home ownership for military personnel. The mortgage application process will be refined and lenders will accept the principle that serving men and women should not be disadvantaged, but the details are important. It is critical that this is put right.

I understand that we will shortly get to the point where lenders' systems do not reject applications because they come from British Forces Post Office addresses, so we should be in a situation where prospective lenders take applications from military staff out of their automated response processes, where appropriate. It is astonishing that there are these barriers to service personnel that mean that they cannot get beyond the application stage.

I understand that that industry is producing top tips for prospective borrowers from the services to assist them with key elements of the mortgage application process, and that is welcome. However, it is critical that the Minister ensures that this recently announced initiative is embedded in the mindset of the MOD. We cannot have the MOD saying, "Well, we've been doing it this way for some time and we don't need your assistance, thank you." We need a cross-departmental approach to ensure that the best outcomes are secured for these people who do so much for their country. There are real barriers that materially disadvantage service or ex-service personnel in securing a mortgage—in short, they cannot get credit-scored simply because of their profession.

I shall set out some of the key issues for consideration. Heropreneurs and Nick Cowan have written a mortgage manifesto, which addresseses how staff in retail branch networks handle mortgage applications and how they should have clear and consistent guidelines on how to treat certain savings products. Armed forces personnel should have access to the best possible discounts and fixed and tracker products, in line with those that civilian members of the public can access. Lenders should no longer be able to charge serving armed forces personnel more for life assurance premiums in relation to policies that are required to support a successful mortgage application than they do civilians of the same age. The Council of Mortgage Lenders, the British Bankers Association and their respective members should have a dedicated armed forces and veterans page on their retailing banking websites to give specific financial advice to those clients.

Strong consideration needs to be given to providing better-quality advice within the armed services themselves. It is critical that, embedded within training at different stages, serving personnel can get advice and access to independent financial advisers. I am not saying that the Minister or the MOD should become IFAs, but they should facilitate wise advice. If investment decisions are made when people are in their 20s they tend to determine how people will fare in their 40s and 50s, and they will have an impact on the generation that comes after them.

All serving armed forces personnel should have the opportunity on at least an annual basis to receive specialist advice. The issues relating to the use of long service advance of pay should be simplified as a matter of urgency, so that there is a clear presumption in favour of the money being used to put down a deposit or pay for the legal fees associated with a mortgage application. At the moment, that seems very difficult to deal with. The resistance to allowing people to secure a buy-to-let property also inhibits take-up.

Let me finish by acknowledging that the Minister has taken a lead in addressing some of the issues. I am here to urge him to go further, to work with his MOD colleagues and all Ministers across Government to ensure that our armed services personnel get the best that they deserve. The core concerns underlying this debate are beginning to be addressed. The matter has such serious implications for the financial well-being of our servicemen that we need to look broadly and deeply into this issue and at every aspect of it to ensure that we achieve what rhetoric and headlines would have us believe will be the outcome.

7.41 pm

Andrew Miller (Ellesmere Port and Neston) (Lab): I congratulate the hon. Member for Salisbury (John Glen) on picking up the baton on this issue. Like me, he met Richard Morris from Heropreneurs a couple of weeks ago. I first knew Richard when he was involved in the Bright Ideas Trust and he is an extraordinary character who puts an amazing amount of energy into helping other people, and all credit to him.

There are the beginnings of a solution in the pilots that the Minister inherited from the previous Administration. There was a £20 million shared equity scheme, which was jointly supported by the MOD and the Department for Communities and Local Government. The scheme was a good idea, but what the hon. Gentleman has highlighted is a whole range of different parts of this problem that go much deeper than we first thought. The matter requires fresh thinking on a cross-departmental basis to ensure that we can persuade the various lending authorities to treat service personnel in the way that the hon. Gentleman has described. Service personnel are special to us and they deserve special treatment in all sorts of ways.

I am quite convinced, having looked at the challenge, that it is perfectly feasible for any self-respecting building society listening to the debate to find a vehicle that will work for this category. If a single building society can do it, perhaps others will, too. I should like the Minister to commit the Government to work with the private sector to bring that about.

Such work needs to cross a number of boundaries. With long-term planning for service personnel, their family situations would be more stable, and they would stay in the services for the longer term. Part of that work spills over into education. The Minister needs to liaise with his colleagues in education, so that we overcome the other little barrier: the placement of young schoolchildren when people leave the forces to ensure that they are in stable school environments within the geographical areas where their families plan to live. A holistic approach is needed, and the problem can be solved with a bit of joined-up thinking.

7.45 pm

The Minister for Housing and Local Government (Grant Shapps): I congratulate my hon. Friend the Member for Salisbury (John Glen) on calling this debate on a subject that is enormously important to many hon. Members and to people beyond. The constructive and helpful manner in which he has addressed the issue is appreciated. It is right that we do everything possible to honour those who have served this country, who have gone out of their way and put their lives on the line. In my view and, in fact, that of the Prime Minister—he said it from this very Dispatch Box earlier today—it is not enough simply to remove the disadvantages that having been away from home might bring. If we put ourselves in the position of those who defend the rest of us, we see that it is fair to expect them to be given a foot on the housing ladder as well. I want to make it a specific goal of the Government to ensure not only that we are removing those disadvantages but that we are actively helping.

My hon. Friend raises a number of key points, some of which we have already been talking about. I will try to address his concerns. He refers to the Firstbuy initiative that we launched recently, and ensuring that those who have served this country are at the top of the Firstbuy list. He rightly points out that it should help 10,000 or 10,500 families to purchase homes. I want to ensure that our ex-servicemen are at the front of the line to do that, and we have said that we will ensure that they are. They are being prioritised right at the top, along with people at the top of the housing waiting list. None the less, I intend to ensure that we promote the scheme properly to those who are in the target category. In doing so, we will send Firstbuy special agents into military bases here and abroad, as my hon. Friend mentions, to ensure that we find the right people, so that they know about the schemes. That activity is already under way, and I

[Grant Shapps]

can put my hon. Friend's mind to rest about the detail at that scheme by letting him know that the network of Firstbuy agents is already in place and active. For example, I have the marketing material that they are sending to barracks to promote the scheme.

My hon. Friend mentioned social housing. Of course, people do not always want to return to purchase houses, as that might not suit their situation. They might return and want to get on to the social housing waiting lists. Again, I have some good news for him: I intend to consult on how we can better handle their position on the social housing waiting lists. I am determined—I am sure that the whole House is—to ensure that people do not return and find themselves languishing at the bottom of the housing waiting lists, perhaps because a local authority is trying to apply a local connection rule. That is completely wrong, so I reassure my hon. Friend that we will consult on a better way to ensure that returning squaddies are at the top of that list.

Bob Russell (Colchester) (LD): First, on social housing, I urge the Government to ensure that those councils with large garrison communities have additional resources if that priority is to be meaningful. Secondly, I seek the Minister's assurance about the failings of an organisation called Blue Force that was based in my constituency and operated from the former Colchester barracks with MOD phone numbers. It was set up to encourage serving personnel around the world to buy, but it went under owing hundreds of thousands of pounds, with many serving military personnel losing thousands individually.

Grant Shapps: On the first point, my hon. Friend is absolutely right that resources need to follow. He will be aware that we have launched not just the Firstbuy scheme to build 10,500 homes for purchase, but a range of different schemes for affordable rent that will very much apply across the country, and aim to build 150,000-plus homes. Of course, as I announced a few moments ago, we will ensure that military personnel are right up there on that list. I intend to consult on the matter after the Localism Bill has finished its progress through the other place. The case of Blue Force is not one with which I am familiar. I would be happy to receive further information on it.

It is interesting that my hon. Friend the Member for Salisbury raised the issue of right to buy and whether time outside the country counts towards the right to buy qualification. I am reliably informed that nothing has changed since the Housing Act 1985. This Government certainly have not made any changes, and I do not think that the previous Government did either. Again, I invite him to provide details if he has any concerns about that. Someone who serves abroad should certainly not lose that time, when it should count towards their right to buy.

As my hon. Friend knows, I have promoted these issues, particularly by holding a military housing summit on 16 May, the same day that the military covenant was launched. I sat around a table and held discussions with a range of military leaders, charity workers, defence officials and many others about how we can improve the situation. I reassure him that a whole range of ideas came out of that meeting—from the Firstbuy discussions, to what more we can do to let our armed forces have a fair crack of the whip at social housing, and to the problems that he eloquently outlined involving how British Forces Post Office addresses have not qualified, until now, with the credit reference agencies that all the mortgage lenders use when assessing a mortgage application. That is an extraordinary problem that should be solved easily. I can inform the House that we have been working to resolve it for several months, since the coalition came to office. We are fairly close to a resolution.

Andrew Miller: The Minister is making an important point. Will he send a strong message to all credit reference agencies that both the Government and the Opposition are incredibly proud of BFPO? It reflects an important part of our society, and we regard it as an insult to our troops that they should be treated in that way by credit reference agencies.

Grant Shapps: The point has been made clearly, and I hear that other hon. Members agree, as do the Government. We have been discussing the matter and are close to resolution. It is an example of how a tiny piece of bureaucracy can cause complete mayhem for somebody's future life. The inability to score highly on a credit record is important, and it is only a matter of a software change—the computers at Experian and elsewhere simply need to be able to accept BFPO postcodes so that they do not create a problem. Indeed, it could be part of the solution, because once it has been flagged up that somebody has been in the military, all the additional assistance that I have mentioned—for example, Firstbuy—could be brought to bear simply through that information coming to light. I have found the Council of Mortgage Lenders and others to be very helpful in trying to resolve the problem, and we are not far off making an announcement. That is good progress.

I can also report that the scheme managed by the MOD that the hon. Member for Ellesmere Port and Neston (Andrew Miller) mentioned is expected to help a minimum of 250 families into affordable home ownership. I know that that will be widely welcomed. Of course, there are several other key challenges, and I intend to pick up on those themes at a further first-time buyers' housing summit, which I will hold on 5 July. I will add some of those items to the agenda so that we can keep proper tabs on where we have reached.

I believe that we are considering an issue that one cannot simply approach once and expect it to be resolved.

Andrew Miller *rose—*

Grant Shapps: We have to keep returning to the matter, just as the hon. Gentleman is about to do with his intervention.

Andrew Miller: Will the Minister please add to his agenda the special tools that are needed to enable people to transfer from buy-to-rent to buy-to-live-in? A special vehicle is needed for military personnel in that category. That would help them to buy early, which would obviously help later in their careers.

Grant Shapps: I am grateful to the hon. Gentleman. I have not examined that so far, and I am certainly happy to add it to the agenda and give some thought to how we could assist.

We are trying to assist in many different ways. One strange problem is that, six months before someone is discharged, they get a notice of cessation, which tells them that they will be moved out of their military accommodation. There is not much connectivity between that and the local authority, which may not know that those people are about to come down the line and may be in need of housing help, advice or assistance. We intend to join that process up as best we can. That is important.

The more I have looked into the matter, the more it strikes me that the key is joining all the dots. It is not that the country is not grateful and nobody wants to help—far from it. My experience has been the opposite. However, the dots have not been sufficiently joined up. The bureaucratic barriers have got in the way. I commit us to ensuring that, in every possible way, we will seek out and actively try to destroy those barriers, taking on board the excellent ideas that have been presented in debates such as tonight's and any others, wherever they come from. It is my goal and the Government's intention to ensure that when those who have bravely served in the military come home, that bravery and the job that they did so selflessly is recognised by everybody in the country, particularly when it comes to housing needs.

Question put and agreed to.

7.56 pm

House adjourned.

House of Commons

Thursday 30 June 2011

The House met at half-past Ten o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

ENVIRONMENT, FOOD AND RURAL AFFAIRS

The Secretary of State was asked—

Forestry

1. **Roberta Blackman-Woods** (City of Durham) (Lab): What recent discussions she has had with the chair of the independent panel on forestry on the future of the public forest estate. [62873]

The Secretary of State for Environment, Food and Rural Affairs (Mrs Caroline Spelman): First, I am sure that the House would like to join me in wishing the Bishop of Liverpool, who chairs the independent panel, a speedy recovery from his recent operation. As the panel is independent, it is important that its members, including the chair, enjoy complete freedom to produce their report, the scope of which extends beyond the public forest estate to include the future of all England's forests.

Roberta Blackman-Woods: First, may I associate myself with the right hon. Lady's comments about James Jones, Bishop of Liverpool? She will be aware that at least some members of the independent panel think that more of our woodlands should be in public ownership, not less, so will she give the House a commitment not to sell off any more publicly owned forests and woodland, and instead to seek to work with partners to find ways of adding to it?

Mrs Spelman: As I have said, the panel is independent, and I have had no separate conversations with its members to hear the views that the hon. Lady has expressed. The important thing is to wait for the panel to report to us with its recommendations. In the interim, Ministers have made it absolutely clear that there will be no further sale of the public forest estate.

Oliver Heald (North East Hertfordshire) (Con): Does the Secretary of State recall that in the 1990s John Major, as Prime Minister, launched an initiative in the national forest to develop a parliamentary area, where MPs could sponsor a tree? The aim of that voluntary activity was to encourage biodiversity and help the forest. Could the independent panel consider such initiatives, because I am sure that throughout the country there are groups of individuals who would like to do their bit?

Mrs Spelman: My hon. Friend is right, and I remember that extremely good initiative. We want to encourage not only parliamentarians but all individuals, and schools and places of work, to plant more trees. We aim to plant 1 million new trees within this parliamentary Session. I will certainly look at the parliamentary scheme as an opportunity to remind colleagues how important it is that we do our bit.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): I supported John Major's initiative, which was very good, and sponsored two trees in memory of my parents. If we care about our forests and woods, we must ensure that the next generation visits, enjoys and learns about them. The number of out-of-school visits is collapsing and we must do something about it. Will the Secretary of State join the initiative of the John Clare Trust, which I chair, in launching the "Every child's right to the countryside" campaign, and give it a bit of support?

Mrs Spelman: The hon. Gentleman is right to say that the opportunity for our children to learn in nature is incredibly important, as we highlight in the natural environment White Paper, in which we have given an undertaking to remove the barriers to outdoor learning. The Department for Education wholly supports that.

Biodiversity

2. **Christopher Pincher** (Tamworth) (Con): What recent discussions she has had on the delivery of her Department's biodiversity strategy. [62875]

4. **Chris Skidmore** (Kingswood) (Con): What recent discussions she has had on the delivery of her Department's biodiversity strategy. [62877]

The Secretary of State for Environment, Food and Rural Affairs (Mrs Caroline Spelman): My Department has regular discussions with interested parties on the delivery of our biodiversity strategy. The Government's vision for the natural environment, including biodiversity, is set out in the natural environment White Paper, the first in 20 years. The UK also endorsed the EU biodiversity strategy last week. We will shortly publish a new biodiversity strategy for England, which will build on this.

Christopher Pincher: I welcome my right hon. Friend's commitment to biodiversity, particularly the idea of biodiversity offsetting set out in the White Paper, but will she confirm that the rules on offsetting that she will put in place will keep it local, so that any development affecting biodiversity in Tamworth must be offset in Tamworth, not in some other part of the country?

Mrs Spelman: My hon. Friend is absolutely right. We have given an undertaking in the natural environment White Paper that biodiversity offsetting should be in the local area, because local communities need to feel the benefit if they are to take the development. At present it is section 106 agreements that should deliver on biodiversity offsetting, but what happens is often so far removed from the community that the connection is not made.

Chris Skidmore: What plans does the Secretary of State have to include green belt land in the biodiversity strategy, to ensure that it is protected for generations to come?

Mrs Spelman: My hon. Friend is speaking to a Member of Parliament whose constituency is entirely in the green belt, so I can give him a strong assurance about the protection of the green belt. The Department for Communities and Local Government has given an undertaking on that, which will be repeated in the national planning policy framework. DEFRA's strategy of course includes the protection of the green belt, but even within the green belt, communities will have the opportunity to designate green areas to provide extra protection and enhance biodiversity.

Nic Dakin (Scunthorpe) (Lab): The wildlife crime unit plays an important part in protecting endangered species and preventing the trade in endangered species. How will the Secretary of State ensure that that continues, given that its budget is guaranteed for only two years?

Mrs Spelman: We have said this on a previous occasion, but it is worth repeating because it is important. We have secured the funding for the wildlife crime unit. It is an important part of combating the threat to endangered species from those who seek to do them damage.

Mr David Hanson (Delyn) (Lab): Has the Secretary of State seen the concerns of the Institute of Ecology and Environmental Management, based on a survey of businesses, that although the aims of the biodiversity strategy are laudable, there may be a skills shortage so that we cannot reach the required level by 2020? What steps will she take to assess the skills required and build the skills base to achieve the objectives?

Mrs Spelman: I am happy to share with the House the fact that I co-chair the green economy council, where businesses from all sectors of the economy come together on a regular basis to discuss with us how to green the economy. As part of that, we have a focus on improving green skills, precisely to ensure that we have people with the experience and training to deliver on our important commitments to protect and enhance biodiversity while growing the economy.

3. **Kerry McCarthy** (Bristol East) (Lab): Whether she plans to introduce pilot projects to evaluate biodiversity offsets. [62876]

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Richard Benyon): In the natural environment White Paper, we announced that we will establish a voluntary approach to biodiversity offsetting and test it in a number of pilot areas. We want local authorities to express an interest in taking part in the pilot, and to hear from developers, conservation and community groups and others who want to test offsetting.

Kerry McCarthy: In an earlier reply the Secretary of State referred to section 106 agreements. In Bristol there has been a scandalous failure to enforce section 106 agreements, and hundreds of thousands of pounds have not been spent on the projects they should have been spent on. When the Minister evaluates the pilots, will he ensure that new biodiversity schemes are actually realised?

Richard Benyon: I can give the hon. Lady that assurance. That is one of the attractions of this scheme, and is why it works well in other areas. We want to dovetail it into our planning system because it offers clarity. She is right to point out that section 106 negotiations can sometimes be a bit of a horse-trading operation and can result, in certain circumstances, in token biodiversity protection activities. This scheme offers a clear, understandable, auditable, accountable system. We are delighted by the response from a number of local authorities through the consultation process. More are now coming forward since the natural environment White Paper was published, as are developers. I hope that in the coming months we will be able to give her the assurance that she needs.

Miss Anne McIntosh (Thirsk and Malton) (Con): There is, of course, an excellent pilot project that will bring enormous biodiversity benefits to Pickering, in the form of the slow-the-flow flood defence scheme. Will the Minister assure me that the guidance regulations under the Reservoirs Act 1975, which are preventing that project from going ahead, will be swept away?

Richard Benyon: I have just won my bet that my hon. Friend would raise that issue, and she is entirely right to do so. I share her concerns about the application of the Reservoirs Act and its implications for Pickering. My right hon. Friend the Secretary of State has visited the site. We want to do all we can to ensure that the scheme goes ahead, because we think that it is a good example of how biodiversity, slowing up water, and flood protection can fit together in many areas. We want her constituents to know that the Government will look into any means possible to ensure that such schemes go ahead.

Pig Industry

5. **Natascha Engel** (North East Derbyshire) (Lab): What recent discussions she has had with representatives of supermarket retail chains on the effects of pricing on the pig industry. [62878]

The Minister of State, Department for Environment, Food and Rural Affairs (Mr James Paice): I discussed the supply chain and the competitiveness of all those involved at the review meeting of the pigmeat supply chain taskforce in February. The taskforce meeting included the major retailers and pigmeat processors and producers. However, for competition reasons, Ministers cannot discuss prices directly with retailers.

Natascha Engel: I thank the Minister for that answer. When will the supermarket ombudsman be in place, and will he have the power to ensure that supermarkets pay a fair price for British pork?

Mr Paice: As the hon. Lady knows, the Government have published the draft Bill on the supermarket code adjudicator, and we hope that the real legislation will come forward very soon. The purpose of the adjudicator, as recommended by the Competition Commission, is to enforce the code, which has been in place since February 2010. He or she will not be able to intervene directly in prices or margins, but will intervene in issues to do with fair competition, and fair terms and conditions for suppliers.

Mr James Gray (North Wiltshire) (Con): Pig production standards and animal welfare standards in general are far higher in Britain than they are throughout most of the rest of the world, yet the consumer in the British supermarket has no way of knowing whether they are buying British bacon or pork or whether it is from somewhere completely different. How far have the EU discussions on allowing country of origin labelling progressed? We want to see a Union Jack on British pigmeat, so that we can buy it in the supermarket.

Mr Speaker: With reference to pricing, Minister.

Mr Paice: My hon. Friend is right. However, at the moment the Union Jack could appear on a product from a pig that was not reared in Britain, and that needs to be stopped. I can tell him that the whole meat industry has agreed a voluntary code on country of origin labelling, and we carried out a benchmarking exercise survey in April, against which we can judge progress. The EU food information regulations are making fast progress. It will be a little while yet, but we believe that within them there will be mandatory country of origin labelling for fresh meat.

Food Prices

6. **Graeme Morrice** (Livingston) (Lab): What steps she is taking in response to recent trends in food prices. [62879]

The Secretary of State for Environment, Food and Rural Affairs (Mrs Caroline Spelman): With permission, Mr Speaker, I will answer this question with Question 10. *[Interruption.]* I think that they are grouped.

Mr Speaker: I think not. If I have missed something and the Secretary of State wishes to explain it I will be obliged, but I think not.

Mrs Spelman: Sorry, Mr Speaker. It has been withdrawn, I think.

The Government are committed to promoting better functioning of agricultural markets to help mitigate future price spikes. Last week I attended the G20 Agriculture Ministers meeting—the first time that Agriculture Ministers have been convoked under the G20. We unanimously agreed on measures to increase food production sustainably and provide better transparency and governance in order to regulate supply and demand. I wish to see further liberalisation of markets, which as the Government's foresight report states, will help dampen price volatility.

Graeme Morrice: The United Nations and the OECD recently predicted that global food prices could rise by as much as 30% in the next decade. What action is the Secretary of State taking to tackle commodity speculation and rising food prices?

Mrs Spelman: There is no conclusive evidence that speculation is the principal cause of price volatility. Farmers would be the first to explain that they speculate—or hedge—in order to even out the highs and lows in their prices. The fundamental problem in world markets is that of tight supply and demand, so the most important thing we can do is increase food production sustainably. That is a priority for my Department.

Neil Parish (Tiverton and Honiton) (Con): It is important not only to examine food prices but to ensure that people are buying the right product. There are likely to be a lot of low-standard eggs coming into Britain, because we will have met the standards for the new enriched cages by January but a lot of Europe will not. What are the Government doing to prevent such eggs from coming into Britain?

Mrs Spelman: As I have told the House before, I was the first among the EU Agriculture Ministers to spell out how important it is that all egg producers comply with the changes in the law that will apply from 1 January. I am delighted to be able to inform my hon. Friend that it will not be legal to market eggs in this country that have not been produced in enriched cages.

Albert Owen (Ynys Môn) (Lab): We are all aware that external factors push up food prices, but another problem is the imbalance between the supermarkets and the producer, which is passed on to the customer. We have just had an unsatisfactory response about the adjudicator. What we want is a proactive ombudsman with real teeth, so that consumers and producers get a fair price.

Mrs Spelman: That is a bit rich coming from a representative of a party that was in government for 13 years and had the opportunity to introduce such an ombudsman, which is something that this Government are now setting about doing.

Livestock Provenance

7. **Andrew Rosindell** (Romford) (Con): What estimate she has made of the proportion of livestock slaughtered in England that was reared in the UK in the last year for which figures are available. [62880]

The Minister of State, Department for Environment, Food and Rural Affairs (Mr James Paice): The vast majority of livestock slaughtered in England will have been reared in the United Kingdom. A small number, including some spent hens, are from the Republic of Ireland, and a very small number will be imported from mainland Europe for slaughter rather than for breeding purposes.

Andrew Rosindell: I thank the Minister for his response. The transport of livestock over long distances can cause unnecessary suffering and distress. Does he agree that where possible the slaughter of animals should be done locally, to avoid that distress and long transportation?

Mr Paice: I think that most people entirely agree with my hon. Friend, and certainly I do. We want to encourage the slaughtering of animals locally wherever possible. Not only is it good for welfare reasons, it is good for local employment and fits in with local food, which we all want to encourage.

Inland Waterways

8. **Mary Macleod** (Brentford and Isleworth) (Con): What steps she is taking to maximise the potential of rivers and inland waterways. [62881]

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Richard Benyon): In April 2012, the Government plan to move British Waterways from the public sector to civil society, through the creation of a new waterways charity. This will give waterways users and the communities that live alongside them greater involvement in how waterways are managed, leading to a range of enhanced public benefits. It will also place the waterways on a more sustainable footing, as the charity will have access to new sources of commercial and charitable income.

Mary Macleod: We have more than 2,000 miles of rivers and inland waterways, including the Grand Union canal in Brentford in my constituency. Does my hon. Friend agree that the announcement of the proposed merger between the Waterways Trust and the new waterways charity will provide a good opportunity to boost the value of those national assets?

Richard Benyon: I am delighted to welcome the announcement of the merger that my hon. Friend describes. It will allow the cultural and heritage purposes of the new waterways charity to be fundamentally linked with all the other benefits arising from creating the new entity. The three museums that the waterways charity now owns will become part of the new charity, and will be a fantastic resource for it in future.

Regulation

9. **Sajid Javid** (Bromsgrove) (Con): What progress she has made in reducing the burden of regulation on farmers; and if she will make a statement. [62884]

The Minister of State, Department for Environment, Food and Rural Affairs (Mr James Paice): In May I welcomed the report of the independent farming regulation taskforce, which has made more than 200 recommendations to reduce the regulatory burden on farmers without lowering our standards. The Government are now carefully considering those recommendations.

Sajid Javid: Farmers in my constituency and nationwide would welcome the efforts that the Government are taking to reduce regulation. Can the Minister give the House an idea of the time scale for implementing those recommendations, and say whether any might be taken forward immediately?

Mr Paice: Perhaps my hon. Friend will accept tomorrow as being close enough to immediately. I can tell him that as of tomorrow, dairy farmers who are covered as members of the assured dairy scheme will find their state inspections going down to once every 10 years, as they are regularly inspected as part of the scheme to which they belong.

Mary Creagh (Wakefield) (Lab): In two weeks' time this House will debate the Public Bodies Bill, which abolishes the Agricultural Wages Board, which sets pay and conditions for 150,000 farm workers in England and Wales. If the AWB is abolished, every farmer in the country will become responsible for negotiating pay and conditions with their workers. Can the Minister tell the House what estimate he has made of the extra time and money this new regulatory burden will place on farm businesses?

Mr Paice: I have rarely heard such nonsense. The whole purpose of abolishing the Agricultural Wages Board is to reduce regulation, not to increase it. The change has been sought by the industry, which does not see it as regulatory, so what the hon. Lady has to come and tell us that it will increase regulation I really do not know.

Mary Creagh: The Agricultural Wages Board guarantees farm workers other benefits, such as bereavement pay and sick pay. Without it, their sick pay will fall from roughly £180 a week for a grade 1 worker to the statutory minimum of £81.60 a week. The AWB also guarantees children under 16 who work on farms £2.98 an hour. The minimum wage does not cover children under 16, so when the AWB is abolished children on farms will have no wage protection. I am sure that the right hon. Gentleman has considered the impact of the change on the under-16s. Can he tell the House what protections he will put in place to protect child workers from exploitation?

Mr Paice: There are many other regulations that deal with young people in employment across the whole of industry. The reality is that the board has been in existence for 60 years and it is now well past its sell-by date. The industry has asked for its abolition and, as the Public Bodies Bill stands, we will have to consult on that. The hon. Lady will be able to make her views known at that point—but I must emphasise that the contracts of employment of everyone currently employed in the industry will remain in existence.

Roger Williams (Brecon and Radnorshire) (LD): Looking to future regulation, if badger control is going to be part of DEFRA's bovine TB eradication programme, will the Minister confirm that any regulations attached to licences will be proportionate and practical?

Mr Paice: I think my hon. Friend knows that we have not made any announcement about badger control yet. I hope that the conclusions of our consultation will be announced fairly soon, along with a wider package of measures to combat TB. Whatever steps we take will clearly need to balance the regulations that have to be in place for disease control with minimising their burden and using risk assessment as the basis for applying them.

Recycling

10. **Joan Ruddock** (Lewisham, Deptford) (Lab): What her policy is on future levels of recycling of domestic and commercial waste. [62885]

The Secretary of State for Environment, Food and Rural Affairs (Mrs Caroline Spelman): I commend the right hon. Lady for her long-standing commitment to this issue. Our waste review set out our ambition to move from a throwaway society to a zero-waste economy. This includes maximising the recycling of waste that cannot be prevented or reused from households and businesses. We will work with local authorities and the waste management industry to make it easier for everyone to recycle, whether at home, at work or on the go.

Joan Ruddock: Just a year ago the Secretary of State said of recycling:

"We need to go faster and we need to go further."

So is it the Secretary of State for Communities and Local Government who has crushed her ambition and vetoed a target for recycling in this country? Having won the battle over fortnightly bin collections, why does she not now adopt Friends of the Earth's target of halving black sack waste by 2020, thus reducing costs and creating jobs?

Mrs Spelman: I support the scale of the ambition of Friends of the Earth's target, and we are of course bound by an EU target to recycle 50% of household refuse, but if targets are too specific they can be distorting, driving councils to meet centrally imposed indicators instead of doing what is best for their local circumstances. A good example of that was the landfill allowance trading scheme, which led to the anomaly of disincentivising the recycling of business waste.

Nigel Mills (Amber Valley) (Con): My right hon. Friend might be aware of the problem of heavily soiled films used on farms being exported to China as clean waste, rather than being put into the recycling process in this country. What action can she take to stop these illegal exports?

Mrs Spelman: If it is illegal, it is important that we take legal sanctions to prevent it. Whenever possible, we want to see our own waste industry growing. At present it is projected to grow at 4% per annum, and there is no lack of ambition in the industry to deal more effectively with all forms of waste that we can treat in this country.

Mr Jamie Reed (Copeland) (Lab): The lack of ambition belongs entirely to the Secretary of State. *The Sunday Times* called the Government's waste review a "sloppy, flyblown mess" hamstrung by Tory dogma. The Welsh Government have adopted a 70% recycling rate, which will create 50,000 new jobs by 2025, yet in England this Government have abandoned recycling targets. Will the Secretary of State tell the House why she has scrapped recycling targets for England? Will she also publish an assessment of how many English jobs will not now be created, and how much investment in the waste industry will not now be made, as a result of her decision?

Mrs Spelman: That is a gross distortion of our waste review. The hon. Gentleman should not rely on newspapers to give him a guide to what is in it; he should take the trouble to read the real thing. Have I not just said that we expect the waste industry to grow by 4% per annum? We have not scrapped recycling targets; we are committed to EU targets for recycling. In addition, we have more ambition with regard to landfill, which exceeds the ambition of the previous Government and involves proposals not to bury metal and wood in landfill.

Fisheries

11. **Tom Greatrex** (Rutherglen and Hamilton West) (Lab/Co-op): What recent discussions she has had with her EU counterparts on reform of the common fisheries policy. [62886]

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Richard Benyon): As UK Fisheries Minister, I have had discussions with a range of people about common fisheries policy reform. These include the EU Commission, Members of the European Parliament and other member states. I continue to encourage fellow Ministers to support radical reform, most recently during this week's Fisheries Council. I will continue to press our case for reform as negotiations develop over the next year.

Tom Greatrex: I am grateful for the Minister's response. I am aware that the mackerel quota was discussed at the meeting earlier this week. Is the Minister aware of the widespread exasperation at the fact that in her comments afterwards, the Commissioner confirmed that no action would even begin to be taken until at least October—a full 18 months after the arbitrary action that caused the problem in the first place? There is now very real concern that this will have an impact not just on the sustainability of stocks but on the livelihood of fishing fleets. Will the hon. Gentleman urge his European partners to take action more quickly?

Richard Benyon: The hon. Gentleman is right to raise this matter; it is our most pressing problem, and our most valuable stock is at risk of crashing—probably within 18 months to two years—if the gross overfishing announced by the Faroes and Iceland goes ahead. I moved the issue forward at this week's meeting by seeking to raise it to a political level. It has been dealt with by the Commission and by officials, but I believe it will take Ministers from the countries concerned to look each other in the eye and sit round a table, perhaps with an independent chairman, to negotiate. I do not care where we meet, but we have got to move this forward quickly. That is the proposal I made at the meeting, and I have followed it up with a letter. We made a number of other suggestions that highlight the urgency of this problem.

Andrew George (St Ives) (LD): I would be grateful if the Minister were prepared to meet a delegation of fishermen from my constituency who are concerned about the Government's proposals for the inshore fishery, as the consultation on that closes today. They are particularly concerned about what I suspect will be the unintended consequences that will be detrimental to this low-impact and sustainable sector.

Richard Benyon: I would be delighted to meet representatives of the hon. Gentleman's local fishing community. The consultation on the under-10-metre sector, which, as he says, closes today, sought to find a solution to the level of perceived unfairness—I acknowledge it—that applies to this sector. I want to find a way forward that gives this sector more fishing opportunities and allows the local communities to invest in their local fleets, because we understand the social implications of the decline of the fishing industry in many places. I am not in the business of making life more difficult for any particular sector, and I want to ensure that this consultation feeds on the many enthusiasms we have encountered, while also setting to rest many of the fears expressed.

Mr Nigel Dodds (Belfast North) (DUP): The European Commission is due to publish next month the new legislative text on the reform of the common fisheries

policy. The best thing, of course, would be to abolish that dreadful policy altogether, but short of that, what specific actions have the Government urged on the Commission on regionalisation of the policy?

Richard Benyon: The right hon. Gentleman is right; we expect the paper to be published on 13 July and we will debate it at the next Council meeting on 19 July. We pushed very hard for regionalisation. He is absolutely right to say that the system is ludicrous. One of the many failures of the common fisheries policy is that factors such as net sizes are decided in Brussels, whereas they should be decided at least on a sea basin basis, if not at member state level. We are still pushing hard for regionalisation. There are counter-arguments about the legality and what other countries want, but I can assure the right hon. Gentleman that we are really pushing for this, as we believe it to be an important way forward.

Bovine TB (West Worcestershire)

12. **Harriett Baldwin** (West Worcestershire) (Con): What recent assessment she has made of the spread of bovine tuberculosis in wildlife in the West Worcestershire constituency; and if she will make a statement. [62887]

The Minister of State, Department for Environment, Food and Rural Affairs (Mr James Paice): The most recent information we have is from the randomised badger-culling trial, in which badgers were culled annually in an area west of Malvern between 2002 and 2005. The average TB prevalence in badgers culled in that area was then 28%. We also know that TB in cattle is linked to TB in wildlife. I can tell my hon. Friend that there was an increase in the number of new herds disclosed with TB in Hereford and Worcester in 2010 compared with 2009, and a corresponding increase in herd incidence over the same period.

Harriett Baldwin: Wildlife in my constituency is suffering from tuberculosis, a lingering death. Cattle are being slaughtered, and farmers are lying awake at night worried that their herd might be next. Will the Minister update us on what further steps the Government could take to bring the disease under control?

Mr Paice: My hon. Friend is right to stress the need for further policies to control TB. As I said earlier, we will make announcements fairly soon—before the House rises, we hope—on our proposals regarding badgers, and about wider cattle-to-cattle measures. I assure my hon. Friend and the House that the status quo, do-nothing agenda is not acceptable. Calculations show that if we do nothing and things stay as they are, it will cost the taxpayer £1 billion over the next 10 years.

Simon Hart (Carmarthen West and South Pembrokeshire) (Con) *rose—*

Mr Speaker: Order. The question is specifically about West Worcestershire, and Carmarthen West and South Pembrokeshire is a little distance from there.

Dogs

13. **Jim Fitzpatrick** (Poplar and Limehouse) (Lab): What steps she plans to take to reduce the incidence of antisocial behaviour by dogs and their owners. [62889]

The Minister of State, Department for Environment, Food and Rural Affairs (Mr James Paice): DEFRA is working closely with the Home Office to deal with the issue of antisocial behaviour on the part of dogs and their owners. As I am sure the hon. Gentleman knows, on 7 February the Home Office issued a consultation paper on a new, streamlined framework of measures to tackle antisocial behaviour. Subject to consultation, the new tools will replace 18 of the formal powers that are currently available, including those applicable to dogs. The consultation ended on 17 May, and the responses are being analysed.

Jim Fitzpatrick: It is reassuring to hear that discussions are taking place with the Home Office. Members of the all-party associate parliamentary group for animal welfare met representatives of the Association of Chief Police Officers last week, and they presented their evidence to the Department shortly afterwards. Will the Minister meet members of the all-party group to discuss ACPO's information and the concerns it raised with the Department?

Mr Paice: As the hon. Gentleman knows, I am always happy to meet him and, indeed, any other colleagues. As he also knows, the issue of dogs is the responsibility of my noble Friend, Lord Henley. I will pass his request on to my noble Friend, but I assure him that if he cannot deal with it, I will do so.

Wild Animals in Circuses

14. **Mr John Spellar** (Warley) (Lab): What her policy is on legislation to prohibit the use of wild animals in circuses. [62890]

The Minister of State, Department for Environment, Food and Rural Affairs (Mr James Paice): The Government will listen to the views of the House of Commons, and are sympathetic to the motion for a ban. We are taking active steps towards finding a way in which to introduce a ban and clearing the obstacles that prevent us from doing so now. In the meantime we have begun, as a matter of urgency, to develop a tough licensing regime which will stop circuses from using wild animals if they do not provide the appropriate welfare standards.

Mr Spellar: As the Minister acknowledges, the House made a clear decision to ban wild animals in circuses. As with so many other issues, would not it be a good idea for his Department to start listening to the electorate rather than the civil servants? Should he not just get on with it?

Mr Paice: I have just made it clear that the Government respect the view of the House and are sympathetic to the motion for a ban. I remind the right hon. Gentleman that the specific measure mentioned in the motion constituted secondary legislation. All the advice given to us—and to the last Government—suggests that that is not the right way to proceed, which is why we are trying to overcome the obstacles.

Gavin Shuker (Luton South) (Lab/Co-op): I appreciate the Minister's response, but it appears that confusion still reigns at DEFRA. After last Thursday's vote, an official in the Department said:

"Given that a ban is not an immediate possibility, we will proceed with a tough licensing regime".

That prompts an obvious question: why does the Minister continue to frustrate the will of the House? Will he commit himself to introducing a ban during the current parliamentary Session?

Mr Paice: I wish that the hon. Gentleman had listened to what I said. The fact is that it is unlawful for a Minister to legislate if he knows that it is unlawful to do so. According to all the advice that we have been given, using section 12 of the Animal Welfare Act 2006 would be extremely likely to raise a judicial challenge, which would not benefit the position.

I have made it clear that we are taking the matter forward. We are exploring all avenues, both in the Department and more widely outside Government, in trying to find the best way of satisfying the desire of the House.

Topical Questions

T1. [62893] **Dr Alan Whitehead** (Southampton, Test) (Lab): If she will make a statement on her departmental responsibilities.

The Secretary of State for Environment, Food and Rural Affairs (Mrs Caroline Spelman): My Department takes responsibility for safeguarding the environment, supporting farmers and strengthening the green economy. In addition, it has responsibility for animal health and welfare. Accordingly, I would like to take this opportunity to draw colleagues' attention to the written ministerial statement and accompanying "Dear colleague" letter setting out the changes we are making to the pet travel scheme. I believe these changes strike the right balance between making it easier for people who wish to travel with pets and maintaining the protection people have a right to expect. They are consistent with our commitment to science-led, evidence-based policy making.

Dr Whitehead: Tomorrow, the League Against Cruel Sports will hold a national conference on wildlife protection with the support of the Royal Society for the Prevention of Cruelty to Animals, the Royal Society for the Protection of Birds and other organisations. On the eve of that conference, will the Secretary of State confirm that the Government have dropped their plan to hold a vote to enable the repeal of the Hunting Act 2004 in this Parliament?

Mrs Spelman: We have not dropped our plan to hold a vote. That is part of the coalition agreement and it is in our business plan.

T3. [62895] **Chris Skidmore** (Kingswood) (Con): The Secretary of State is aware of the recent UK National Ecosystem Assessment report, which Friends of the Earth has described as essential summer reading for all MPs. It estimates that the health benefits of living within view of green spaces are worth approximately £300. Given those economic benefits, what will the Secretary of State do to ensure we better value our national environment, in particular the green belt?

Mrs Spelman: The National Ecosystem Assessment report should be compulsory reading for MPs, not least because the Minister for policy at the Cabinet Office, my right hon. Friend the Member for West Dorset (Mr Letwin), described it as a game changer. The most important aspect of the report is the tool itself: 200 scientists from around the world came together to give us a scientific tool that enables us to estimate the true value of what nature provides for us for free.

T2. [62894] **Fiona O'Donnell** (East Lothian) (Lab): Will the Secretary of State join me in welcoming Oxfam's "Grow" campaign on sustainable farming and food? Has she met Oxfam, and what discussions has she had with Department for International Development Ministers on this issue?

Mrs Spelman: As I have said before, what came over very strongly at the G20 from the Agriculture Ministers of the world's richest nations was the responsibility we have not only to grow more food sustainably but to aid developing countries to grow more food sustainably themselves. We have good relationships with all our stakeholders and key non-governmental organisations—I would count Oxfam as one of them—and with our DFID colleagues in order to make sure we play our part.

T4. [62898] **Dr Thérèse Coffey** (Suffolk Coastal) (Con): The Minister has already given a response on the inshore fishing consultation, but will he give my under-10-metres fishermen the assurance that all the responses will be carefully considered, including concerns about the suggested structure and the fact that there will still be people with quotas who no longer fish and have not done so for many years?

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Richard Benyon): Yes, I can give my hon. Friend the assurance that we will look at every response very carefully. We have had about 20 meetings around the coast, which were very well attended, and many of the areas of consultation were explained to the audience in such a way as to allay their fears. As I said to my hon. Friend the Member for St Ives (Andrew George), we want to make life better for the under-10s and give them a more sustainable future.

Angela Smith (Penistone and Stocksbridge) (Lab): Only two weeks ago, a gamekeeper was convicted for illegally killing birds of prey in my constituency. Is it not time to think about introducing a vicarious liability offence to ensure that landowners and estate managers supervise their gamekeepers more closely and more effectively?

Richard Benyon: There are very good laws in place to punish the illegal killing of any animal. If they are not being enforced, they must be and we will take steps to make sure that happens. However, this is also a good opportunity to applaud gamekeepers for the wonderful work they do in providing excellent biodiversity across our countryside.

T5. [62899] **George Eustice** (Camborne and Redruth) (Con): Further to the earlier answer to the hon. Member for North East Derbyshire (Natascha Engel) about the groceries adjudicator, the Minister will be

aware that the proposal enjoys widespread support in the farming industry, but there are concerns that farmers will be reluctant to volunteer information for fear of reprisals. Does the Minister agree that trade bodies such as the National Farmers Union must do their bit by collating and publishing information from their members, to help guide the supermarket adjudicator to the right target and identify bad practice?

The Minister of State, Department for Environment, Food and Rural Affairs (Mr James Paice): I agree with my hon. Friend that there is widespread concern that individuals might be loth to make complaints because of the risk of being penalised by the retailer involved. As he will know, the draft Bill allows for third-party representations, but does not allow for representations from trade bodies. To give a precise answer, there is nothing to prevent the National Farmers Union or any other body from gathering information, publishing it and making things clear. Obviously, the adjudicator would then have discretion over whether to pursue the investigation further.

Luciana Berger (Liverpool, Wavertree) (Lab/Co-op): Given today's worrying report from the Committee on Climate Change showing that the UK is in danger of missing its carbon reduction targets, will the Minister back plans supported by more than 100 organisations, including the Co-operative Group, WWF and the Aldersgate Group, and commit to introducing the mandatory reporting of corporate greenhouse gas emissions?

Mrs Spelman: We are consulting on that, but I would like the hon. Lady to know that my Department is responsible for climate change adaptation and we are completely committed, together with the Department of Energy and Climate Change, to achieving our carbon emissions targets. We will do all that we can because this is such an important matter, as was outlined in the Foresight report. The challenge that we will face on food security if we do not tackle the combination of an increasing population and demand for food, hungry people and climate change means that we will be held to account.

T6. [62900] **Mr Philip Hollobone** (Kettering) (Con): Given that the Government are in favour of animals being stunned before slaughter, when might we have some food labelling regulations that will mark kosher and halal products as such, so that those of us who object to ritual slaughter do not buy them inadvertently?

Mr Paice: My hon. Friend rightly says that the Government believe that all animals should be stunned before slaughter, but we respect the rights of religious groups. However, this practice should clearly be restricted, wherever possible, to food for those religious groups. We face serious challenges in labelling and ensuring efficient systems of traceability. The Government are examining the matter and, as I am sure he is aware, it is being discussed in respect of the food information regulations in Brussels, although he will perhaps not wish to take that option further, given his views on that place. I can also tell him that we will shortly consult on the introduction of the new welfare at slaughter regulations and we will be raise this whole matter then.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): Does the Minister agree that it is morally repugnant and an environmental disaster that the bulk of male calves born in this country are immediately killed and incinerated? Is it not about time we did something to change the way people see veal, as it is a wonderful product to eat? Could we not rename it "spring beef", so that we could get over the prejudices that mean that these poor animals get no life at all?

Mr Paice: Calves are born all year round, so I am not sure that the term that the hon. Gentleman proposes is quite right. That aside, I entirely share his view, although the number of bull calves being slaughtered at birth is now much lower than it was, because there has been a welcome increase in the consumption of veal. We need to make sure that this is UK veal and is what we call "rose veal", whereby calves are reared in humane circumstances and not in some of the arrangements we see abroad.

T7. [62901] **Mary Macleod** (Brentford and Isleworth) (Con): I am delighted that Octink, from my constituency, has been named one of the UK's greenest businesses for the third year running. Does my right hon. Friend agree with me and with Will Tyler, its chief executive, who says that this approach is not only good for the environment, but helps his bottom line. What more can we do to promote the financial aspects and benefits of green business?

Mrs Spelman: I applaud the green business that my hon. Friend has described, and I hope that she will convey my support for it. The Government have set up a green economy council, which I co-chair, and it is very encouraging to see just how many businesses, in all sectors of the economy, understand the importance of having both a green economy and a growing one.

Albert Owen (Ynys Môn) (Lab): Everyone in this House and across the country wants to eradicate bovine tuberculosis. Although the matter is devolved, what discussions does DEFRA have with the devolved Administrations about the science-based evidence, as we need to exchange this information, get best practice and eradicate this disease once and for all?

Mr Paice: I share the hon. Gentleman's desire to eradicate this disease. I assure him that my officials were in regular contact with Welsh officials prior to the change of Government in Wales and that I had discussions with the relevant Minister at the time. I have not yet discussed this matter, although I have discussed others, with the new Minister. I look forward to doing so, and our officials will continue to be in close contact. The hon. Gentleman rightly says that we need to make sure that, wherever possible, we are working in harmony on this.

T8. [62902] **Greg Hands** (Chelsea and Fulham) (Con): Thames Water's chief executive said last week that the previous costing of £3.6 billion for the Thames tideway tunnel was

"simply an indicative 2008 price"

that would "inevitably increase". The Minister will know that under the existing pricing, Thames Water bill payers throughout the region will each have to pay £65 per

annum in perpetuity for the tunnel. Will he assure me and 142 other Members of this House that our constituents will get value for money for this project?

Richard Benyon: I can—and I am one of them. I can assure my hon. Friend that my constituents and his are absolutely in our minds. We meet weekly with officials from Ofwat and Thames Water, the issue will be discussed at the DEFRA supervisory board this afternoon and I shall meet the London boroughs and the Greater London authority next week to discuss the project. I can assure my hon. Friend that its price is foremost in our minds.

CHURCH COMMISSIONERS

The hon. Member for Banbury, representing the Church Commissioners, was asked—

Rural Committee

1. **Miss Anne McIntosh** (Thirsk and Malton) (Con): What recent reports he has received on the activities of the rural committee of the Church Commissioners. [62903]

The Second Church Estates Commissioner (Tony Baldry): In the past 12 months, the rural affairs group has worked on a variety of issues including bovine tuberculosis, the Localism Bill, common agricultural policy reform, lay ministry in rural churches and vocations and training in rural ministry.

Miss McIntosh: I take this opportunity to congratulate the rural committee on the work that it does. Can my hon. Friend suggest ways in which we in this place can work more closely with the committee as it goes about its business?

Tony Baldry: The Church's rural committee would certainly welcome a closer working relationship with my hon. Friend and the Select Committee on Environment, Food and Rural Affairs, which she so ably chairs. I encourage all bishops and suffragan bishops to take the opportunity of the parliamentary recess to get in touch with parliamentary colleagues from all parties to discuss how our colleagues can learn more from and work more closely with the Church, whether that is in rural areas, in urban areas or on any project.

Mr Speaker: I call Mr Ben Bradshaw. He is not here, so I call Sir Peter Bottomley.

New Statesman

3. **Sir Peter Bottomley** (Worthing West) (Con): Whether the Church Commissioners were consulted on the choice of Ministers to be invited to contribute to the edition of the *New Statesman* edited by the Archbishop of Canterbury. [62905]

Tony Baldry: No.

Sir Peter Bottomley: May I ask my hon. Friend to thank the archbishop for sending the magazine and his articles to all Members of Parliament? I also recommend, through him, that *The Daily Telegraph* and the BBC actually read those articles. The archbishop was aware that a reader might say that to give a page to the Work and Pensions Secretary and five pages to an interview with the Foreign Secretary might show too much establishment leaning. The criticism of the archbishop is, as Lucy Winkett put it, new

"like the waves, old like the sea."

Tony Baldry: I shall certainly convey my hon. Friend's comments to the Archbishop of Canterbury. I will also say to my hon. Friend, who has been in this House for some considerable time, that sometimes what is heard is as important as what is said.

Fuel Prices

4. **Robert Halfon** (Harlow) (Con): What recent assessment the Church Commissioners have made of the effect of fuel prices on the financial position of the Church of England. [62906]

Tony Baldry: Fuel prices impact on clergy, and dioceses are aware of the Government increase in mileage rates from April 2011.

Robert Halfon: Does my hon. Friend agree that the high cost of fuel is having a huge impact on the community and charitable work done by the Church? Will the Church play its part in asking the Government to delay the 3p inflationary rise in fuel tax that is planned for January?

Tony Baldry: Rising prices impact on us all, including those who undertake charitable and pastoral duties in the community. The Church of England will increase the mileage rate for staff and clergy, but we try to encourage them to travel by public transport wherever possible. I am sure I speak for all Members of the House when I say that we hope that charities and religious groups will endeavour to maintain their charitable and pastoral provision despite the change in fuel tax.

St Paul's Church, Truro

5. **Sarah Newton** (Truro and Falmouth) (Con): What plans the Church Commissioners have for the future of St. Paul's church, Truro and its hall. [62907]

Tony Baldry: The commissioners are actively working to find a suitable new use for St Paul's church. Preparations are under way for placing it on the open market. The commissioners are not specifically involved with the hall, which is on a separate site owned by the Truro diocesan board of finance.

Sarah Newton: The church hall is a valuable community resource that is much appreciated by the homeless people of Truro, who receive a warm welcome and freshly cooked meals from the Truro homeless action group. Will my hon. Friend work with me to enable community groups to have the opportunity to secure the hall for the continued benefit of the community of Truro?

Tony Baldry: I entirely agree that Church of England buildings, whether they be churches or church halls, should wherever possible be open to the widest possible

use by the greater community. That is part of the Church's national mission, and I think that before any church or church building is declared redundant or sold every possible effort should be made to see that it is retained for community use. I will most certainly convey my hon. Friend's comments to the diocese of Truro.

Marriages

6. **John Howell** (Henley) (Con): What steps the Church Commissioners are taking to encourage marriages in Church of England buildings. [62908]

Tony Baldry: The Church of England values the sacrament of marriage, it is keen to encourage marriage in churches wherever possible and it has recently changed the rules to enable couples to marry more easily when they would like to marry in church.

John Howell: I thank my hon. Friend for that answer. Does he agree that this is not just about buildings, but that organists and musicians, of whom I confess to being one, make a valuable contribution, and that the Church should promote those aspects as a package to encourage church weddings?

Tony Baldry: My hon. Friend was a much-respected organist and director of church music, and I think that one of the glories of England is church music, choirs and organ music. One reason many people want to marry in Church of England churches is the contribution of the choir and the organist.

Chris Bryant (Rhondda) (Lab): I have married more people than, I think, anybody else in this House, and it was always great fun marrying couples in church, but the archbishop's special licence system involved a lot of people, frankly, telling fibs about where they lived, so I hope that that will be reformed. Would it not help if the Church of England decided that it would like now to hold civil partnership ceremonies in its churches?

Tony Baldry: As the hon. Gentleman knows, that was a matter of much debate during the passage of the Equalities Bill both in this House and in the other place. It was resolved that there would be no change unless the General Synod agreed, and that is where the position lies today.

Tourism

7. **Laura Sandys** (South Thanet) (Con): What steps the Church Commissioners are taking to promote tourism focused on church buildings and church heritage. [62909]

Tony Baldry: The General Synod passed a motion encouraging all dioceses to support church tourism and to link with a wider national church tourism strategy. The cathedral and church buildings division of the Church of England encourages best practice, including opening churches, welcoming visitors and providing interpretation, and it works closely with partners including the Churches Tourism Association, Cathedrals Plus and the Churches Conservation Trust.

Laura Sandys: My hon. Friend and I share a great passion for tourism organisations and our churches working together more effectively. Does he recognise that in east Kent we have a set of 10th, 11th and 12th century churches marking St Augustine's way, and will he join me in making a representation to the Church of England to ensure that visitors understand and enjoy those churches more?

Tony Baldry: My hon. Friend is fortunate in representing a fantastic constituency, which, among its other attributes, was the place where St Augustine landed. I could cite at least three good examples of church tourism in my hon. Friend's constituency, but, as I was accused during the last Church Commissioners questions of loquaciousness, I will resist that temptation and simply say that I will encourage the Bishop of Dover and, indeed, other bishops to ensure that hon. Members know of the efforts being made in all our constituencies to promote church tourism, because it is very important to make sure that as many people as possible can enjoy the heritage of our church buildings.

Religious Education

8. **Fiona Bruce** (Congleton) (Con): What steps the Church Commissioners are taking to support the teaching of religious education in schools. [62910]

Tony Baldry: Every diocese in the Church of England supports RE teaching in its schools, and most diocesan education advisers also support and provide materials for the teaching of RE in non-Church schools.

Fiona Bruce: I thank my hon. Friend for that reply. As I believe he knows, a petition with 140,000 signatures expressing concern at the exclusion of RE from the English baccalaureate was presented to Downing street yesterday. One unintended consequence of that exclusion is that the number of pupils applying to study RE at GCSE has dropped significantly, as have application rates for RE teacher training—by some 25%. What action can the Church Commissioners take to ensure that the study of RE is properly resourced, bearing in mind that it is still a statutory—that is, compulsory—subject for pupils in school up to 16 years old?

Tony Baldry: My hon. Friend raises a serious point about RE in the E-bac. She will know that the Bishop of Oxford, who chairs the National Society—in other words, he is the lead bishop on education in the Church of England—has, on several occasions, made clear the concerns of the Church of England, and indeed other faith groups, to ministerial colleagues in the Department for Education. I heard the Minister with responsibility for schools say in a debate in Westminster Hall that he would reflect on those representations, and we look forward to hearing what decisions Ministers take in respect of RE in the E-bac.

Women Bishops

9. **Diana Johnson** (Kingston upon Hull North) (Lab): How many diocesan synods have voted (a) for and (b) against the proposed legislation on women bishops. [62911]

Tony Baldry: Notification has been received from six diocesan synods, and I am pleased to tell the hon. Lady that so far all the dioceses that have voted have voted to approve the legislation.

Diana Johnson: I thank the hon. Gentleman for that answer. Given the overwhelming support for women bishops, may I urge him to introduce legislation at the very earliest opportunity so that we can enshrine in law equality between men and women as bishops?

Tony Baldry: The hon. Lady knows that I share her aspiration. Let me explain this process to the House, because I look forward to the support of all Members of the House when the Measure comes before Parliament in due course. Every diocese, of which there are 44, has to vote. Six have voted; colleagues can work out the maths on the rest that still have to do so. Once they have all voted, there will be a meeting of the General Synod, which I hope in due course will approve the measure so that it can come before Parliament to enable the consecration of women as bishops. I certainly hope that in the lifetime of this Parliament, Parliament will approve that measure.

Congregations

10. **John Robertson** (Glasgow North West) (Lab): What assessment the Church Commissioners have made of recent trends in the proportion of Church of England congregations that are (a) from black and Asian minority ethnic groups, (b) women, (c) disabled people and (d) from low-income groups. [62912]

Tony Baldry: The latest figures collected in relation to the hon. Gentleman's question were part of a 2007 national parish congregation diversity survey. They show that about 5% of Church of England core congregations are from minority ethnic backgrounds and about 65% are women. Figures for disabled people are kept by dioceses individually and are not held centrally.

John Robertson: The hon. Gentleman will appreciate that things have moved on somewhat since 2007 and that, particularly in the more deprived areas, there will be a hardening of the problems of meeting the cuts that are going to hit them. I believe that there is a very strong place for the Church in those areas in particular. Will he ensure that the Church does the work that it should be doing in trying to attract these people through its doors?

Tony Baldry: I am grateful to the hon. Gentleman for that question, because it gives me the opportunity to make the position clear. The Church Commissioners have £5.5 billion under investment, of which we disburse about £100 million every year to the Church. Much of that goes to poorer dioceses with inner-city and deprived areas so that the Church can fulfil its mission to such areas and to those who need the greatest support. We see that as a very important part of our role and of the Church's national mission.

Ninetieth Birthday of HRH the Duke of Edinburgh

11.33 am

Mr Speaker: On Wednesday 8 June, the House resolved that a message be sent to His Royal Highness the Duke of Edinburgh to offer His Royal Highness the warmest good wishes of the House upon the occasion of his ninetieth birthday. This morning I waited upon His Royal Highness, with the Prime Minister, the Deputy Prime Minister, the Leader of the House and the Leader of the Opposition, to convey the said message. We were graciously received by His Royal Highness, who responded in these terms:

My Lords and Members of the House of Commons. I received your kind message of congratulations on my ninetieth birthday with the greatest pleasure. I have derived much satisfaction from the many years that I have been able to help and support the Queen. Few others, if any, have had the satisfaction of witnessing the affection and respect that so many people around the world have shown for the Queen since the beginning of her reign. I acknowledge that the position that I have held has made it possible for me to support and encourage a great many valuable and worthwhile organisations in this country and further afield. It has been a particular pleasure to be associated with so many organisations that have encouraged the development of the younger generation in this country and in the wider world.

Speaker's Statement

11.35 am

Mr Speaker: I have a further statement to make. Members will recall that on 4 May, I informed the House of the Clerk of the House's intention to retire with effect from Friday 30 September 2011. A trawl for Sir Malcolm's successor has now been held. There were five applicants, all of whom were interviewed by a panel consisting of myself, the Chairman of Ways and Means, the Leader of the House, the shadow Leader of the House, the Chairman of the Liaison Committee, the Chairman of the Finance and Services Committee, and Sheila Drew Smith, an independent assessor.

The unanimous recommendation of the panel was that Mr Robert Rogers, at present Clerk Assistant, should succeed Sir Malcolm Jack. I am glad to be able to tell the House that Her Majesty the Queen has approved the appointment. I am sure that the House will join me in congratulating Robert Rogers on his appointment. [HON. MEMBERS: "Hear, hear!"] There will be an opportunity at a later date to pay the traditional tribute to the retiring Clerk.

BSkyB

11.36 am

Mr Tom Watson (West Bromwich East) (Lab) *(Urgent Question)*: To ask the Secretary of State for Culture, Olympics, Media and Sport if he will make a statement on the News Corporation acquisition of BSkyB.

The Secretary of State for Culture, Olympics, Media and Sport (Mr Jeremy Hunt): Earlier today, I placed a written statement before the House outlining the next steps in my consideration of the potential merger between News Corp and BSkyB. In it, I explained that I have published the results of the consultation on the undertakings in lieu offered by News Corp, together with the subsequent advice I have received from Ofcom and the Office of Fair Trading.

As I outlined, the consultation did not produce any information that caused Ofcom or the OFT to change their earlier advice to me. I could have decided to accept the original undertakings. However, a number of constructive changes were suggested and, as a result, I am today publishing a revised, more robust set of undertakings, and will be consulting on them until midday on Friday 8 July.

Significantly, those changes strengthen further the arrangements for editorial independence and business viability of the newly spun-off Sky News. In my view, they provide a further layer of very important safeguards. As amended, I believe that the undertakings will remedy, mitigate or prevent the threats to plurality that were identified at the start of this process. If after this next consultation process nothing arises that changes that view, I propose to accept the undertakings in lieu of a reference to the Competition Commission. Before coming to such a view, however, I will of course seek once again the advice of the independent external regulators.

Mr Watson: In the end, it comes down to believing a promise. The Secretary of State has chosen to accept the assurances of News Corp, when it has breached previous assurances on the takeover of *The Times*, *The Sunday Times*, *The Sun* and the *News of the World*.

The Secretary of State could have chosen to disregard those assurances to protect plurality, or asked whether the acquirer has shown evidence of bad practice in its other media companies. Section 58 of the Enterprise Act 2002 provides for specified considerations, including

"the need for persons carrying on media enterprises, and for those with control of such enterprises, to have a genuine commitment to the attainment in relation to broadcasting of the standards objectives set out in section 319 of the Communications Act 2003",

yet the chief executive of News International, Rebekah Brooks, openly and brazenly, and without any sense of irony, admitted to a parliamentary Committee that News International paid police officers for evidence.

The Secretary of State has granted the acquisition to an organisation that is currently the subject of three separate police inquiries, and an organisation that a parliamentary Select Committee found guilty of "collective amnesia" of criminality at one of its newspapers. There is emerging evidence that News International conspired with convicted criminals to pervert the course of justice by hacking the phones of serving police officers and detectives, their families and the families of the victims of serious crime. At least one senior executive even collaborated with at least one career criminal while he was serving time in prison. And, most appallingly of all, while the nation grieved, the criminals who were contracted to News International illicitly targeted a parent of the children who were murdered by Ian Huntley in Soham.

Today the Secretary of State has chosen to take these people at their word. No wonder he tried to avoid answering colleagues in the House this morning! Did he or the Prime Minister meet or talk to Rupert Murdoch when he was here last week? Is it true that the Sky News spin-off, NewCo, will have no equity value and no realistic chance of making a profit? How much tax will the newly acquired BSkyB pay in the UK? Does this decision enjoy the support of the Secretary of State for Business, Innovation and Skills?

Does the Secretary of State think it unusual that BSkyB has organised a party at the Foreign Office tonight? How can people realistically take part in a consultation that is to last only eight days? Has he taken advice from the Cabinet Office on how to conduct proper and effective consultations? The ultimate owner of the newly acquired company will be registered as a shareholder in Delaware, USA, but there is no obligation on the company to publish the shareholder register. Will he undertake to oblige the company to do this in the public interest before he finally signs off the deal? We have to know who will be the new owners of 40% of the country's media estate.

I am sure that the Secretary of State will get his reward for this decision, but he will pay a very high political price. This seedy deal would shame a banana republic.

Mr Hunt: Let me first address the hon. Gentleman's final comment, which was beneath what he is capable of. I am perfectly well aware that on such an issue no one will trust the motives of politicians, which is why, at every stage, I have sought independent advice from Ofcom, the independent regulator, and the Office of Fair Trading. I have done it even in areas I did not have to. For example, I did not have to ask Ofcom's advice on whether these undertakings were robust and I did not have to ask it whether it would address concerns about plurality, but I chose to do so, and I have published its advice. I have tried therefore, at every stage, to strengthen the confidence of the House and the public in the integrity of the process.

I shall move on to some of the issues that the hon. Gentleman raised. First, he talked about past assurances given by News Corps in respect of previous media assets that it has purchased. This is not an issue of trust. These undertakings are legally binding and legally enforceable. Moreover, one of the undertakings particularly addresses the concerns that I think are shared in many parts of the House about broadcasting impartiality, which is enshrined in the broadcasting code. Under the undertakings that I published on 3 March and am publishing again today, the code will form part of the company's articles of association. Under the strengthened undertakings that I am publishing today, News Corps will not be allowed to attempt to get the new company to breach its own articles of association, so the editorial impartiality for which Sky News is valued will be better protected than it is for any other media organisations in this country.

[Mr Jeremy Hunt]

I remind the hon. Gentleman that he has campaigned—I think very honourably and impressively—on the phone-hacking issue. At root, I agree with what he says: no company should be above the law. But just as no company should be above the law, no Minister should be above the law. I have to follow due process, and due process under the Enterprise Act 2002, which was put in place by his Government, says that I have to consider this on the basis of media plurality—a very important issue—to make sure that no one person has too much control over our media. That is why James Murdoch and Rupert Murdoch will have less control of Sky News after this deal goes through than before it because of the undertakings in place.

On the other issues that the hon. Gentleman raised, I cannot speak for the Prime Minister but I have had no contact with the Prime Minister over this deal. I am deciding this deal on a quasi-judicial basis, but I have not met Rupert Murdoch or James Murdoch in recent weeks, and all the meetings I have had with them have been minuted and done through official channels. On the tax issue, obviously, like all companies, News Corp will be subject to UK law, but this issue has been decided on media plurality grounds.

On the consultation, I remind the hon. Gentleman that I could have chosen to conclude this issue today, but I have not. I am launching a further consultation. This issue has been in the public domain since last summer, but I want to make sure that this House and the public have every possible opportunity to comment on what is being proposed. Not only that, but I have listened to them. In fact, I think we have made the undertakings more robust and stronger so I am confident that what I am proposing to the House will protect plurality of the media, which I know is highly valued in all parts of the House.

Mr John Whittingdale (Maldon) (Con): May I congratulate the Secretary of State on the meticulous care that he has shown in his handling of this matter? Can he confirm that every single concern that has been raised by the regulatory authorities has been addressed? On the wider question of impartiality, does he agree that the value of Sky News is not because it makes money—it does not—but because of the benefit to the overall reputation of BSkyB that comes from the integrity, objectivity and the quality of its news gathering, and that it would therefore be madness for any new owner to seek to change that?

Mr Hunt: I completely agree with what my hon. Friend is saying. The regulatory authorities have both confirmed, both on 3 March and today, that they are satisfied that the undertakings I am putting before the House address the concerns that were raised about media plurality. I have taken that advice very seriously indeed.

My hon. Friend's second point about Sky News is particularly important today because in the revised undertakings that we have published there are two things that particularly strengthen what the public value about Sky News. First, News Corp undertakes that it will not do anything to cause Sky News to contribute less to media plurality in this country if this deal goes through. Secondly, it agrees that it will continue to cross-promote Sky News on the Sky platform at the same level it currently does. In terms both of financial viability and of that all-important contribution to media plurality I am satisfied that if I proceed with the undertakings as published today, we will continue to have a free and plural media.

Mr Ivan Lewis (Bury South) (Lab): The Secretary of State could have made different choices. He could have chosen to appear before the House today and make an oral statement rather than be dragged kicking and screaming to the House. He could have chosen to refer this acquisition to the Competition Commission for an independent inquiry to remove any doubts about the objectivity and transparency of the process. Will he answer the following questions? In view of the fact that this process has now taken six months, why did he not follow Ofcom's original advice and refer this deal to the Competition Commission? How can he say that he has delivered greater independence for Sky News when it will be almost entirely dependent on News Corp for both distribution and funding? Will he publish in full the independent legal advice he has received on all aspects of this acquisition?

In relation to media issues, the Secretary of State has responsibility for media policy in this country, and it is therefore very disappointing to say the least that he has had so little to say about the phone-hacking scandal. The current police investigation must, this time, lead to full disclosure of all evidence, with those responsible brought to justice. Does the Secretary of State agree that once that investigation has been concluded there should be an independent inquiry into the conduct of the British press? The issues go further than one newspaper group. We have made it clear that we support self-regulation, but self-regulation must be accompanied by responsibility and accountability. It is surely time for lessons to be learned and reforms to be put in place so that such unlawful practices can never happen again.

Mr Speaker: Order. I say to the shadow Secretary of State that we are on the subject specifically of the proposed acquisition, so I feel sure that the references that the hon. Gentleman has made to another issue are now at an end. I think that we are clear about that. Does the hon. Gentleman wish to complete his remarks?

Mr Lewis: Thank you very much, Mr Speaker.

Does the Secretary of State agree that such an inquiry is now necessary?

Mr Hunt: I am quite bemused by what the shadow Culture Secretary is saying. He has said that the phone-hacking issue is not linked to the BSkyB merger. Those were his words. Now he is telling the House that there is a link. He says that I could have chosen to refer this to the Competition Commission but have chosen not to. Would he have chosen to refer it to the Competition Commission, because he has not said so? If he is now saying so, that is a big change in the Labour party's position. Let me tell him that it is the Enterprise Act 2002, introduced by the last Labour Government, that gives the Secretary of State the right to accept undertakings in lieu instead of a referral to the Competition Commission. I am following precisely the process that was set up in

law by his Government. I am doing so after expert, independent advice by regulators who understand the market extremely well—Ofcom and the Office of Fair Trading—and I am publishing that advice so that people can see the basis on which I have made the decision.

The hon. Gentleman also raised issues of the dependency of the new company on News Corp for its funding. He is right: the financial resilience of Sky News is central to the sustainability of the deal. That is why, as part of the undertakings, we have reached agreement on a carriage agreement, which will give financial security to the new company for a 10-year period, which addresses those concerns. The company is able to develop its business outside Sky during that period, which will make it less financially dependent on Sky, but even if it does not do that, it has the security of a 10-year funding agreement, which is considerably greater than that of the BBC, for example, in the licence fee settlement.

I am publishing more advice than any Secretary of State has ever published on any comparable deal. We are being completely transparent about the processes because we want to ensure that the public have confidence, and it would be good if the shadow Culture Secretary could at least acknowledge that transparency.

Mr Don Foster (Bath) (LD): The Secretary of State has rightly said that this is an issue about plurality in news and current affairs. Does he recall that in 2002 the Labour Government opposed a general plurality test, and that it was only because of the efforts of Lord Puttnam and others in another place that one was included in the Enterprise Act? Given that that was a watered-down test, does he believe that the time is now right to set up an independent commission on plurality so that it can inform the future communications Bill?

Mr Hunt: My right hon. Friend makes an extremely important point. The process that we have gone through has revealed that both he and I would like to make sure that there are better protections for media plurality, not in situations such as this—we have a process that involves exhaustive public scrutiny—but where someone might develop a dominant position in the media, and the public might not be as protected as they should be. That is why the coalition Government have said that we want to do something that the last Labour Government did not do: look at whether plurality protection can be strengthened, which we will do in the new communications Bill that we will be putting to the House in the second half of this Parliament.

Mr Gerry Sutcliffe (Bradford South) (Lab): Is not the Secretary of State in this position because of the acts of the Secretary of State for Business, Innovation and Skills? The Enterprise Act was very clear that difficult decisions such as this should be taken out of the hands of politicians and given to the Competition Commission.

Mr Hunt: I am afraid that the hon. Gentleman is wrong. I have often wondered why the Act specifically gives the duty of deciding an issue such as this to an elected politician when in, for example, competition law, such decisions are taken out of the hands of politicians. That is the way the law operates at the moment under that Act. Hon. Members will want to take a view as to whether that is the right way for the law to operate, and we have said that we will look at all these issues in our communications Bill.

Oliver Heald (North East Hertfordshire) (Con): Does the Secretary of State agree that the procedure in the Enterprise Act puts him in the position of judge in these circumstances, and he therefore has a clear duty to be extremely measured in his remarks, to be meticulous in what he does, and to ensure that he has independent advice, including legal advice? Does he agree that that is what he has done in this case, and one of the great lessons of the whole affair is how important it is to follow such an approach?

Mr Hunt: I thank my hon. Friend, who understands these issues very well. There is a legitimate question as to whether it is appropriate to give elected politicians the responsibility for arbitrating on a decision for which many members of the public will inevitably question their motives. That is why I have tried to be completely transparent and have sought, published and, after careful consideration, followed independent advice at every stage. We can debate in the House whether the law is right to insist on the procedures that it does, but I know that hon. Members feel passionately that due process must be followed, and that is why I am doing that in this case.

Chris Bryant (Rhondda) (Lab): How on earth did we—and I mean all of us, not just the Minister—become so spineless as to allow a company whose directors not only failed in their fiduciary duties to prevent criminality at the *News of the World*, but actually participated in its cover-up, to hold dominion over such a vast swathe of the media in this country? No other country in the world would allow somebody to have so much power.

Kevin Brennan (Cardiff West) (Lab): Apart from Italy.

Chris Bryant: Apart, perhaps, from Italy. Why on earth do we allow it?

Mr Hunt: Phone hacking is incredibly serious, and the police must follow their inquiries wherever they lead. The fact that we are having those inquiries at the moment and that they have been as extensive as they are demonstrates that no company is above the law, and no company should be.

Dr Thérèse Coffey (Suffolk Coastal) (Con): Will the Secretary of State comment on how the new undertakings from BSkyB will strengthen the operation or financial viability of Sky News?

Mr Hunt: I can reassure my hon. Friend on that front. There are two particular revisions to the undertakings that will strengthen the financial viability of Sky News. The first is a requirement that the operational agreements entered into between Sky and Sky News are fair and reasonable, and the second is a requirement that Sky will continue to cross-promote Sky News across the Sky network at the levels that it currently does. That, combined with a 10-year carriage agreement, which gives guaranteed financial income for 10 years—a very long time in the

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media marketplace—means that this will be a very financially sustainable and resilient model, which of course it needs to be.

Mr Nigel Dodds (Belfast North) (DUP): Why is the new consultation period that the Secretary of State has announced so short, and how can it be meaningful?

Mr Hunt: This is a fairly short consultation, the primary purpose of which is to give people a chance to look at the amendments to the undertakings that were published on 3 March. The core undertakings have been in the public domain since 3 March, and indeed the wider issue of the merger has been in the public domain since last year. This is the conclusion of a long series of consultations, and I will listen to all the submissions that I receive before making my final decision.

Damian Collins (Folkestone and Hythe) (Con): The Secretary of State previously stated that he was content with the proposals to keep Sky News independent from the rest of Sky. He has today announced further safeguards. Are those safeguards that he had pushed for, or were they proposed by the regulators?

Mr Hunt: I suppose the answer is a combination of both, because I have been absolutely clear that I want the independent regulators to be satisfied that the final package on the table addresses their concerns about plurality, not least because of the concerns raised earlier about the objectivity of politicians making the decision. I did not make the specific proposals; they arose from the public consultation and were what members of the public suggested as sensible changes. We then analysed them in the Department, and with Ofcom and the OFT, and arrived at the strengthened set of proposals that I have published today.

Barry Gardiner (Brent North) (Lab): I do not doubt for a moment the Secretary of State's integrity, but I do believe that he is wrong, morally and politically, on this issue. He is propping up a crumbling empire. Murdoch is the Gaddafi of News Corporation. How will Sky maintain independent news when most of its editorial content will come from News Corporation?

Mr Hunt: It is not the case that most of Sky News's editorial content will come from News Corporation. Sky News, under today's proposals, will be hived off as an independent company that will source its news from the multiplicity of sources that all good news organisations use. The big picture is that News Corp, in order to acquire full control of Sky, is relinquishing a degree of control over Sky News. There are things that happen today that will not be possible under the new undertakings. For example, it is possible today for James Murdoch, the non-executive chairman of Sky, to fire the person in charge of Sky News. Under the undertakings published today, if they proceed, that would not be possible. Adherence to the broadcasting code is mandated in the new company's articles of association. That is not the case at present. Broadcasting impartiality, adherence to the highest editorial standards and independence of the editorial process will be much stronger under the new arrangements than it is at present. I hope that that will reassure at least those Members who are prepared to look at the matter objectively.

Paul Uppal (Wolverhampton South West) (Con): For the sake of clarity, will my right hon. Friend confirm that under the new, strengthened undertakings any future chairman of Sky News, and the current chairman, will be truly independent and impartial?

Mr Hunt: I can confirm that under these undertakings the board of the hived-off Sky News will have a majority of independent directors and that its chair will be fully independent. That is completely different from Sky News's current situation.

Angela Smith (Penistone and Stocksbridge) (Lab): The Secretary of State has announced a consultation this morning, albeit a very short one. Will he give us a commitment not to make the final decision during the recess and to bring the matter back to the House for a debate when we reconvene in the autumn?

Mr Hunt: I will certainly bring the decision back to the House when it is made. With regard to timing, I am trying to do this as quickly as possible, while ensuring that we have proper consultation processes and a proper amount of time to consider the responses to the consultation. The fact that I have today strengthened the undertakings that were published on 3 March reflects the fact that we are taking the consultation very seriously.

Duncan Hames (Chippenham) (LD): Will the Secretary of State address the concerns that have been raised on the publication of the shareholder register for the new company? Surely transparency in this respect is central to the confidence we can have that the arrangements meet our concerns about plurality, in substance as well as in form.

Mr Hunt: For the purposes of the decision I am making, I have assumed that Rupert Murdoch is fully in control of News Corp and the dominant controlling shareholder. Because this is a decision about media plurality, it is not necessary for me to consider other shareholders in News Corp in order to come to a decision.

Jake Berry (Rossendale and Darwen) (Con): The Secretary of State has correctly indicated that these new, legally binding and strengthened undertakings will be enshrined in the new company's articles of association. He will of course be aware that a shareholder resolution can change the articles of association of any company, wherever it is registered, so what additional protections will be put in place to stop that happening?

Mr Hunt: My hon. Friend is right; that is the procedure for changing the articles of association. First, under the strengthened undertakings that we are publishing today, the Secretary of State must approve the articles of association before they go ahead. Secondly, under undertaking 3.1(i), News Corp is not allowed to increase its shareholding above its current level, which is well below the level that would be necessary to change the articles of association. Thirdly, under the strengthened undertakings it is not allowed to do anything that

would cause the new company to breach its own articles of association. I think that we have as many protections in place as one could imagine to ensure that News Corp honours this deal and the public continue to get the benefit of what they value Sky News for.

Jacob Rees-Mogg (North East Somerset) (Con): May I note a paternal interest, Mr Speaker? As BSkyB has been de facto controlled by News Corp since it was founded, are not these arrangements making it more independent, and some might say more impartial, than the state broadcaster, and therefore is not this row somewhat synthetic?

Mr Hunt: My hon. Friend is right that, contrary to many people's concern that this will give the Murdochs more control over Sky News, they are in fact relinquishing a significant degree of control over Sky News in order to purchase shares in the rest of Sky. My concern is not with competition law, which is being considered by the European Commission, but with media plurality and ensuring that no one person has too much control over any aspect of our media. I am confident that these strong undertakings will ensure that that is the case.

Robert Halfon (Harlow) (Con): Given the disappointing comments of the hon. Member for Brent North (Barry Gardiner), will my right hon. Friend take the opportunity to pay tribute to News Corp for saving *The Times*, producing *The Times Educational Supplement* and providing an excellent broadcasting service in the form of Sky TV? Does he not agree that those who are so concerned about the alleged monopoly of BSkyB should also be concerned about the monopoly of the BBC, which controls more than a third of our television and which we are forced to pay for?

Mr Hunt: My hon. Friend branches out into media policy more generally, but I will resist the temptation to follow, except to say that the Government have always believed that what is good about the media in this country is that we have a strong BBC and strong competition to it. However, this decision is about media plurality and ensuring the diversity of voices in the media, and that is what I am seeking to protect with the undertakings we are publishing today.

Bob Stewart (Beckenham) (Con): Having watched Sky News in some fairly remote parts of the world, I wonder whether my right hon. Friend would agree with me that its broadcasting must not only be impartial, but have a considerable degree of morality and humanity?

Mr Hunt: I think it does. I agree with my hon. Friend that that is what the public value in Sky News and what we are seeking to protect. It is worth reminding the House that Sky News was the first 24-hour news broadcaster in this country and that it has contributed massively through the competition and choice that it has added to the news landscape, and we should value it for that.

Nadhim Zahawi (Stratford-on-Avon) (Con): May I take the Secretary of State back to financial viability? Is he satisfied that Sky News will be able not only to survive for 10 years, but to invest in high-quality news gathering for that time?

Mr Hunt: I am completely satisfied. My hon. Friend is right that the first time the undertakings were proposed to me, my concern was about financial viability. Sky News has a secure financial platform for a long period, which is the envy of all other broadcasters. That will allow it to do precisely what my hon. Friend says. I am sure that with an independent board led by an independent chairman, it will want to diversify its sources of funding, which would give it even more money to invest in news gathering, which is its core strength.

Alun Cairns (Vale of Glamorgan) (Con): Did Ofcom or the Office of Fair Trading change their initial advice about whether the undertakings addressed their concerns about plurality?

Mr Hunt: No, they did not. I could have accepted the original undertakings published on 3 March. I have chosen not to, which is why there is now a further consultation to make the undertakings even more robust.

Charlie Elphicke (Dover) (Con): Will the Secretary of State confirm that under the Enterprise Act 2002, his decision is quasi-judicial and he can take into account only relevant considerations, not irrelevant considerations such as whether one thinks that Murdoch is brilliant or like Gaddafi, or one's personal view on the organisation as a whole?

Mr Hunt: I can absolutely confirm that. To strengthen public confidence that that is the way in which I have approached the decision, I have taken independent advice at every stage and I have published it so that people can take their own view on how I have come to this conclusion.

Mr Speaker: I am grateful to the Secretary of State and colleagues.

Business of the House

12.11 pm

Hilary Benn (Leeds Central) (Lab): Will the Leader of the House give us the forthcoming business?

The Leader of the House of Commons (Sir George Young): The business for next week will be:

MONDAY 4 JULY—Continuation of remaining stages of the Finance (No. 3) Bill (day 2).

TUESDAY 5 JULY—Conclusion of the remaining stages of the Finance (No. 3) Bill (day 3).

WEDNESDAY 6 JULY—Estimates day [3rd allotted day]. There will be a debate on the "Prevent" strategy followed by a debate on Afghanistan and Pakistan. Further details will be given in the *Official Report.*

[The details are as follows: The Prevent strategy: 6th Report from the Communities and Local Government Committee of Session 2009-10, HC 65, "Preventing Violent Extremism". Afghanistan and Pakistan: 4th Report from the Foreign Affairs Committee of Session 2010-12, HC 514, "The UK's foreign policy approach to Afghanistan and Pakistan"; and the Government's response CM 8064.]

At 7 pm the House will be asked to agree all outstanding estimates.

THURSDAY 7 JULY—Proceedings on the Supply and Appropriation (Main Estimates) Bill, followed by consideration of Lords Amendments to the Fixed-Term Parliaments Bill, followed by a debate on use of hand-held electronic devices in the Chamber and Committees. The subject for this debate was nominated by the Backbench Business Committee.

The provisional business for the week commencing 11 July will include:

MONDAY 11 JULY—Consideration of Lords Amendments to the European Union Bill, followed by motion to approve European documents relating to civil law.

TUESDAY 12 JULY—Motion relating to the retirement of the Clerk of the House, followed by Second Reading of the Public Bodies Bill [*Lords*].

I should also like to inform the House that the business in Westminster Hall for Thursday 7 and 14 July 2011 will be:

THURSDAY 7 JULY—A debate on intellectual property and the Hargreaves report.

THURSDAY 14 JULY—A debate on "The Future of CDC", the International Development Committee's fifth report of session 2010-12, HC 607.

Further to your earlier announcement, Mr Speaker, the whole House endorses what you said in congratulating Robert Rogers on his appointment as Clerk of the House and wishes him well in his new responsibilities.

Hilary Benn: I am grateful to the Leader of the House for that reply. I associate myself with the congratulations to Robert Rogers on his appointment. We look forward to continuing to work with him in his new role.

We are about to have a statement on police detention following the court ruling. We stand ready to assist with emergency legislation if that is what is needed to deal with the problem. The Leader of the House did not refer to the possibility of such legislation in his statement. Will he tell us the latest position?

Last week, my hon. Friend the Member for Slough (Fiona Mactaggart) raised the problem of questions addressed to the Minister for Women and Equalities being transferred to other Departments. Has the Leader of the House made any progress in looking into that? Can we have topical questions on this important area of the Government's responsibilities?

Next Monday, Andrew Dilnot's report on social care is due to be published. Will the right hon. Gentleman confirm that there will be an oral statement? Will he also undertake to find time subsequently for the House to debate these important matters? Talking of which, in view of today's industrial action, may we have a debate about the Government's mishandling of the public sector pensions negotiations?

The Business Secretary said recently that he wanted a resurgent manufacturing sector. Therefore, can we have a statement from the Secretary of State for Transport on why he awarded a £1.5 billion contract for 1,200 new train carriages to a company in Germany, when it will put some 3,000 British railway manufacturing jobs in jeopardy?

Has the Leader of the House seen the e-mail that was released this week from Evan Harris, the former Liberal Democrat Member? In discussing the changes to the Health and Social Care Bill, he wrote:

"There is a view that we should keep quiet, say we had a victory and hope no-one notices this stuff—but I think that is not realistic. The plans remain bad for the NHS".

May we have a debate so that we can sit back and discover whether those views are shared by the coalition Liberal Democrats who still have their seats or whether they are doing what they do on occasion, which is to face in several different directions at once?

Last week, the newspapers reported the Deputy Prime Minister's plan to give away shares in the publicly owned banks. No sooner had it hit the front pages than a source was briefing that it was back-of-the-envelope stuff:

"He...should know better. This is not the way you make policy."

A few days later, the Deputy Prime Minister announced the localisation of business rates, again outside the House of Commons. Here are two major policy announcements. In one case, it seems that the Cabinet has not even had the chance to question him, let alone the House of Commons. In the other, we are still waiting for a statement.

May we have a debate on Camnesia? That is not a previously undiscovered Polynesian island, but a previously undiagnosed condition that affects the Prime Minister's ability to recall the detail of his own policies. As we saw again at yesterday's Prime Minister's questions, he seems to know nothing about the huge increase in the number of NHS quangos that he is creating.

After all the remarkable U-turns we have seen in the last few weeks, the very special humiliation of last week's vote on wild animals in circuses took some doing. The issue was extremely clear: it is not right for the entertainment of others to make big beasts do

things that do not come naturally to them, which is why we have all felt great sympathy this week for the Justice Secretary. As we have heard, first thing in the morning, there was a hard three-line Whip in a desperate attempt to defeat the motion, but by 4 o'clock in the afternoon it had vanished, along with the Government's courage, because the hon. Member for The Wrekin (Mark Pritchard) had made it clear that he would neither be induced nor bullied by the Prime Minister into withdrawing his motion. Can we have a debate to praise the hon. Gentleman—others are trying to bury him—or at the very least to save him from being taken round the back of the bike sheds for a good hiding, as one colleague has apparently suggested? I assume that he did not mean it—perhaps it was just a job application to be a Tory Whip.

Finally, as yet another policy bites the dust, does this not all reveal the fundamental truth about the current occupant of No. 10 Downing street? Unlike his much more resolute predecessor—*[Interruption.]* Unlike Baroness Thatcher, this Prime Minister is for turning.

Sir George Young: As always, we enjoyed that, but there was a slight absence of questions about the future business of the House, from which I take it that the Opposition are perfectly happy with the way in which this Administration are managing the business of the House.

I am grateful for what the right hon. Gentleman said about police detention and bail. We will have to await the statement that is to follow to discover whether emergency legislation is necessary. I am grateful for his offer of support should that be the outcome.

Turning to the hon. Member for Slough (Fiona Mactaggart), I will share with my right hon. and hon. Friends the right hon. Gentleman's request to extend topical questions to the Government Equalities Office, which at the moment does not have them because it has a relatively narrow slot. The procedure for transferring questions has not changed at all under this Administration. A question is transferred to the Department that is best able to answer it.

On Dilnot, this is an important issue. That is why one of the first things we did on taking office was to ask Andrew Dilnot to chair this commission, which I understand will report on Monday. It is an issue that should be debated by the House in due course, but I cannot promise a statement by the Government on Monday, which is the date of the publication. It may be some time before the Government come up with their response.

We would welcome a debate on our approach to industrial action and strikes, and I hope that the Labour party might clarify its own views. I see that the hon. Member for Hayes and Harlington (John McDonnell) said that the Leader of the Opposition was under some misapprehension as to what was going on. However, I am grateful to the him and many other Members for making it into the building today.

The matter of train carriages was dealt with in Transport questions. The contract was awarded under exactly the same procedure that the previous Government used to order new rolling stock, and there has been no change whatever.

I was in the House when the hon. Member for Worsley and Eccles South (Barbara Keeley) raised the issue of local government finance, and I refreshed my memory about the coalition agreement, which committed us to

"promote the radical devolution of power and greater financial autonomy to local government and community groups. This will include a review of local government finance."

The terms of reference for that review were set out in a statement on 17 March. The review is ongoing, and a consultation document will be published in due course. There has been no dramatic change in Government policy.

The shadow Leader of the House mentioned the events of last Thursday and talked about the vote, but there was no vote at the end of that debate. The Government accepted the motion. He might at some time pay tribute to the coalition Government for setting up the Backbench Business Committee. There would have been no such debate had his party remained in power, because it refused to set up the Committee.

Finally, I admire the right hon. Gentleman's acting ability in keeping a straight face in his final remarks about the former Prime Minister.

Mr Greg Knight (East Yorkshire) (Con): May I warmly welcome the announcement of the business for next Thursday based on the Procedure Committee's report on the use of hand-held devices in the Chamber and in Committees? Does he agree that that is a very important matter, on which it is desirable that an early decision is made? Will he therefore bring forward a business motion to ensure that the House can reach a decision next Thursday one way or the other?

Sir George Young: I am grateful to my right hon. Friend and his Committee for producing that report. I think some hon. Members have anticipated the House's decision by already using hand-held devices, but it is important that we regularise the matter.

The Government are anxious not to create a precedent of routinely timetabling Backbench motions, but I will consider my right hon. Friend's request. Subject to the agreement of the Chair of the Backbench Business Committee, and indeed of the House, I will be prepared to table an appropriate motion to protect the business on Thursday.

Stella Creasy (Walthamstow) (Lab/Co-op): On Monday the House will devote considerable time to debating, and voting on, an amendment to tackle the problems caused by legal loan sharking. Given that, may we have an urgent statement on the Government's plans to cap the cost of credit? As part of that, will the Leader of the House investigate a meeting that I understand took place on Wednesday, at which it was agreed that the Government would vote against the amendment on Monday, delaying action to relieve the misery caused by high-cost credit, purely so that an announcement can be made at the Liberal Democrat party conference? We need to know that when MPs vote on Monday, they are not putting choreographing coalition dividing lines ahead of the interests of vulnerable consumers.

Sir George Young: May I say by way of preface that I commend the action that the hon. Lady is taking, in conjunction with others, to tackle excessive interest rate

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charges on credit cards and other means of credit? She asked for a debate, but answered her own question by saying that there would indeed be a debate next Monday. I shall draw her remarks to the attention of my colleague at the Treasury who will be replying to that debate. I am sure that nothing underhand has taken place at all.

David Tredinnick (Bosworth) (Con): May I draw the House's attention to the real concerns, particularly in Norman Shaw, about the proposal to transfer the postal delivery from the Attendants to the postmen? That is causing great concern among the Attendants, many of whom have worked for the House for 20 or up to 36 years. Are they going to be made redundant? What is going to happen to them if that change is made?

Sir George Young: I understand my hon. Friend's concern, and I share his appreciation of the work that the Attendants have done. As he will know, this is a matter for the House of Commons Commission rather than the Government. You, Mr Speaker, as Chairman of the Commission, will have heard the comments, and I will ensure that the Commission addresses the issue at its next meeting.

John Cryer (Leyton and Wanstead) (Lab): The Leader of the House will know that the Business Secretary constantly hints that he is going to introduce some sort of legislative curb on the freedoms of the trade unions, despite the fact that we already have some of the most restrictive labour laws in the western world. Is the Business Secretary finally going to come to the House and make an announcement, or is this just going to lurch on for a few more months?

Sir George Young: The hon. Gentleman must have been listening to different speeches by the Business Secretary from the ones that I have heard, in which he has consistently said that he has no plans to change industrial relations legislation. I am not quite sure where the hon. Gentleman got that idea from.

Kris Hopkins (Keighley) (Con): May I ask the Leader of the House for an urgent statement from the Secretary of State for Education, following the latest appalling figures released by my local district council? They show that a total of 28,000 children in the district do not speak English as their first language, representing 43.5% of primary school children and one in three secondary school children. For clarification, I believe that more than 90% of those children were born and raised in this country. There is a clear responsibility on parents, who are failing our children. How are we going to hold them to account?

Sir George Young: I understand the challenges that face teachers in educating children who do not have English as their first language, and the consequential issues for other children at their schools. My hon. Friend will know that in April, the ethnic minority achievement grant, which currently stands at just over £200 million, was mainstreamed into the wider dedicated schools grant. He will know also that the coalition Government's priority for children with English as an additional language is to promote rapid language acquisition and include them in mainstream education as soon as possible. I will draw his remarks to the attention of my right hon. Friend the Secretary of State for Education.

Alison Seabeck (Plymouth, Moor View) (Lab): I make my usual declaration of an indirect interest in the interests of my right hon. Friend the Member for Greenwich and Woolwich (Mr Raynsford).

Will the Leader of the House consider asking the Minister for Housing and Local Government to make an urgent statement to the House, preferably this afternoon, on the regional growth fund? There is a real contradiction between what he has been saying in the House and the evidence given by Lord Heseltine to the Communities and Local Government Committee yesterday. The Minister says that housing is definitely part of the regional growth fund, but Lord Heseltine says, "Oh no it isn't". Will the Leader of the House please encourage the Housing Minister to come and clear this mess up?

Sir George Young: I understand the hon. Lady's concern that areas that benefited from the housing market renewal grant may not benefit from the regional growth fund. She will be pleased to know that two authorities have already received money under the regional growth fund for projects that include a very large element of housing. They are two areas that were previously getting funds from the housing market renewal programme, so the situation is not quite as dire as she has just implied.

Mr Peter Bone (Wellingborough) (Con): In a written parliamentary answer, the Lord Chancellor confirmed that his Department had provided information to a journalist from *The Daily Telegraph* on the Government's new policy on legal aid prior to his written statement to the House on 21 June. It was published on the front page of *The Daily Telegraph* prior to the statement. May we have a statement from the Leader of the House next week on the Government's views on statements, and could they be heard first here, not on the front page of *The Daily Telegraph*?

Sir George Young: The ministerial code is absolutely explicit that important announcements of Government policy should be made in the first instance to the House. I would regret any breach of that part of the code. This Government have made roughly one third more oral statements per day than the previous Administration, so we take that responsibility seriously, and the Prime Minister has made more oral statements in his first year than his predecessors.

Paul Flynn (Newport West) (Lab): May we have a debate on the way in which we pay our respects to the fallen, particularly in Afghanistan? The practice of Back Benchers reading out the names of the fallen in the House is now forbidden, and on two occasions the announcement by the Prime Minister of their names has been moved, to a Monday and a Tuesday.

There is now great concern that the moving tributes paid by the people of Wootton Bassett cannot be paid under the new arrangements at Brize Norton, because the hearses are taken on a route that does not allow the public to line up and pay their tributes in order that we as a Parliament can be reminded of the consequences of our decisions and the country can be reminded of the true cost of war.

Sir George Young: It is important that this House has an opportunity to pay the sort of tributes that the hon. Gentleman has mentioned, although some of the issues that he raised at the beginning of his question fall more appropriately to you, Mr Speaker. I will raise the matter with my right hon. Friend the Prime Minister, who has a constituency interest, and see whether there is any way that what used to happen in Wootton Bassett can take place under the new arrangements for repatriating those who have fallen.

Mr David Nuttall (Bury North) (Con): May we please have a statement on when the driving test centre in Bury, which has already been closed for over six months, will reopen? Its continued closure is causing enormous inconvenience to both driving school instructors and their pupils in Bury and the surrounding area.

Sir George Young: My hon. Friend will be pleased to hear that the Driving Standards Agency is committed to reopening the driving test centre in Bury, which suffered from extensive flooding damage in late 2010. Feasibility studies have now been obtained and the building works will be subject to a competitive tender exercise. The planned reopening is scheduled for late 2011, and I hope that my hon. Friend is invited to do the honours.

Mr Nigel Dodds (Belfast North) (DUP): May we have a statement about what the Government are going to do about the treatment of the two classes of Members in this House—those who turn up and do their work here in Parliament, and those who refuse to take their seats, but who, scandalously, will still get paid an estimated £3 million to £4 million over the course of this Parliament, not only in constituency money, but in Short money, which they, unlike us, can use for non-parliamentary, political party activities? When will the Government deliver on their promise that it would be inconceivable that MPs would continue to allow that to happen in this Parliament?

Sir George Young: I understand the right hon. Gentleman's concern. The Government's view is quite clear: those who are elected to the House should take their seats in the House like everybody else. As he may know, my right hon. Friend the Secretary of State for Northern Ireland is discussing this very issue with the political parties, and I will remind him of the continuing need to find an appropriate solution.

Mrs Anne Main (St Albans) (Con): In an answer that the Minister for Immigration gave me yesterday, it was confirmed that we could extend to 2013 the transitional arrangements for migrant workers from new accession countries who have access to our job market. I would like to protect British jobs for British workers where possible, so may we please have a statement from the Minister on why we are not taking advantage of that extension of protection for our labour market?

Sir George Young: I understand my hon. Friend's concern. There will be an opportunity at Home Office questions to cross-question the appropriate Minister, who I believe was before the House during Home Office questions earlier this week. In the meantime, I will share my hon. Friend's concern with him and see whether there is any possibility of changing the date that she has mentioned.

Stephen Twigg (Liverpool, West Derby) (Lab/Co-op): Will the Leader of the House ask the Business Secretary to make a statement on the serious situation facing the Liverpool retailer T J Hughes? Some 4,000 jobs across the country are under threat, with the company going into administration this week. Will the Department for Business, Innovation and Skills use all its efforts to find a buyer, so that the company's jobs can be protected and the service to local people continued?

Sir George Young: I understand the hon. Gentleman's concern about the prospective loss of jobs in his constituency and elsewhere. I am sure that my right hon. Friend the Secretary of State for Business, Innovation and Skills will want to do all that his Department can, either to protect those jobs in the way that the hon. Gentleman has just outlined, or to assist in every practical way those who may lose their jobs.

Henry Smith (Crawley) (Con): Can consideration be given to holding a debate on the way BT treats its elderly and vulnerable customers? I have recently dealt with a case in which a widow in her 70s was without a domestic telephone service for a month, despite many efforts to resolve the problem.

Sir George Young: I am sorry to hear about the inconvenience caused by BT's failure to restore the service to my hon. Friend's constituent. I will raise the issue with BT. Speaking as a constituency MP, I can only say that I have found the liaison officer, Clova Fyfe, to have been enormously helpful in addressing such issues when they have arisen in North West Hampshire.

David Wright (Telford) (Lab): May we have a debate on standards in the production of wills and possible regulation? I have been approached by a number of constituents who have had difficulties ensuring that their partner's will is delivered and executed correctly, where it is clearly against their partner's wishes, as expressed to them before their death. We need regulation in this important area, so may we have a debate?

Sir George Young: I understand the hon. Gentleman's concern. I do not know whether it would be appropriate to raise the issue either on the Adjournment or, if the Backbench Business Committee so decides, in the series of Adjournment debates that we normally have on the last day before the recess. In the meantime, I will inform the Justice Secretary of his concern and see whether he has any plans to sort out the uncertainty that arises in the situations that the hon. Gentleman has set out.

Gavin Williamson (South Staffordshire) (Con): I very much hope that we can have a debate on public sector pensions, on whether it is fair that those in the private sector should have to work longer and pay more so that those in the public sector can retire earlier and receive more, and on how we achieve a pensions system that is fair to all.

Sir George Young: My hon. Friend is right: we have to get the balance right. We have to be fair to those who are entitled to public sector pensions and to the taxpayers,

[Sir George Young]

who fund a large part of that. If he has read the Hutton report, he will see that there is a strong rationale for rebalancing the current arrangements, as the cost to the taxpayer has increased by about a third in the last 10 years, to some £32 billion. We want public sector pensions to remain the best. We do not want a race to the bottom, but we must find a sustainable way of funding them in the long term.

Jon Ashworth (Leicester South) (Lab): The Leader of the House will be aware of the Government's upcoming cuts to provision for ESOL—English for speakers of other languages. He will also be aware that the Minister for Further Education, Skills and Lifelong Learning has promised an equality impact assessment. Can he guarantee that that impact assessment is published before the recess and that there is a debate on its findings on the Floor of the House?

Sir George Young: The first of those two requests may be easier to deliver than the second. I cannot promise a debate on the Floor of the House, but I will see whether publication will be made promptly, as the hon. Gentleman has just said.

Andrew Griffiths (Burton) (Con): May I return to the thorny issue of IPSA? I recently submitted two duplicate invoices to IPSA by mistake. Despite having the same supplier name, the same date and the same reference, and despite being for the same amount, those receipts were paid by IPSA. The first that IPSA knew about it was when I turned up in its office with a cheque. Not only was I advised by an IPSA member of staff that there was no system in place to pick up such duplication, I was also advised that the system ran by "trusting Members". Given the urgent importance of reassuring the public about the way our expenses system operates, may we have an urgent debate about what we are spending £6 million of taxpayers' money on?

Sir George Young: My hon. Friend has not used the fifth amendment to protect himself from self-incrimination. I hope that there will be no dire consequences from his double claiming for the same item. He will know that there is a liaison group between the House and IPSA. A number of my hon. Friends sit on it, and he may like to raise the matter with them. The House has just approved the estimates for IPSA for the current year. If he looks at the suggestions that were made alongside that, he will see that SCIPSA, the committee that gives money to IPSA—*[Laughter]*—I am sorry: the Speaker's Committee for the Independent Parliamentary Standards Authority—has made some suggestions about IPSA continuing to raise its game and improve the quality of its performance.

Mr Speaker: What a master of understatement the Leader of the House is.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): The Leader of the House will know that there is increasing evidence of economic and financial warfare being waged against companies in this country—indeed, against Governments—involving the manipulation of interest rates and currencies. The Government are aware of this, but there is no joined-up reaction to it. Are we coping with it and doing our best to combat it? May we have an early debate, so that we can enlighten some Members on just how worrying this economic warfare is?

Sir George Young: We are debating the Finance Bill for two days next week, including on Third Reading. It may be appropriate for the hon. Gentleman to raise the subject in those debates. However, in the meantime I will alert my Treasury colleagues to his concern and see whether we can take any additional action to prevent the sort of manipulation to which he refers.

Stephen Barclay (North East Cambridgeshire) (Con): May we have a debate on the lack of transparency in the annual accounts of many arm's length bodies? For example, the East of England Ambulance Service NHS Trust increased its management costs by 23% in its last accounts, but when I asked for an explanation, I was told that I would have to submit a freedom of information request. Can my right hon. Friend look at how we better hold to account senior executives for the spending choices that they make?

Sir George Young: I am sorry that my hon. Friend has had that problem. His request sounds perfectly reasonable, and it is one that someone charged with safeguarding the taxpayer's interests is entitled to make. I would hope that we can get the information that he has asked for without going down the FOI route, and I will ask my right hon. Friend the Secretary of State for Health to see whether he can make some progress on it.

Pat Glass (North West Durham) (Lab): The Leader of the House will recall that, last week, I raised the issue of the proposed takeover by B&Q of a Focus store in my constituency. He very kindly offered to speak to the Office of Fair Trading that day about what appeared to be its tardy decision making. He did so, and I am grateful to him. The OFT has now told us that a decision will be reached by 5 August, but that will be too late for the employees who will be made redundant on 18 July in my constituency, and in the constituencies of 30 other Members including the Prime Minister, at a cost of £4.5 million in unnecessary redundancy and welfare payments. I realise that I am being greedy with the Leader of the House's time, but will he speak again to the OFT and ask if it could possibly move the decision forward, so as to avoid unnecessary heartache for the employees and unnecessary costs to the public purse?

Sir George Young: Of course I understand the concerns of those who might lose their jobs, and the hon. Lady's anxiety to bring the matter to a swift conclusion. I was pleased to hear that last week's exchange produced results. Without making any promises, I hope that she is on a roll and I will have another go this week.

Andrew Stephenson (Pendle) (Con): Will the Leader of the House grant us a debate or a statement on the effect of entrepreneurs' relief, particularly on manufacturing firms in my constituency, in encouraging those who want to expand their businesses and invest in growth?

Sir George Young: That is indeed an important engine for growth, and I am grateful to my hon. Friend for raising the matter. He will know that we have raised the lifetime limit on capital gains qualifying for entrepreneurs' relief to £10 million, and I hope that that will make the UK a more attractive location for entrepreneurs by encouraging those who want to expand their business and reinvest in growth to do so here.

Kevin Brennan (Cardiff West) (Lab): May we have a statement on Ministers' replies to Members' correspondence? I have received an e-mail from the Under-Secretary of State for International Development, the hon. Member for Eddisbury (Mr O'Brien), in which he says that it is not the policy of the Department for International Development to respond to "similar items" of correspondence that MPs send to it, because

"this places a burden on DFID's resources which would be better directed towards the poor."

I do not recall the code of conduct on Ministers replying to Members' correspondence containing that kind of provision, and I would be grateful if we could have a statement and perhaps some consultation on this matter, to clarify the extent to which Ministers can pick and choose to which MPs' letters they reply.

Sir George Young: Every Member of Parliament is entitled to a prompt and courteous response from Ministers to the letters that they send, but if a Member sent 1,500 identical cards to a Minister, for example, it would be reasonable for the Minister to send one reply and ask the Member to notify the constituents who had sent all the cards to him. It does not follow that every single identical letter sent to a Minister is entitled to a personal reply, but each individual subject should certainly get an answer from the appropriate Minister.

Bob Blackman (Harrow East) (Con): Earlier this week, I accompanied my constituent, Karen Kannair, to meet officials from the Department for Education, to whom she gave a harrowing description of the treatment that she and her son had received after he had been excluded from school some two and a half years ago. Could we find time for an urgent debate on the performance of local education authorities in dealing with excluded pupils?

Sir George Young: It is important that pupils who are excluded from school should not lose contact with mainstream education, and that they should get back into it as soon as possible. The experimental statistics published today show that pupils in alternative provision perform significantly less well in GCSEs than those who are in mainstream schools. These are vulnerable children, and they need the support to which my hon. Friend refers. We set out in our White Paper last year our plans to increase the autonomy, accountability and diversity of alternative provision in order to help to drive up standards.

Diana Johnson (Kingston upon Hull North) (Lab): May we please have a debate on the effect of the Deputy Prime Minister's announcement yesterday about business rates? It seems to me that the better-off areas of the country will become still better off, and that the poorer areas such as my constituency will suffer even more.

Sir George Young: We have not come to a final decision on business rates, as I said earlier. However, if local authorities decided to keep the business rate, there would still have to be a system of equalisation to ensure that those local authorities with fewer than average businesses did not suffer unduly.

Kwasi Kwarteng (Spelthorne) (Con): May we have a debate in the House on bureaucracy in the NHS, and a statement about the reduction in the number of managers since the general election?

Sir George Young: I would welcome such a debate because, since the general election, we have reduced the number of managers in the NHS by 4,000, reversing the record of the previous Administration, under whom the number of managers increased at six times the rate of the number of nurses.

Mr Gerry Sutcliffe (Bradford South) (Lab): Will the Leader of the House have a word with the Home Secretary about her failure to answer named-day questions? The shadow Home Secretary has tabled 15 questions over the past couple of weeks, only two of which have been replied to. Is not that a distressing return on the number of questions tabled, given that the convention is that named-day questions should be answered on the named day?

Sir George Young: I will raise that matter with the Home Secretary, who might possibly be in the House quite soon. It is indeed the objective of every Minister to reply to questions on the named day, and if that is not possible, they will send a holding reply, but I will raise the matter with my right hon. Friend to see whether we can get a prompt response to the outstanding questions.

Brandon Lewis (Great Yarmouth) (Con): Small and medium-sized enterprises in Great Yarmouth and Lowestoft are working hard to pull together with the local enterprise partnership to put forward a bid for an enterprise zone in our area. Bearing in mind all the work that they are doing, may we have a debate in the House on what small and medium-sized enterprises are doing for the economy and what the Government are doing to assist their development?

Sir George Young: I understand my hon. Friend's advocacy of an enterprise zone for his constituency, and I commend his zeal in bringing it forward. There might be an opportunity on Monday and Tuesday next week to discuss the incentives that we have produced, including a moratorium on domestic regulations, abolishing the jobs tax, the small business rate relief, the enterprise finance guarantee, the growth capital fund and many similar initiatives.

Barry Gardiner (Brent North) (Lab): Following the announcement by Scottish Power of its price increase of up to 20%, consumer organisations have said that, should other utility companies follow suit, 4 million households in the UK could be driven into fuel poverty. Will the Leader of the House arrange for a debate on electricity market reform, so that we can address the vertical integration of the companies and the lack of transparency, and ensure that that does not happen?

Sir George Young: There will be an opportunity a week today, on 7 July, to address those specific questions to my hon. Friends in the Department of Energy and Climate Change. We have retained a number of measures to help to tackle fuel poverty, including cold weather payments and winter fuel payments, and a Bill is going through Parliament that will enable people to insulate their homes without having to dig into their pockets. There will also be a statement in due course on electricity market reform.

Gavin Barwell (Croydon Central) (Con): May we have a debate on Tuesday's higher education White Paper? Yesterday, I welcomed representatives of Drexel university, one of the leading universities in the United States, to my constituency. They are looking to set up an operation in the United Kingdom with a UK institution. Is not the Government's policy of freeing up institutions to expand and allowing new entrants into the market the best way to ensure that students get value for money in higher education?

Sir George Young: My hon. Friend is absolutely right. Perhaps he was in the House on Tuesday, when the Minister for Universities and Science, my right hon. Friend the Member for Havant (Mr Willetts) made a statement—which was well received, certainly on this side of the House—offering a sustainable future for higher education, giving more power to students to choose their university and rewarding those universities that perform well. Also, looking ahead, we will strike a fairer balance between taxpayers and students.

Luciana Berger (Liverpool, Wavertree) (Lab/Co-op): I recently met Frankie, a Whizz-Kidz ambassador in Liverpool, who told me about the situation that he is facing. He finishes school this year, but he still does not know whether the course that he has applied for at the local college will be made available. He will not find that out until August. His travel to the youth club has been cut, and his opportunities to socialise have been significantly scaled back. Frankie and his family face an uncertain future. May we please have an urgent debate on how the Government's cuts are specifically affecting disabled older teens?

Sir George Young: In taking the difficult decisions that we had to take to get the deficit under control, we have sought to protect vulnerable members of the community—people who suffer from disabilities, the elderly and the sick; we protected the NHS budget—and in our reforms to welfare, we are also seeking to protect people such as Frankie. Inevitably, some reductions in public expenditure have had to be made and it would help if the hon. Lady's party would at some point indicate how it would have responded to the fiscal challenge that we inherited.

Christopher Pincher (Tamworth) (Con): From today, victims of the Equitable Life scandal—in Tamworth and around the country—begin to receive justice as the compensation scheme begins to pay out. Following years of vacillation from previous Governments, may we have a statement or a debate to mark that milestone?

Sir George Young: My hon. Friend is right. In 13 months we have done more for Equitable Life pensioners than the previous Administration did in 13 years. It is indeed the case that, as we said, the first payments would be made in the first half of this year. Those first payments are now going out, so we have honoured the commitment we made to providing a transparent and fair system of compensating those who lost money in Equitable Life.

Nic Dakin (Scunthorpe) (Lab): The Government have now confirmed that £115 million will be made available to schools and colleges to disburse through discretionary learner support awards and bursaries rather than the £180 million that was originally promised. Will the Leader of the House arrange for the Secretary of State to make a statement on why those amounts have changed?

Sir George Young: My right hon. Friend the Secretary of State for Education did indeed make a statement when he announced the transfer from education maintenance allowance to the discretionary learner fund, so we have already had that exchange. There might be an opportunity at questions on Monday 11 July to press the Secretary of State even further on the matter.

Charlie Elphicke (Dover) (Con): Will the Leader of the House make a statement about the training of hon. Members in matters of procedure, which can be confusing and difficult not just for new Members like me? I noticed on Report of the Finance Bill that there were starred amendments and new clauses from more senior Members of the House, so a general refresher might be worth while.

Sir George Young: We are debating the Finance Bill again next week and I hope that there will be no repetition of this week's inexplicable incident. The official Opposition failed to table an amendment in time on their flagship policy; they then refused to vote on an identical amendment tabled by another party, only to vote for some anodyne alternative. I hope that there will be no repetition of that embarrassment from the Opposition Front-Bench team.

Alun Cairns (Vale of Glamorgan) (Con): May we please have a debate on the funding of political parties? At a time of industrial action, it would be useful to tease out the influence that trade unions can have on some parties' policies.

Sir George Young: As my hon. Friend knows, Sir Christopher Kelly and the Committee on Standards in Public Life are looking at the important issue of party funding. My own view is that it is unhealthy that one political party is dependent for about 87% of its funding on the trade unions.

Nadhim Zahawi (Stratford-on-Avon) (Con): May we have a debate on the reform of the laws relating to industrial action? The nation is clearly opposed to the teachers' unions going out on strike when only one third of their members voted.

Sir George Young: My hon. Friend reminds us that less than 20% of the overall PCS membership voted for strikes, which is less than 10% of the civil service. Only two teaching unions have a mandate for strike action

and the turnout in both ballots was low. As I said in response to an earlier question, we have no current plans to legislate, but we are keeping the matter under review.

Paul Uppal (Wolverhampton South West) (Con): My constituency carries the unenviable burden of having one of the highest rates of empty shops. Will the Leader of the House facilitate a debate on what measures could be introduced to encourage local authorities to provide free car parking, which would be a fillip not just to city centres, but to high streets and small independent retailers?

Sir George Young: I understand my hon. Friend's concern. The coalition Government are very committed to localism and devolving decisions such as whether to extend free local car parking to local councils and local authorities, which are best placed to take such initiatives forward. If he has not already done so, my hon. Friend should get in touch with his local authority to see whether it will take the action that he advocates.

Robert Halfon (Harlow) (Con): Following my question to the Prime Minister yesterday, may we have an urgent debate on petrol prices and how they are hitting public services? Last year, the police spent £78 million on motoring fuel and it could hit £90 million this year—money that could have been spent on policing. The Royal College of Nursing says that 60,000 nurses now subsidise NHS petrol bills out of their own pockets. Does my right hon. Friend agree that high petrol prices are becoming a real threat to front-line services?

Sir George Young: My hon. Friend is right. Our petrol prices have begun to come down over recent weeks, and we all hope that that initiative can be sustained. The coalition Government have taken action to help. As he knows, average pump prices are approximately 6p a litre lower than they would have been if we had continued with the previous Government's escalator.

Nigel Mills (Amber Valley) (Con): Will the Leader of the House find time for a debate on the importance of the food and drink manufacturing sector to the UK economy, which would enable Members to explain the importance of the sector locally and allow me personally to trumpet the quality and value for money of Thorntons products?

Sir George Young: If my hon. Friend is ingenious, he might be able to get into the debate on the Finance Bill next Monday or Tuesday to draw attention to the importance of the food and drink sector to the national economy. Alternatively, he could put in for an Adjournment debate on our last day, which, if the Backbench Business Committee so decides, would give him more time to amplify his point.

Several hon. Members *rose—*

Mr Speaker: Order. We come now to a statement by the Minister for Policing and Criminal Justice.

Mr David Hanson (Delyn) (Lab): On a point of order, Mr Speaker.

Mr Speaker: Order. Points of order come after statements.

I really must encourage better timekeeping by those on the Treasury Bench. Ministers should be here in time to make their statements; this is a serious matter, not a laughing matter.

Police Detention

12.56 pm

The Minister for Policing and Criminal Justice (Nick Herbert): I apologise, Mr Speaker.

With permission, I would like to make a statement on the recent High Court ruling on police bail. The Home Secretary is in Madrid at a G6 meeting.

Since the Police and Criminal Evidence Act came into effect in January 1986, the police, the Government and the courts have all agreed that the time suspects spend on bail does not count towards the maximum permitted period of detention without charge. For more than 25 years, this sensible and uncontested way of working has enabled the police to investigate crimes and keep the public safe.

On 5 April, a district judge refused a routine application from Greater Manchester police for a warrant for the further detention of a murder suspect, Paul Hookway. On 19 May, Mr Justice McCombe confirmed the district judge's decision in a judicial review. Mr Justice McCombe's written judgment was made available on 17 June. Since then, Home Office officials and lawyers have been working with the police, the Crown Prosecution Service and others to evaluate the scale of the problem that the judgment presents.

When the scale of the problem became clear, Ministers were alerted on 24 June. If any suspect is released on bail, the judgment means that they are, in effect, still in police detention. That means that time spent on bail should count towards any maximum period of pre-charge detention. The judgment goes against a quarter of a century of legal understanding and accepted police practice, and as the Home Secretary said yesterday, it causes us grave concern.

The police believe that the judgment will have a serious impact on their ability to investigate crime. In some cases, it will mean that suspects who would normally be released on bail are detained for longer. It is likely that there will not be enough capacity in most forces to detain everybody in police cells. In other cases, it risks impeding the police to such an extent that the investigation will have to be stopped because the detention time has run out. The judgment will also affect the ability of the police to enforce bail conditions.

We cannot, must not and will not ask the police to do their work with one hand tied behind their backs, so they have our full support in appealing the decision to the Supreme Court. With about 80,000 suspects on police bail around the country, however, we cannot afford to wait for a Supreme Court ruling. That is why the Association of Chief Police Officers has today advised the Home Secretary that new legislation is needed.

We agree with that assessment, so we will urgently bring forward emergency legislation to overturn the ruling. That emergency legislation will clarify the position and provide assurance that the police can continue to operate on the basis on which they have operated for many years. We are also seeking urgent further advice on how to mitigate the practical problems caused by the Court's decision in this interim period. I welcome the support that the Opposition Front-Bench team have already promised for this action.

There must be proper rules governing the detention of suspects before charge, which was what Parliament intended more than 25 years ago. This judgment upsets a careful balance that has stood for a quarter of a century and impedes the police from doing their job. That is why it must be reversed, so I commend this statement to the House.

Yvette Cooper (Normanton, Pontefract and Castleford) (Lab): That was an astonishing statement from the Minister. I do not even have a copy of more than two pages of it, which I was given as he walked into the Chamber, and I believe that other Members do not have copies at all. I was advised by the Minister's office that lawyers were still checking it. He was very lucky that an urgent question was asked this morning, because otherwise he would not have had a statement to give on what is a very serious issue, six weeks after the original judgment. What has the Home Office been doing in the meantime?

As the Minister said, this is a deeply serious situation for the police, prosecutions, and, ultimately, justice for victims. Twenty-five years of police practice and legal interpretation have been overturned. We understand that the ruling has immediate effect, and we agree with the Minister that the previous position must be restored at the earliest opportunity. The ruling affects 80,000 suspects who are currently on police bail, but prosecutions and trials could be put at risk if the police have not acted in line with the current law.

I have been advised that Home Office officials were informed of the judgment soon after it was made on 19 May. Can the Minister confirm that? He said that they had the written judgment on 17 June, 13 days ago. What have the Government been doing since then? Why is it still not clear what this means for the police? Some forces believe that it affects custody but not bail conditions, while others fear that it means that bail conditions no longer apply. That could include bail conditions affecting whether or not a suspect can interfere with witnesses. Has definitive guidance been circulated among the police? If not, why not?

During the 13-day period since the written judgment was made available, has the Home Secretary or the Attorney-General even looked at the legal position or sought legal advice, rather than simply leaving it to the police to take a view? The police need to know what to do 43 days after the original judgment was delivered. What has been done to get the judgment suspended in the meantime? I understand that this morning the Supreme Court granted leave to appeal. Has it been able to introduce a stay of judgment? Did anyone apply to it for a stay of judgment? Was it asked to conduct an expedited hearing in order to introduce a stay of judgment? Was an appeal made to Mr Justice McCombe to stay his initial judgment pending further appeal from the Supreme Court? It is not good enough to say that this is a matter for the police, because it has implications for justice throughout the country.

Why did it take so long to conclude that emergency legislation was needed, and why has no work been done to sort that out? The Leader of the House has just stood up and given the House the business for the next two weeks. Will he have to stand up again and tell us what the business for the next few days will be so that the Government can get the emergency legislation through?

We have had no discussions with business managers, and I have seen no draft emergency legislation. Why was legislation not drawn up 43 days ago as a contingency measure to deal with these extremely serious circumstances?

Will the emergency legislation be retrospective? How will it deal with the cases that are currently being handled in police custody centres and police stations across the country? What guidance are the police being given on whether they are jeopardising prosecutions through decisions that they are making in custody cells every day and every hour across the country? When will we see the legislation? I have already told the Home Secretary that we will support emergency legislation to restore the previous position, and we will seek to do that as soon as possible.

I know that the Home Secretary is in Spain today, but she was not there yesterday, and she should have made the decision at a time when she could come to the House and announce it. There has been considerable chaos in the Home Office, not just this week but for the past few weeks. The situation is ludicrous: someone whom the Home Office tried to ban from the country has sauntered in, while people whom it is trying to put in custody are sauntering out. There is a worrying level of carelessness, drift and incompetence. Justice for victims and protection of witnesses are too important to be handled in this way, and the Home Secretary should get a grip.

Nick Herbert: My understanding is that there is widespread agreement and concern about the impact of the decision, and that we should proceed on the basis of sensible discussion. We are grateful for the Opposition's support in that regard.

The right hon. Lady asked about the Home Office's role since the judgment. Mr Justice McCombe delivered his judgment in the divisional court in Manchester on 19 May, but it was an oral judgment. The Greater Manchester police forwarded a copy of it, but only when we received the written judgment, on 17 June, were we able to begin to ascertain the extent of its effect, and, in particular, only then did it begin to become clear that its implications went beyond the issue of warrants of further detention. Since then the Home Office, the Crown Prosecution Office and officials of the Association of Chief Police Officers have been engaged in a constant dialogue in an attempt to understand the detailed implications, which are complex. On 24 June—last Friday—the leaders of ACPO met senior Home Office officials, and at that point Ministers were informed. ACPO then commissioned advice from a leading QC. The right hon. Lady asked about the guidance issued to police officers; ACPO issued interim guidance to all chief constables at that point.

Last Wednesday ACPO commissioned additional advice from Steven Kovats QC, which it received this morning. I hope to explain some of the circumstances to which the right hon. Lady referred. It was this morning that ACPO presented its case for urgent legislation to Ministers, and it was therefore this morning that it was appropriate for us to come to the House to say what would be the right thing for us to do. We will seek to put the legislation before the House as soon as possible, following discussion through the usual channels. The matter is of concern to the police, but it is appropriate for us to continue to work carefully with them in relation to the guidance that will need to be given to forces following the further advice received from the QC.

There seems to be general agreement that this was an unusual judgment, which overturned 25 years of legal understanding. We cannot wait for a Supreme Court decision, and emergency legislation is therefore sensible and appropriate. I am glad that that is also the view of the official Opposition, and we are grateful for their support in expediting it.

Tom Brake (Carshalton and Wallington) (LD): There is a clear and urgent need for emergency legislation. Does the Minister expect permanent legislation to be included in the Legal Aid, Sentencing and Punishment of Offenders Bill? Pending the implementation of emergency legislation, what emergency measures are being considered, such as the creation of additional temporary cell capacity?

Nick Herbert: We expect the emergency legislation to be the last word on the subject. We do not believe that it will be complicated to return to the status quo ante, which, after all, was the basis of legal understanding for 25 years. We do not think that it would be possible to leave the matter to an amendment to one of the Bills that are already before the House, because we would not secure that legislation soon enough. It is therefore appropriate for us to consider introducing legislation much more swiftly.

As I said in my statement, we are urgently seeking further advice on how to mitigate the impact on the police. We will do everything that is lawfully possible to ensure that they can conduct their business and deal with the interviewing of suspects, and that is the subject of ongoing discussion with the Association of Chief Police Officers.

Keith Vaz (Leicester East) (Lab): I thank the Minister for his statement. These must be busy times at the Home Office, but I am disappointed that there has not been a statement on the Sheikh Raed Salah case as the implications of that are equally important.

The Minister is absolutely right that there must be emergency legislation, and it would be useful if copies of the draft legislation were sent as soon as possible to the shadow Secretary of State, my right hon. Friend the Member for Normanton, Pontefract and Castleford (Yvette Cooper), and the Home Affairs Committee, so that we can all help the Government to get this legislation through. There is one issue, however: what happens in the next eight or so days? Do we accept the ACPO guidance, or are we saying that individual forces might act differently—I understand that the Met and West Yorkshire police are proposing different responses to this situation—so may we have a clear and definitive statement on the steps the police should take? The Home Secretary will appear before the Committee on Tuesday, so perhaps we can explore these matters with her then.

Nick Herbert: I am grateful to the right hon. Gentleman for his support for introducing emergency legislation, and we will, of course, discuss that as fully as possible with him and with the shadow Secretary of State, as that is the right way to proceed. The Metropolitan police has issued interim guidance on the basis of the

[Nick Herbert]

judgment, and that is available to other forces. However, we will have further discussions with ACPO about what the appropriate guidance should be for all forces in this interim period, so that it is consistent with our and their obligation to comply with the law as now stated by the High Court. We will do everything possible to mitigate the impact of the judgment, because we want to ensure that the police are not impeded in going about their business and in dealing with criminals.

Mark Reckless (Rochester and Strood) (Con): Will my right hon. Friend reflect on the relative roles of himself, Home Office officials and ACPO in respect of the advice just given to the House, and will he agree to publish the legal advice that has been provided—through ACPO in this instance, it appears? Will he also reflect on the development in the use of police bail over the past 25 years? Clearly, it has been accepted practice, but is there any evidence of a trend of suspects being put on police bail often for many months, or even years, when the police might instead be taking a more expeditious approach to their cases?

Nick Herbert: I am not aware of any such trend, nor am I aware of any concern in this House, or more widely, that gave rise to the decision. The judge's decision in this instance was based on the narrow case that was before the court. So far as I am aware, there has not been any wider debate suggesting concern about the way police bail has been operated over the past 25 years. That is why we feel that it is appropriate to introduce emergency legislation. I doubt that it would be proper for ACPO to publish its legal advice, which it has received from two Queen's counsels, but I can confirm that ACPO has written to the Home Secretary to confirm its view that emergency legislation is required. It has given a summary of counsels' advice, which was given to it since 23 June, and that summary was sufficient to persuade it and us that it is necessary to move forward in the way I have suggested.

Mr David Hanson (Delyn) (Lab): First, why did it take six weeks for Home Office officials to make the Minister aware of the judgment? Secondly, will the legislation be retrospective? Thirdly, will he advise police authorities, including mine in north Wales, that are currently mothballing police cells—such as in Mold in my constituency—on what action to take in respect of maintaining operational police cells in case he does not provide the legislation or win any appeal?

Nick Herbert: I have answered questions about when it became clear that this case was of concern. There was undoubtedly increasing concern among ACPO representatives and, when they met Crown Prosecution Service and Home Office officials, the full implications of the judgment became clear. The right hon. Gentleman asked why we did not do more, but, as I have explained, Ministers were not alerted to this by officials until 24 June, which was last Friday, and that followed deliberations that officials had been having with ACPO after it, in turn, had received its written advice. I am confident that ACPO has been working properly both in talking with officials in order to understand the implications and also in taking formal legal advice not once, but twice, about what those implications were. I am also confident that it was right for us then to come to the House once we had established a course of action, so that we could inform the House of the right way to proceed.

Helen Jones (Warrington North) (Lab): The Minister's comments have revealed an extraordinary degree of complacency in the Home Office about this very serious situation. Did Home Office officials know about this judgment in May? If so, why did they not alert Ministers, and when Ministers first found out about the judgment, why did they not immediately come to this House and make a statement and talk to the Opposition about how to get emergency legislation through to rectify the situation? Why has the Minister waited for so long?

Nick Herbert: I answered those points in terms in my previous answer, and I have nothing to add. It was important for us to establish what the implications of the judgment were first at official level, working with ACPO, and then on the basis of proper legal advice. It was only when officials received the written judgment of the High Court that it became clear that the original judgment might have an implication beyond that which was initially understood. There have been discussions during the course of the week about the appropriate way to proceed, and I have sought to update the House once we knew the course of action, so as to bring clarity. I repeat that I do not regard this as a matter for partisan difference. We are grateful to the Opposition for adopting a sensible approach to this matter and for supporting emergency legislation. We do not need to disagree on this.

Robert Halfon (Harlow) (Con): I thank both my right hon. Friend for the statement and the Government for their prompt response in terms of the emergency legislation. Will he ensure that when this legislation is passed it will give a clear signal to judges such as the one who made the decision that we must be on the side of the victim, not the criminal?

Nick Herbert: I will not comment on the specific points in that question, for reasons I am sure my hon. Friend will understand, but, of course, in general it is important both that we have a criminal justice system that properly reflects the interests of victims and that justice is done. The police bail system had been operating for 25 years in a manner with which, as far as I am aware, everybody was content, and this judgment alone has, effectively, sought to undo that. That is why we think it right to bring forward this legislation.

Mr Kevan Jones (North Durham) (Lab): Although the emergency legislation is welcome, police throughout the country are faced with the problem of administering the current law. What advice have the Minister or the Home Office given to police authorities about reviewing the availability of police cells and what estimate has been made of any additional costs? If there are additional costs, will the Home Office give additional grants to the police so that they can cope?

Nick Herbert: We are seeking to bring forward legislation to deal with the problem sufficiently swiftly to avoid any such impact that may be caused in the interim. We will also seek to mitigate the situation to the greatest possible extent, and I will discuss that with ACPO. Clearly there

are implications in respect of resources and also for defendants, because as I said in my statement, it is possible that people will be detained in custody for longer, so the judgment's practical effects will have implications for both civil liberties and the sensible operation of police bail.

Mr David Nuttall (Bury North) (Con): Does my right hon. Friend agree that judgments such as this, which fly in the face of common sense, run the risk of bringing our justice system into disrepute? How can someone who is free possibly be judged to be inside? At this rate, all our prisons are going to be empty.

Nick Herbert: I think that the best way that I could respond would be by quoting the legal expert Professor Michael Zander QC, whom my hon. Friend may have heard on the "Today" programme this morning. He said:

"The only justification for the ruling is a literal interpretation of the Act which makes no sense".

Chris Ruane (Vale of Clwyd) (Lab): For the third time, was the Home Office advised of the oral judgment in May, yes or no?

Nick Herbert: For the third time, I say to the hon. Gentleman that I have explained the timeline in detail. When he looks at the record, he will see that I said—I am happy to repeat this—that Greater Manchester police approached the Home Office in May, but we received the written judgment from the court only on 17 June. Therefore, action was taken as soon as possible to understand the effects and seek advice once that written judgment was taken.

Paul Blomfield (Sheffield Central) (Lab): This is an important point, and information from the House of Commons Library suggests that Home Office officials did know in May. Will the Minister give a clear answer to the House on whether that is the case, yes or no?

Nick Herbert: I do not understand why Labour Members are trying to pursue a point that I have already answered on a number of occasions. I am happy to repeat that officials were informed in May about the oral judgment, but it was only in June that we received the written judgment of the High Court judge. Officials then began to appreciate that the implications extended beyond that which was originally understood from the oral judgment. I am happy to go on repeating that timeline to hon. Members for as long as they seek to ask these questions.

Nigel Mills (Amber Valley) (Con): I am sure that we all appreciate that these legal judgments can be complicated and that their full implications can take some time to work through, but does my right hon. Friend agree that there is a bit of concern about how long this took to reach Ministers? Is there perhaps scope for reviewing the interaction between his officials and ACPO to see whether a better process can be put in place to deal with the unlikely event that something as horrible as this ever happens again?

Nick Herbert: I note my hon. Friend's point, but I think that officials wished to ascertain, with ACPO and in consultation with the Crown Prosecution Service, what the full implications of this judgment were before they came to Ministers with advice, because they needed to be able to advise Ministers properly on the extent of the implications. We will continue to work very closely with ACPO to do everything we can to support the police in doing the job that they have to do.

Mr Jim Cunningham (Coventry South) (Lab): I think that what hon. Members are trying to get at is this: when the Home Office knew in May why could action not have been taken right away to set something in motion?

Nick Herbert: I say to hon. Members that it would be better if we dealt with the substantive issue, because I have repeated on a number of occasions the timeline and the reasons why. In particular, I have discussed the need to take legal advice to understand the implications of a complex judgment that was simply not expected. That is why ACPO has taken two sets of legal advice, and it was this morning that ACPO formally asked us for emergency legislation. I hope that that explains to the hon. Gentleman the sequence of events and why we have come to the House today to explain what we want to do.

David Mowat (Warrington South) (Con): Our criminal justice system costs about 10 times more than similar criminal justice systems in similarly sized countries, yet judgments such as the one yesterday, which are perverse and self-regarding, are causing this sort of reaction by Government. When are we going to consider more structural reform of a system that is barely fit for purpose?

Nick Herbert: Without commenting on the specific judgment, I agree with my hon. Friend to the extent that we do have one of the most expensive criminal justice systems in the world, and that is why we seek reform of the system across the piece. It also explains the important reforms that my right hon. and learned Friend the Lord Chancellor has introduced in his Legal Aid, Sentencing and Punishment of Offenders Bill and the reforms that we seek on enhancing the accountability of the police. We will have more to say in due course about the efficiency of the criminal justice system and how we seek to drive forward on value for money and a more effective justice system.

Mr Alan Campbell (Tynemouth) (Lab): The House of Commons Library advises that the Supreme Court has not stayed the judgment this morning and that nobody applied for a stay. Can the Minister confirm that that is correct?

Nick Herbert: I understand from the Solicitor-General that that was the case this morning, but I should say to the hon. Gentleman that every effort has been made by Greater Manchester police to appeal against this judgment—the force did this from the original court of first hearing to the High Court—and that the Government are now making every effort to overturn this judgment. That is precisely why we wish to introduce emergency legislation; we do not think that a recourse to further legal process will give sufficient certainty or will deal with the issue in the time that we think is necessary.

Bob Blackman (Harrow East) (Con): As the Minister has described, some 80,000 people are affected by this judgment. No doubt many of them will be consulting their Member of Parliament this weekend and in the future, so can we have some urgent clarification and guidance from the Home Office about what to say to these people?

Nick Herbert: As I said in my statement, we are urgently seeking advice so that we are able to update the police, through ACPO, on how we intend to mitigate the impact of this judgment. I am happy to ensure that the House is updated as well.

Points of Order

1.27 pm

Karl McCartney (Lincoln) (Con): On a point of order, Mr Deputy Speaker. My constituency has in the past year enjoyed a number of visits from other Members of the House—that is understandable because Lincoln is a beautiful city with many beautiful people. Visitors have included: the right hon. Members for Leeds Central (Hilary Benn) and for Southampton, Itchen (Mr Denham); my right hon. Friends the Members for North Somerset (Dr Fox), for Richmond (Yorks) (Mr Hague) and for Witney (Mr Cameron); and my hon. Friends the Member for Bexhill and Battle (Gregory Barker), for Faversham and Mid Kent (Hugh Robertson) and for Aldershot (Mr Howarth). Although I was notified of some ministerial visits—on one occasion this occurred at 10.30 pm on a Sunday evening for a visit that was to take place less than 12 hours later, which was timely perhaps but not within the lexicon of due diligence—I, like many colleagues, do not always receive such a courtesy from Members from all parts of this House.

I recognise that, in response to a point of order raised in 2008 by the then right hon. and learned Member for Sleaford and North Hykeham, the previous Speaker drew a distinction between "ministerial business" and "party activities" in relation to constituency visits—Opposition Members are quick to quote that to me. I am also aware that yesterday my hon. Friend the Member for Shipley (Philip Davies) referred to this matter in a similar point of order, although I note that he was lukewarm in his welcome for 50 Members from our coalition partners visiting Shipley. However, I feel that such a courtesy to any Member of this House should be extended to include all visits from every Member of the House, regardless of nature, unless undertaken in a strictly private capacity. On a number of occasions I have attended constituency events, business visits—

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. I have got the message. Members are supposed to keep points of order short and we are in danger of having an Adjournment debate on this. My ruling from the Chair is that, as the House is well aware, it is convention that right hon. and hon. Members allow Members in those constituencies being visited due notification before the visit takes place. That has always been the case and I hope that convention will be the norm.

Diana Johnson (Kingston upon Hull North) (Lab): On a point of order, Mr Deputy Speaker. At Prime Minister's questions yesterday, in response to my question on the planned changes to vetting and barring in the Protection of Freedoms Bill, the Prime Minister claimed that

"anyone who has criminal convictions"—[*Official Report*, 29 June 2011; Vol. 530, c. 953.]

will be barred from working with children. However, I have checked clause 66 of the Protection of Freedoms Bill, which clearly removes the current procedure of automatically barring someone who has, for example, raped a child. Given the concern in the country about that loophole, may I seek your guidance on how to correct the record?

Mr Deputy Speaker: The hon. Lady has already put that information on the record and I am sure that she will find other ways to ensure that the necessary correction takes place.

Yvette Cooper (Normanton, Pontefract and Castleford) (Lab): On a point of order, Mr Deputy Speaker. Today, we have had a statement from the Home Office and a business statement. It is clear from the few answers that the Home Office Minister was able to give that the Government were not ready to come to the House and would not have done so had we not asked an urgent question this morning. Is there provision for the Home Office Minister to come back to the House at the end of the day, once he has clarification from the lawyers on the position for the police as regards the situation under which they must operate, and is there provision for the Leader of the House to come back and make another business statement now that we know that emergency legislation will definitely be needed and will need to be timetabled as a result?

Mr Deputy Speaker: It is up to the Government whether they wish to come back, but that would have to be with the permission of Mr Speaker. I am sure that the right hon. Lady's message has been heard.

Civil List

1.31 pm

The Chancellor of the Exchequer (Mr George Osborne): I beg to move,

That—

(1) new provision be made for, or in connection with, the financial support of the Sovereign and of the heir to the throne;

(2) any sums payable in respect of provision so made should be payable out of money provided by Parliament;

(3) provision be made enabling the continuation, in the reigns of Her Majesty's successors, of the payment of the hereditary revenues of the Crown as directed under section 1 of the Civil List Act 1952;

(4) provision be made about allowances and pensions under the Civil List Acts of 1837 and 1952;

(5) any sums payable in respect of such allowances and pensions by virtue of any provision so made should be charged on the Consolidated Fund;

(6) it is expedient to amend the law relating to the financial support of members of the Royal Household.

The Queen's Gracious Message yesterday invited Parliament to consider the provision of support to Her Majesty, her successors and other members of the royal household. That reflects a simple fact: the current civil list arrangements are no longer sustainable. They are inflexible, less than transparent and, critically, rely on a reserve of public funds that has steadily been run down and is about to become depleted.

As I explained to Parliament last October, we have been working with the royal household to design a new funding arrangement. It will take the form of a new sovereign grant that balances the public interest in our Queen being properly funded to carry out her official duties with the legitimate interest of the taxpayer in proper accountability and value for money. If we approve the motion, the Bill to establish the sovereign grant will be published later today and the House will have an opportunity for a longer and more detailed debate in two weeks' time, or thereabouts, on Second Reading.

We must start our discussion today by recognising the Queen's long service and immense contribution to public life in our country. I was firmly put in my place on taking office when I was reminded that I was the 19th Chancellor of the Exchequer to serve under Her Majesty. In the 59th year since her accession to the throne and the 86th year of her life, Her Majesty still took part in 440 public engagements. Her visit to Northumberland last week reminds us of the work that she and other members of her family carry out week in, week out to celebrate the achievements of communities across Britain. The royal family also conduct official business on behalf of the Government, leading 2,700 engagements and 150 official overseas visits last year. More than 41,000 people were invited to events at one of the palaces.

The monarchy is also a powerful magnet for international tourism, worth, according to one recent estimate, some £500 million to Britain. There is little doubt that our monarchy is a source of great national pride and constitutional strength that is widely admired around the world. As has been recognised for centuries, however, the official duties of the monarch cost money. That is why in the 18th century an historic arrangement was reached between the Government and the monarch.

[Mr George Osborne]

Until then, the monarchy was indistinguishable from the state and both were funded from the income the mediaeval Crown collected from its estates, as well as duties, fines and other charges.

In 1760, George III agreed to surrender for his lifetime the full income of the Crown Estate to the Government in return for a civil list. That arrangement has been in place ever since and a clear demarcation has long been established between the private income of the royal family for their private expenditure and the publicly funded income, derived from the civil list, for the royal family's public duties.

At the beginning of each reign, Parliament passes a new Civil List Act setting out a fixed annual amount for the whole of that reign. That was done in 1952, when Her Majesty was proclaimed Queen. By 1972, high inflation had so eroded the value of the civil list that the system had to change and this House agreed to set fixed annual amounts for 10 years at a time, but this system, too, had its weaknesses. As inflation was hard to forecast accurately over a 10-year-period, the civil list ended up being too generous at the beginning of the period and too meagre at the end. We are living with those weaknesses still.

In 1990, the annual civil list amount was set at £7.9 million. Additional support was provided to the monarch in the form of two grants in aid, one for travel and one for maintenance of the royal palaces, but inflation in the 1990s was falling faster than forecast and much of the funding was not spent. Instead, it went into a reserve, which by 2001 had grown to more than £37 million. At the beginning of the last decade, it was decided that rather than set a new civil list, the royal household should run down that reserve to fund its official duties.

That means that over the past three years, the royal household has on average spent about £35 million a year. Let me set out how the spending breaks down for 2009-10, the most recent year for which there is out-turn data. There was £7.9 million from the civil list, £6.5 million from the reserve—that was, of course, public money that had been provided earlier—£3.9 million for travel, £400,000 for communications, and £15.4 million for royal palace maintenance. It should be made clear that over recent decades the royal household has done a huge amount to cut costs and improve the effectiveness of its spending. Indeed, total spending has come down from £45.8 million in 1991 to an expected £35 million in 2010-11. That is a real-terms cut of more than 50% in 20 years. No other Government Department can claim to have achieved anything like that.

Those efficiencies have continued in recent years. For example, visitor income to the palaces has almost doubled, commercial lettings at Hampton Court and Kensington palace are up 30% and a two-year pay and recruitment freeze on the royal household has been imposed. I want to take this opportunity to thank the current Keeper of the Privy Purse, Sir Alan Reid, and his predecessors for doing such a good job.

Despite such impressive efficiencies, however, there are problems with the current system. It is very inflexible. For example, money saved in travel cannot be used to undertake an urgent repair of a property. It is opaque, as the National Audit Office's access to official spending is limited and, although it has carried out value-for-money studies, it has no audit function. Critically for today's discussion, it was clear by April 2010 that the royal household's reserve, which had provided a key component of its annual income, was running out.

The previous Government took the decision, which I completely understand, to leave it to the incoming Government to fix that situation. This is how we propose to do it. We will introduce a new sovereign grant that provides appropriate resources for the Queen to do her job with dignity but balances that with fairness and accountability for the taxpayer. It is designed around three principles. First, it provides the monarchy with sustainable long-term financing free from annual political interference, by which I mean the budget can be set for the long term and automatically uprated without an annual political argument. Secondly, it provides flexibility, so that the royal household can manage its funds efficiently to deliver best value for taxpayers. The third principle is that, alongside more sustainable finances with greater flexibility, we will ensure greater accountability and transparency and establish proper checks and balances to prevent the sums provided from becoming too excessive. Those are the three principles underpinning our approach.

[1]Let me now turn to some of the detail, recognising that in a fortnight's time or so people will have had a chance to study the legislation and we will have a longer debate on Second Reading. First, we need a funding mechanism that prevents the sovereign from coming to Parliament each year for resources, and that provides funding broadly in line with the growth of the economy. There is such a mechanism at hand, through the historical connection with the Crown Estate, so I propose that from 2013-14 the royal household receives 15% of the profits made by the Crown Estate in the two years prior. That is an average.

As the House will know, the Crown Estate is a large commercial property portfolio comprising £6.7 billion of assets, and 15% of the profits is estimated to provide a sovereign grant worth about £34 million in 2013-14—in other words, broadly in line with the latest data on grant and reserve spending for 2009-10, which was £34 million.

Each year, as the economy grows, the revenues of the Crown Estate will grow, and the monarch will eventually receive 15% of those revenues using that formula. There will be a cash floor to protect the monarch from cash cuts, but basically the monarch will do as well as the economy is doing. We will see how the Crown Estate performs, but the current estimate is that the 15% formula will mean that by 2014-15, the last full year of this Parliament, the monarch will receive about £35million. In cash terms, that is broadly in line with what it has spent in recent years; in real terms, it is about a 9% cut over the Parliament.

We are also preparing a further important improvement to the current system. Historically, extending funding arrangements to new monarchs required primary legislation within six months of their accession. That arcane process made it difficult for the royal household to plan for the future, and for each new monarch to achieve a smooth transition at the beginning of their reign when so much else needed to be done. So I propose that the new legislation should be a permanent arrangement that outlives the sovereign. It will require only an Order in

1. *[Official Report, 5 July 2011, Vol. 530, c. 13-14MC.]*

Council, rather than a whole new piece of legislation, to extend the sovereign grant to a new monarch, and I hope that Members agree that this is a sensible arrangement.

We will also use the Bill to remove an historical anomaly about the Duchy of Cornwall. The revenues of the duchy are used to fund the Prince of Wales in his official duties, but they are available to him only because he is the Duke of Cornwall, and only the eldest son of the monarch can be the Duke of Cornwall. So if the heir to the throne is female or, indeed, a second son or a grandson, they cannot be the Duke of Cornwall, which means that they would not get the revenues of the duchy.

We propose to correct that anomaly by making it clear that in future Duchy of Cornwall revenues will in effect go to the heir, whether or not they are the Duke of Cornwall. There will also be a provision in the Bill to deal with the situation in which the heir is not yet an adult.

We will also bring to an end another anomaly by which certain members of the royal family receive statutory payments from the Exchequer only for the money to be reimbursed to the Exchequer by the Queen. Yesterday, I received a letter from the Keeper of the Privy Purse on this matter, copies of which will be made available in the Library after my speech. The new sovereign grant will replace all statutory payments and annuities to other members of the royal family, with the exception of the Duke of Edinburgh.

The second principle behind our proposals is flexibility. As I have said, under current arrangements, the Queen receives three different blocks of money: a travel grant from the Department for Transport; a royal palaces and communications grant from the Department for Culture, Media and Sport; and the civil list from the Treasury. That is very inflexible. It means that the royal household cannot set its own priorities and flexibly manage its resources in the course of each year, as any modern organisation would want to do.

I propose abolishing the three separate blocks and merging them into a single grant from the Treasury. As has been the case for many decades, any underspent public money will go into a reserve. This is a sensible arrangement that will allow the royal household to provide for contingencies and to invest in one-off capital projects.

Unlike previous years, however, we are going to have a maximum target on that reserve, so that it never rises above about 50% of the annual grant. This means, for example, that if the annual grant is £34 million, the reserve will be limited to £17 million, which is very much lower than the £37 million that was accumulated in the reserve 10 years ago.

The third principle of our approach is an incredibly important one: accountability to Parliament for the spending of public money, and value for money for the taxpayer. I think that we get excellent value for money from our monarchy. It amounts to 51p per year per person in the United Kingdom, but it is right and proper that Parliament should exercise oversight.

For many years, the National Audit Office and the Public Accounts Committee have been allowed to conduct value-for-money studies in some areas of royal business, such as travel or palace maintenance, but not to conduct full audits as they do with other Departments. The Bill proposes to change that. From now on, the NAO will have full access and become the statutory auditor of all the royal household's official business and of the sovereign reserve. It will also be able to audit the assets used by the royal household in carrying out its official business. The National Audit Office will not become the financial auditor of the Queen's private business, including the Duchies of Lancaster and Cornwall, which remain private funds.

To ensure accountability to Parliament, the sovereign grant accounts will be laid before the House. The Public Accounts Committee will also be able to conduct hearings on the royal finances, with the royal household itself providing evidence at such hearings. That is a big and historic extension of parliamentary scrutiny, and I should like to thank Her Majesty for opening up the books.

We also propose checks and balances on the size of the sovereign grant and the reserve. As I said, the sovereign grant will be set at 15% of Crown Estate revenues, and that percentage will be reviewed every seven years to determine whether it remains appropriate. The review will be conducted by the three current royal trustees, the Prime Minister, the Chancellor of the Exchequer and the Keeper of the Privy Purse, and every seven years we will come to Parliament with the proposed review and a recommendation on what it should be.

There cannot be an increase without agreement from Parliament through the affirmative procedure. The royal trustees will also act to make sure that the reserve remains within its 50% cap by reducing the annual grant as required, and of course the Treasury has a responsibility each year for ensuring that the sovereign grant is spent on the official duties that it is supplied to be spent on.

Those arrangements also deal with the potential situation, which some people predict, of an increase in Crown Estate profits from offshore wind activity. Currently, those revenues are running at about £2.5 million per year, but some forecast that they could increase substantially in the 2020s. The 15% formula will be reviewed before that may come about, and we will not allow revenues from offshore wind to lead to a disproportionate rise in revenues to the royal household. We will shortly also set out proposals, unconnected to this legislation, to make sure coastal communities can benefit from the development of the Crown Estate's marine activities.

Today, we recognise the value of the monarchy and we put its finances on a sustainable long-term footing. I have put forward the principles behind our proposed new sovereign grant, and we will debate those in detail next month. Our aim is to ensure that the sovereign can carry out her official duties effectively and with dignity, while ensuring accountability to Parliament and value for money to the taxpayer. I hope that our proposals receive all-party support, and I commend the motion to the House.

1.47 pm

Ed Balls (Morley and Outwood) (Lab/Co-op): Although I, like other Members, have not yet seen the Bill that we are debating today, I thank the Chancellor of the Exchequer for giving me a briefing a full 48 hours in advance of today's debate. That allowed me to spend yesterday preparing my response and the Chancellor to spend the

[Ed Balls]

afternoon at centre court, Wimbledon. I know that he was in a box; I do not know whether it was the royal box, but there we are.

We are debating a very important reform today. As the Chancellor of the Exchequer said, it is the most significant reform to the financing of the royal household since the accession of King George III in 1760, when building upon the Civil List Act 1697—see, my day yesterday was well spent—tax revenues and Crown land revenues, which were hitherto under the independent control of the sovereign, were surrendered to Parliament in exchange for a civil list then of £800,000.

This is the first time that Parliament has had the chance to debate those matters from first principles since the Civil List Act 1972, and, as the then Chancellor of the Exchequer, Anthony Barber, told the Committee of the Whole House:

"I do not believe that the British people want the work of the Royal Family to be cut down. I believe that they want it to be continued and performed by the Royal Family."—[*Official Report*, 19 January 1972; Vol. 829, c. 551.]

He had already reminded the House that in debating these matters,

"we are taking decisions about an institution which, just as much as Parliament, is an essential part of our history, our constitution and our way of life."—[*Official Report*, 14 December 1971; Vol. 828, c. 292.]

Almost 40 years on, that sentiment will find widespread support across all parts of this House. Replying for Her Majesty's Loyal Opposition, the then shadow Chancellor of the Exchequer, the late Lord Jenkins of Hillhead, was right also to point out:

"The acceptance and the appreciation of the Monarchical function does not preclude proper consideration by this House of how financial provision should be made."—[*Official Report*, 14 December 1971; Vol. 828, c. 383.]

Again, that is a sentiment that will command support from all parts of this House.

Reading back over those debates from the early 1970s, it was clear that not everyone in the House supported the changes. Indeed, I noted that my hon. Friend the Member for Bolsover (Mr Skinner)—he is not in his seat today—voted against the changes in 1972. I looked for his contribution to the debates, but the *Hansard* record does not record a speech by my hon. Friend, just a series of documented comments from a sedentary position; some things do not change. At one point, the Member for Chelmsford, a future Leader of the House of Commons, Norman St John-Stevas, remarked that

"criticism of the Monarchy, just as of this House, should be fair and temperate, not unfair and prejudiced."—[*Official Report*, 21 December 1971; Vol. 828, c. 1357.]

Hansard shows that the newly elected Member for Bolsover simply shouted out, "Why?" It was a relatively tame intervention. My hon. Friend was just at the foothills of what has turned out to be a very fine parliamentary heckling career.

The world, the monarchy and the House have all changed a great deal since the early 1970s. The global demands of the royal household have grown significantly, with all that that entails in security and admin burdens. The monarchy has changed greatly—it is now much more open and more scrutinised than ever before—and Parliament, as the Chancellor said, now has a greater role in scrutinising the finances of the royal household than in the 1970s. Of course, the one unchanging rock across all those turbulent decades has been Her Majesty the Queen herself, whose grace, wisdom and dedicated service to our country are second to none.

I agree with the Chancellor about this. I know that not everyone in this House will agree with what I am going to say, but it is the view of Her Majesty's Loyal Opposition, as it is the view of the Government, that the monarchy continues, and must continue, to play a vital role in the affairs of our nation in the new century, but that to play this role and to command public support, the royal household must, as the Chancellor said, be financed in a proper, open and fair way, which means fair to the royal household and, as the Chancellor said, fair to the taxpayer too. There is a balance to be struck, as there has been for over 250 years since the 1760 settlement. It is the job of the Prime Minister, the Chancellor and the Government, with the royal household, to strike a fair and workable balance between the legitimate needs of the household and the interests of the taxpayer. It is the responsibility of Her Majesty's Opposition to scrutinise the actions of the Government to make sure that it is done in a fair and proper way, and it is the job of this Parliament to oversee these matters.

I thank the Chancellor for giving me advance notice of the details; as I said, I have not yet seen the legislation. I want to assure him that although we have questions to ask, it is our intention to support him in reforming the current arrangements. However, it is very important that he seeks to establish a consensus not only across the Dispatch Box but in the country as a whole in support of these reforms. At a time when many families and businesses are under real financial pressure, the Chancellor will need to provide, today or on Second Reading, some more clarity, detail and reassurance on four particular issues that I will set out today in advance of those debates: the level of the sovereign grant; the costs of royal security, which, while not covered by the sovereign grant itself, are material to these matters; the mechanism for uprating the sovereign grant; and how Parliament scrutinises these new arrangements.

On the first issue, the Chancellor and the Treasury will need to provide some more analysis in advance of Second Reading to explain why, in choosing the figure of 15% of the profits of the Crown Estate, they believe they have set the sovereign grant at the right level. I understand that, adjusting for the issue of the drawing down of the reserves, this new arrangement is expected to maintain the current level of spending broadly over the course of this Parliament.

It is right that we ask whether this is the right level of expenditure given the costs, pressures and demands on the royal household. On the one hand, the Queen has managed to deliver a 50% reduction in the total expenditure of the royal household over the past two decades, but has this process of efficiency savings come to an end, or are there further savings that can and should be made? On the other hand, the wonderfully successful wedding of the Duke and Duchess of Cambridge, who start their visit to Canada today, has thrust the younger members of the royal family into the limelight: they are in demand in this country and all round the world. Meanwhile, Her Majesty the Queen's historic visit to Ireland and the Duke of Edinburgh's recent birthday celebrations have seen their popularity reach new heights, and this can

only increase as we move towards the diamond jubilee next year. This necessarily raises issues of resourcing and security.

The demands on the newly extended royal family are higher than they have ever been, and it is right that we ask whether the level of the royal grant is commensurate with the high tide mark in the royal family's responsibilities and public appearances. This necessarily raises security issues too. It has been reported that a number of members of the royal family have had their security support downgraded, or in some cases removed. We should ask whether the Chancellor, as part of this process, has examined the impact of these changes on the royal family and on the public purse, and whether they may have gone too far. Does the current security budget meet the needs of the wider royal family in this more demanding environment? At a time when the Home Office and security budget is very stretched and under pressure, it is important that we ask that question.

That takes me to the third issue: the arrangements for the uprating of the sovereign grant. The Chancellor's proposals imply that the total expenditure of the royal household will fall in real terms from the beginning to the end of the Parliament, but the proposals also imply that spending will, from next year, be rising in cash and in real terms, alongside a 3.2% real-terms rise in the total sovereign grant between now and the end of the Parliament. I understand, too, that the Chancellor is proposing to put a cash floor on the finances of the royal household into the future, by however much the profits from the Crown estates fall. I have to say that this is a generous proposal which suggests that the Chancellor thinks that the efficiency savings have come to an end. We also know that the profits of the Crown Estate could rise. If they rise markedly in future, the House and the country will need an assurance that proper and responsive arrangements are to be put in place.

It is unclear at this stage whether the Chancellor is saying that any increase in revenues over and above the levels that he is currently predicting will automatically be passed into the reserves or could lead to higher expenditure by the royal household. The arrangements that he set out appear to suggest that if expenditure were to rise alongside income, there would not then be an automatic review of the percentage of income allocated through the sovereign grant. If revenues are higher, then rather than waiting a full seven years for a review and risking upward pressure on spending or a repeat of the accumulation of reserves that we saw in the 1990s, is there not a case for a more automatic and immediate formula to return those excess revenues to the taxpayer?

As the Chancellor said, this issue is particularly relevant because the Crown estates are set to see an increase in their income from the exploitation of wind and tidal energy in the coming years. Crown Estate income from the renewables sector grew by 44% to £2.6m in 2009-10 alone. The annual report of the Crown Estate describes current growth as "exponential" and growth over the next 10 years as "significant". Given the potentially significant change in income from renewables in the coming years, it is important that we ensure that the proposals are robust as regards a significant rise in Crown revenues.

The final issue is parliamentary oversight.

Oliver Heald (North East Hertfordshire) (Con): I certainly support the comments of the right hon. Gentleman and the Chancellor. Is the right hon. Gentleman at all interested in asking for an assurance or some information on whether the proposals are likely to influence the investment strategy of the Crown Estate, and what that might involve? How much income or growth are required are often quite important parts of an estate's strategy.

Ed Balls: The hon. Gentleman raises an important question. It is good that Parliament has an opportunity to scrutinise the proposals in the coming weeks or months. We are in an unusual situation. This debate is not a statement, so it is inappropriate for me to ask questions of the Chancellor today and expect him to respond. The debate is also on a Bill that we have not yet seen, which is obviously awkward. I am in a stronger position to ask detailed questions than everybody else, because I knew some of the content of the proposals in advance, but I do not know all the detail.

Today we are setting out questions and issues on which the Government might want to provide more detail between now and the debate on Second Reading. We will certainly expect more detail and debate then. I am sure that in reaching that deal over past months, the Chancellor and members of the royal household scrutinised the kind of issue that the hon. Gentleman raises. However, we need to find out the detail of that scrutiny, what analysis was looked at before that agreement was reached, and the impact of the proposals on a number of things. I mentioned security and the uprating formula, and the hon. Gentleman asks the very important question of whether the measures will enhance the Crown Estate or deter it from seeking to make new investments. I do not know the answer to that, but it is a good issue for debate.

Mr George Osborne: The right hon. Gentleman is right: this is not a statement. It is a rather archaic procedure, but if it is any consolation, it is a lot less archaic than it was in the early 1970s—through discussions with the Chair, we managed to reduce some of that procedure. I am unable to respond to the points that he makes, but I shall use this intervention to say that I thank him for the support in principle that he has given to the measure. He has asked some good questions, to which I hope to respond on Second Reading, and other hon. Members will raise other issues. I was not able to publish the Bill until this resolution has been passed by the House. I appreciate the right hon. Gentleman's approach. The debate on Second Reading will be an opportunity for hon. Members to go into the detail of the Bill after they have studied it.

Ed Balls: I was in no way criticising the approach that has been taken. I was simply noting the rather odd situation that we are in: I am able to say some things that, potentially, nobody else fully understands because they have not had the briefing from the Chancellor that I had, but I totally understand the Chancellor's position.

Paul Flynn (Newport West) (Lab): As this announcement has been described as "important", a disappointingly small number of Members are in the Chamber. Will my right hon. Friend tell me when he first heard that this announcement would be made today?

Ed Balls: I do not want to say anything inappropriate, but I believe that it is appropriate for me to say that the Prime Minister briefed the Leader of the Opposition on these matters a week ago. The Chancellor requested that I meet him, and we met on Tuesday. The clear view of the House authorities, the Government and the royal household—I do not know exactly who makes such decisions—was that the first public knowledge of the proposals should be the making of the gracious request, which happened yesterday. It was then a matter for the Government to respond the next day, which is where we are. That is the fullest answer I can give, so there we are.

It is welcome that, for the first time, the National Audit Office and the Public Accounts Committee will have the same powers to audit and scrutinise the royal household as any other Government Department. I am sure that the Chair of the PAC will speak in this debate about that in greater detail. However, there are important issues of detail in respect of how the proposals will work in practice. Will the reports be frequent and timely? Will all necessary information be disclosed to the PAC and Parliament? Who will give evidence to the Committee on those matters?

In June last year, the Chair of the Commons Public Accounts Committee, my right hon. Friend the Member for Barking (Margaret Hodge), said:

> "If there is to be serious assessment of efficiency and economy and effectiveness (of the monarchy), one has to look at the total income and expenditure. It is difficult to look at just a part."

That has been our situation in recent years. As the Chancellor says, even before today's Bill, our situation is a substantial advance from where we were 40 years ago. It is true that the original debate was opened by the Prime Minister and that the Chancellor represented the Government in a Committee of the whole House, but it is also true that that was pretty much the only opportunity for scrutiny of such matters in the previous 40 years. We are therefore in a better place, but the Chair of the PAC is right to say that we need to go further and to do so in a proper way. I hope that we hear from her today, but it is vital that Parliament has the proper information so that it can properly and fully scrutinise such significant sums of revenue.

In conclusion, the Opposition will support the Chancellor in making necessary reforms, but my advice to him is that there is more work to do on providing more detail and reassurance in advance of the debate on Second Reading. It is necessary to build a consensus not only in the House but in the country. The case needs to be made that the reforms represent a secure, balanced and fair way forward for the royal household and the taxpayer in the years to come. We look forward to playing our part in those debates and that scrutiny in the coming weeks and months.

2.6 pm

Mary Macleod (Brentford and Isleworth) (Con): I want to put this debate in the context of Her Majesty's life of service to this country. As we are all aware, the Queen fulfils a number of duties as Head of State, including her constitutional duties, such as the state opening of Parliament, giving Royal Assent to legislation, carrying out state and royal visits overseas, and receiving state and official visitors. However, the Queen, and indeed the whole royal family, play a much greater role in our society: that of providing a focus for national identity, unity and pride. They recognise success and contribute to our nation through their public service and support for the voluntary sector, which includes many of the unsung heroes in our local communities. The Queen and the royal family also support the vulnerable and highlight the need to help in challenging areas of society.

We need only cast our minds back a couple of months to the royal wedding of the Duke and Duchess of Cambridge for an illustration of how much the monarchy means to everyone in this country, and indeed across the world. The royal family is a hard-working institution, and we are rightly proud of it in this country. As we heard earlier, the Queen entertains almost 50,000 people per year, not to mention the many thousands of people she visits around the country and the world.

It is difficult to quantify the full benefit of the royal family, not just to tourism and our country's status abroad, but to our national identity, history and traditions—the things that make us proud to be British. They also support our values of freedom, democracy, the rule of law and equality.

More specifically on the motion, the Queen and the royal household currently receive funding from several sources, as we have heard. However, following the agreement made in 1760 in return for the fixed annual payment, Crown lands are managed on behalf of the Government, and the surplus revenue goes to the Treasury. In the last financial year, that amounted to more than £210 million. Let us be clear about this. In the last financial year, the Queen and the royal household received £38.2 million in total from the Government, and paid back to the Treasury £210.7 million in surplus revenue from the management of the Crown Estate. In other words, they contributed a net sum to the Government of £172.5 million. That sounds like a pretty good deal to me.

Regardless of that net contribution to our economy over the past decade, the Queen and her staff have made significant efforts to make the royal household more efficient, as the Chancellor said. Head of State expenditure has more than halved during that time from the £87.2 million in 1991-92, to £38.2 million in 2009-10, and the projected spend this year of £35 million.

As my right hon. Friend the Chancellor outlined in the Chamber today, a new sovereign support grant will be introduced to cover funding for the Queen and the royal household. The grant will combine all the sources of funding into one sum covering all the monarchy's official expenditure, not just the expenditure currently covered by the civil list. This will simplify an overly complex process for allocating funding—one that is haphazard at best. The level of funding will be linked to the Crown Estate's surplus and will provide levels similar to those currently received. Surpluses and funding will be held in reserve for future years and levels will be protected from falling significantly from previous years. As we heard, full parliamentary scrutiny and audits of all expenditure will continue. The proposals will provide for continuity in the event of the succession of a new monarch so as to ensure certainty and stability for the royal family and household. I believe completely in and support the three principles that the Chancellor outlined.

In summary, the sovereign support grant will give the royal household greater control to manage its funding and continue its efficiency measures. It will also provide clarity, flexibility and longer-term planning, and will

make it much easier to communicate the finances of the Queen and the royal household to members of the public. The sovereign grant Bill is consistent with the Government's quest for greater transparency of funding, which we are trying to get across government, together with increased accountability and focus on achieving value for money for taxpayers. It also, importantly, continues to support the sovereign in the long term in the outstanding contribution that she makes to this country on a daily basis. I therefore support the motion.

2.11 pm

Margaret Hodge (Barking) (Lab): I join others in welcoming today's announcement and the motion put forward by the Chancellor with the agreement of the royal household. Like others, I recognise the fantastic contribution that the Queen and members of the royal family make to the United Kingdom, and acknowledge the respect and warmth that the Queen commands among the British people. Most recently, as others have said, the royal wedding of the Duke and Duchess of Cambridge gave us all an uplifting moment of joy, allowing us to celebrate with the royal family on an occasion filled with happiness at a time when so many families are facing difficulties and insecurity in their daily lives.

Clearly, if the Queen and the royal family are to carry out their constitutional duties effectively, they need appropriate funding. Some of this funding comes from the taxpayer, so we need to have in place an open and accountable system. The Chancellor's announcement today puts the direct support from the taxpayer to the royal family on a transparent footing, which will enable both Parliament and the public to understand how much taxpayer money is being spent annually by the royal family and what it is being spent on. This is undoubtedly an important change for the better, and as Chair of the Public Accounts Committee, charged with following the taxpayer's pound, I warmly welcome it.

I also recognise the historic significance of the changes proposed, and believe it is hugely important for the future stability of the monarchy and its role in our constitutional settlement that we should modernise our structures so that they are fit for purpose in today's world, and properly meet the legitimate expectations of the taxpayer and the general public. As others have acknowledged, the Queen has acted sensitively and prudently in managing her finances over the past two decades. That is right and proper, and she should be applauded for doing so. She has cut her real-terms expenditure by more than 50% in the past 20 years, and at a time when we are asking every family to tighten their belts, people will be heartened to see that she is playing her part.

The powers proposed in the legislation, as outlined by the Chancellor, are hugely significant for Parliament. The Comptroller and Auditor General will be appointed by statute to audit the sovereign grant accounts and he will be empowered to prepare value for money reports that the PAC can consider. This puts, for the first time, those parts of the royal finances that come directly from the taxpayer each year on a transparent basis, consistent with other public expenditure. The PAC has a long and well-established history of effective public scrutiny, and we will, I am sure, approach these new responsibilities in our traditional way, working objectively and thoroughly on behalf of Parliament and the taxpayer.

We will show no fear or favour. On the one hand, we will not give this new area of our work special treatment, but on the other hand, we will take the issues seriously and ensure that we hold the appropriate accounting officers to proper public account. In our approach, we will examine critically both how the Government allocate funding to the royal family and how the royal family then spend that allocation. As right hon. and hon. Members know, we have a reputation for being straightforward, direct and clear in our recommendations, and I hope that both the Chancellor and the royal household will welcome the new accountabilities and the implications for them. You never know, Mr Deputy Speaker, we might, in years ahead, end up praising the royal household for providing value for money and criticising the Treasury for its meanness. Time will tell.

In this instance, I expect us to take evidence from the Keeper of the Privy Purse and Treasurer to the Queen, Sir Alan Reid. Although the incorporation of the civil list into the new sovereign grant gives us new powers, with new audit and access rights for the Comptroller and Auditor General and new areas for public scrutiny of this expenditure by Parliament, the PAC has in the past examined areas of expenditure by the royal household covered by the grant for royal travel from the Department of Transport and the grant aid for the royal palaces from the Department for Culture, Media and Sport.

As the Chancellor said, in 2010, £5.4 million was granted for royal travel and £15 million for aid to royal palaces. When the PAC reported on the occupied royal palaces in 2008-09 we found that, although the royal household claimed a £32 million backlog of maintenance work, that figure was not supported by rigorous analysis. We said then that in the absence of a consistent approach to assessing the condition of the Crown Estate and calculating the backlog, and without an assessment of the practical consequences of the backlog, the Department and the household could not be sure how big the problem was or what to do about it. We said that the household should define the criteria for inspecting the condition of the estate, agree with the Department the basis for calculating the maintenance backlog and, before the end of 2009, set out a plan for managing it.

As a result of that recommendation, the household adopted a new system for monitoring the condition of its estate to better manage prioritisation of the maintenance work. In the same report, we noted that the Royal Collection Trust received more than £27 million from visitors to the occupied royal palaces, of which just £1.8 million was passed to the royal household to top up the resources available to maintain the palaces. The report found that the arrangement by which money paid by visitors to the palaces went to fund the trust dated from 1850. Clearly times have changed. More palaces have opened to the public and hundreds of thousands of tourists visit them each year, yet only a fraction of the income generated has, in the past, been used to maintain the palaces. The amount paid to the household is at the discretion of the trust, but some staff of the household are also involved with the trust and have potential conflicts of interest.

We said that the Department should work with the household and the trust to revise the arrangements for the collection and distribution of visitor income to

[Margaret Hodge]

reflect the fact that visitors come to see the palaces as well as the works of art in them. In response, the royal household announced a new arrangement under which, in 2009-10, the trust started paying an amount to the royal household in respect of visitors to Buckingham palace, which again helps offset public funding.

To give another example, following a visit by the then Public Accounts Committee to Kensington palace on the back of a report on maintaining royal palaces, the Queen agreed to pay rent—initially £60,000 a year, rising to £120,000 a year—for the Prince and Princess of Kent's apartment at Kensington palace from her own income. We understand that from 2010 the Prince and Princess of Kent will remain at their apartment but will pay the rent from their own funds.

Those have been our past successes. In future, we might well want to look at a new range of issues, such as whether the royal estate is being used in the most cost-effective and efficient way, with the royal household maximising the potential for income from commercial lettings, and whether maintenance work is being properly prioritised given the backlog. On travel, we might also look at the cost-effectiveness of the options chosen by the royal household—for example, between road, rail and air—to ensure that best value for taxpayers' money is secured.

On the former civil list, we might want to examine procurement, staffing costs or expenditure on receptions and entertainment. Having listened to the Chancellor's welcome statement, I would appreciate it if he dealt with a number of issues that I believe arise. He has said that the sovereign grant will be reviewed every seven years. As I understand his statement, he will be taking new powers to reduce the sovereign grant year on year if the income from the Crown Estate exceeds his expectations. I understand that such a power does not exist at present and I would be grateful if he confirmed that it will be a new power. A similar issue arises on the income that the royal household receives from opening the palaces and the royal art collection to the public. How in those circumstances will any increase in income be treated in determining the sovereign grant?

Finally, today's proposals deal with the annual income received by the Queen from the taxpayer, but we need to ensure that the public interest in all the assets and estates held by the monarch on behalf of the public is accounted for in a transparent and consistent way. This is particularly important in these stringent times when we are asking so much from hard-working families. I would be grateful if the Chancellor addressed this issue in his reply.

I warmly welcome today's announcement by the Chancellor. This is a truly historic occasion. For the first time ever, we are placing the royal expenditure financed by the taxpayer on a proper footing—transparent for all to see and consistent with all other public expenditure. This is a sensible act of modernisation that I am sure will be welcomed by Members on both sides of the House and by the general public at large. It will help to ensure continuing admiration and support for the Queen and for the role she plays in our constitutional arrangements.

2.23 pm

Mr Edward Leigh (Gainsborough) (Con): It is a pleasure to follow the right hon. Member for Barking (Margaret Hodge), who is the current Chair of the Public Accounts Committee. Under my chairmanship and hers, the Committee has for many years fought a relentless campaign on this issue, but I never thought this day would come. My right hon. Friend the Chancellor has risen to such distinction, but I remember his being a member of our Committee when he was a very new, young Member of Parliament, and he may recall a visit we made to Kensington palace together. The trouble with dealing politically with royal family matters—I know this from my many years of chairing the Public Accounts Committee—is that whereas an incredibly worthy report about tens of millions of pounds, or even hundreds of millions of ponds, being wasted in the Department for Work and Pensions will end up only on page 15 of the *Financial Times*, if we are lucky, something involving the royal family gets much more interest. I think that the visit we made to Kensington palace was on pages 2, 3, 4, 5 and 6 of the *Daily Mail*. There is enormous public interest where the royal family is concerned.

My right hon. Friend is to be commended for being the first Chancellor of the Exchequer to have the guts to take this issue on and deal with it. As I said, I thought this day would never come. When we started this campaign and really tried to gear it up, we were looking at three areas in which we thought that parliamentary accountability was absolutely vital: the royal family and all aspects of royal finances, the BBC and the Bank of England. Those three great institutions stand without Parliament and we were told for all sorts of reasons why it was quite inappropriate for the National Audit Office to crawl all over their accounts. It has been like pushing water uphill, but I think that after many years and many bloody battles we are going to drag the BBC to full accountability—and not a moment too soon. That is quite right. Again, I commend the Chancellor for what he is doing. The Bank of England is a more difficult issue and we are still struggling on that, but we have a great victory today. For the first time since this modern settlement was made in 1760, Parliament will, through the Public Accounts Committee, be able to scrutinise all aspects of royal finances.

Although there has been great resistance to this proposal, I have to say that in all my many conversations with the royal household I never detected any resistance from it. I think it has been Governments who have worried about certain republicans on the Public Accounts Committee crawling over the royal finances. I should like to pay tribute to a great and wonderful parliamentarian, who has not been mentioned yet and who is a personal friend of mine—Mr Alan Williams, a former Father of the House, who served with great distinction for many years on the Committee. We all know that he gave the royal finances a good going over. Unfortunately, another personal friend of mine, the hon. Member for Glasgow South West (Mr Davidson), is not here, but I am sure that if he were still on the Committee he, too, would be giving the finances a good going over.

This will be tough for the royal household—there is no doubt about that—and there will be strong questioning in the Committee, as there is on all these subjects, but that is absolutely right because that is what we are about: accountability. I think they have absolutely nothing

to fear. As the shadow Chancellor made clear—we do not need to labour this point, because we all know it so well—the Queen has throughout her reign acted with incredible grace and wisdom and with such enormous constitutional propriety. We know all that, but what is not so well appreciated—certainly not by the general public and perhaps not by many Members of Parliament—are the enormous strides that the household has made in delivering efficiency savings and cutting costs. I am pretty confident that when the Committee, working with the National Audit Office, is allowed to crawl over the accounts, it will find a first-rate, modern institution.

It is unfortunate that up to now the Committee has been able to deal only with royal travel and palaces and not with the rest. That seemed a strange state of affairs. We managed to save the royal train, by the way, which is, in terms of modern accountability, a fantastically wasteful but noble instrument of royal travel. *[Interruption.]* It is necessary. It is so old that it can only travel at night.

Jacob Rees-Mogg (North East Somerset) (Con) *rose—*

Mr Leigh: I give way to an ornament of the constitution.

Jacob Rees-Mogg: My hon. Friend and his colleagues saved the train but unfortunately not the yacht. Is there any chance that for the diamond jubilee we will get the yacht back?

Mr Leigh: Well, some stingy previous Government, whom I will not mention by name, got rid of the royal yacht. What a tragedy. It is not the working part of the constitution but it is an important part. As for the royal train, it is quite right that this wonderful elderly lady should sometimes be allowed to sleep on the royal train so that when she visits Newcastle or Manchester she can wake up and perform her duty refreshed, and not be forced out of bed at 5 am to take a plane. We saved the royal train; that, I think, is something that the PAC achieved.

The PAC, then, will not cause any unnecessary trouble. Although I cannot speak for the new Committee, I have great respect for the right hon. Member for Barking, and I know that she will handle the matter in an effective and completely non-partisan way. I am sure that the Committee will do a wonderful job.

Before I finish, I want to say something about royal palaces. We paid that visit to Kensington palace, and we visited Buckingham palace. We found a lot of peeling wallpaper there—there was a lot of under-investment.

Chris Ruane (Vale of Clwyd) (Lab): Disgraceful!

Mr Leigh: Yes. This is the Head of State. She should not be in a palace that is falling down, and we should not be mean and stingy about that. I think that the Government had been a bit stingy. Perhaps these new arrangements will allow her to look after her palaces better.

There is one scandal that I want to raise: Frogmore, the royal mausoleum. It is falling down. As I understand it, under the new arrangements there will be an opportunity for the royal household to have greater control of its own affairs so that it can rehabilitate Frogmore, which is an important national monument and in an appalling state. It is a national scandal that the mausoleum for Queen Victoria and the Prince Consort is in such a derelict state that the public can no longer be admitted. That shows some of the problems with the royal finances. The Queen and her household have been making enormous strides in creating efficiency savings, but they simply have not had the independence or the resources to try to maintain the whole of the estate. It is vital for the nation that they be allowed to do so.

In conclusion, I warmly commend the Chancellor, and say well done for finally getting parliamentary accountability. We now want to continue doing battle with the BBC and the Bank of England, and make sure that this Parliament can audit all aspects of our national finances.

2.31 pm

Mr Kevan Jones (North Durham) (Lab): I, too, broadly welcome what has been said today. It is a credit to Her Majesty that she has agreed to what the hon. Member for Gainsborough (Mr Leigh) said is a revolutionary change, bringing openness and transparency to the royal accounts. Having tried to get the expenses of BBC executives and certain producers made public, I totally agree with him about the BBC. It resists freedom of information tooth and nail. If it is good enough for the palace, I am sure that it is good enough for the BBC.

I accept that today's statement is a strange way to proceed and that the debate will come later, but there are questions that need to be asked. My right hon. Friend the Member for Barking (Margaret Hodge) said that if the royal accounts are to have full transparency, we have to look at them in total, not only at the civil list as it is now or at the new sovereign grant. As the Chancellor said, it is ridiculous that we pay the royal household money and then pay it back to ourselves, which is very inefficient administration.

If we are to get an idea of the full costs, we need to see what Departments pay the royal household in other ways. I give an example from the Ministry of Defence, which rents certain properties from the royal household, including the Chief of the Defence Staff's current apartments in Kensington palace, which costs the MOD £108,000 a year. There is also military support for the royal household. That, too, comes from the MOD budget, but is vital to the workings of the household and to supporting Her Majesty in her duties. If we are to have full transparency we need to know what that costs. There is an argument to be had about whether some of the costs that fall on the MOD should come out of that budget. If we are to have a look at expenditure overall, it is important that that is taken into account. My right hon. Friend the shadow Chancellor mentioned security, which should also be included.

The general point of the proposals is to get consensus both in the House and across the country that not only are we getting good value for money from the expenditure, but we are accounting for it all. Certainly, it is very welcome that the National Audit Office and the Public Accounts Committee will be looking at the entire issue.

Something that will come out in the Bill is the way the fund will work in practice. I am not quite clear how the 15% formula will work. In some years the amount will go up, and in others it will go down, and I accept that there has to be a floor; we do not want the royal household suddenly to find that it does not have enough

[Mr Kevan Jones]

in-year money. I am, however, a little concerned about the idea of allowing it to build up a surplus. It was reported today in *The Daily Telegraph* that the Treasury is looking at a yearly cap on that figure, which I think would be better than allowing the royal household to build up a surplus over the seven-year period, which many people would criticise. I ask the Chancellor to look at an annual cap on the investment that comes from the Crown Estate, because otherwise the current efficiency drives might not continue.

I accept that giving the royal household more flexibility in how it spends the money is sensible, but there must also be some debate on who benefits from the current civil list and who will benefit from the new sovereign grant. Will it just be left to the royal household to decide which members of the royal family benefit? That will need to be clarified in the Bill, because there is clearly a public perception that some people on the civil list do not deserve the support they receive, and that needs to be looked at. Having said that, I know from my time at the Ministry of Defence that many of the minor royals do a lot of work to support armed forces charities and others. They do not get a great deal of publicity but should be commended, and it is important that that should be allowed to continue.

I broadly welcome the proposals and look forward to the Bill, but if we are to have proper scrutiny of what the royal household costs, it should include everything. I ask the Chancellor to look carefully at the MOD's budget, which I know he is already doing, and to consider whether it is realistic that we pay it money that is then paid out to the royal household for something that is not a core military task but which is important to the household.

2.36 pm

John Thurso (Caithness, Sutherland and Easter Ross) (LD): Much of what I wish to say has already been said. I congratulate the Chancellor on what seems to be the beginnings of an elegant solution to a difficult problem. I wish to make three quick points for him. First, on the matter of principle, it is extremely important that the process does not become a formula that is reviewed annually which puts the whole of the household's finances into play on an annual basis. Whatever method is used for the calculations, it must be robust enough, as the previous debates that the shadow Chancellor cited made clear, to allow the dignity of the Crown across a period of time. That is an important principle.

Secondly, as other Members have suggested, we should consider exactly what we mean by the profit, because students of the Crown Estate's annual finances will know that that is a highly variable figure, depending on the point at which we decide to look. It depends on whether it is the operating profit and whether there are movements in surpluses. There is one number that we might look at, which is not necessarily a profit but relates most closely to what might be regarded as the surplus cash within the Crown Estate: the annual remittance to the Treasury, which last year was £200 million or so. That is the figure that the Crown Estate remits to the Treasury, having considered what it wishes to withhold for future investment and having regard to the various discrepancies that come in the statement of total recognised gains and losses. The Chancellor might wish to look at that percentage, rather than a particular profit figure, and perhaps it could be made clear whether the grant is intended to be supplemental to that £200 million or part of it.

My final point relates to the Chancellor's comment on the potential income from marine renewable energy, including wind, tidal and wave energy. It is rather curious that that sits within the Crown Estate at all. If we look at the precedent of the Forestry Commission, which was created in 1919, and to which the Crown Estate forests were transferred in 1923, we will see that it might be worth considering whether the marine estate should be transferred in its entirely out of the Crown Estate and possibly given to all the local authorities on the coast that could benefit from what is going on. That might be an interesting way of giving a direct benefit to local authorities on the coast, where marine energy could form the bedrock of a future economy, without having to trouble the Chancellor. I leave that little thought with him and again congratulate him on what looks like the beginnings of a very elegant solution to an old problem.

2.40 pm

Paul Flynn (Newport West) (Lab): The sight of the British Head of State bowing her head in respect at Croke park to those who had been murdered by the British Army was a symbol of profound potency. She also paid her respects to the many thousands of soldiers from the Republic who died in the first world war. She visited the English market in Cork, which a number of us have visited recently, and that has had a practical benefit for the area. I believe that that visit will help to heal the deep wounds between the Republic and ourselves. The Queen has a splendid and unblemished record of service as the Head of State, and I do not want to stray into saying that she does not. She has rightly earned the respect of us all. However, some of the hyperbole this afternoon, which we always have on these occasions, goes a little too far.

Last year, Prince Charles increased the amount of taxpayers' money he spent by 18% and his personal spending went up by 50%. That was at a time when his 159 staff had their wages frozen. We must look carefully at the royal finances. I found it an Alice-in-Wonderland concept for the hon. Member for Gainsborough (Mr Leigh) to say that one of the great achievements of the Public Accounts Committee was to save a bit of money on transport that he described as fantastically wasteful. I think that we must apply the same financial discipline to the royal family that we apply to the poorest in society.

There should be a distinction, as was suggested by my hon. Friend the Member for North Durham (Mr Jones), between the way we treat the monarch, because of her role, and other members of the royal family. Perhaps we could be a bit more critical in the way in which we work out the benefit of visits from minor members of the royal family to charities and set that alongside the security and military costs that are incurred. That does not happen now.

It is not true to say that support for the monarchy as an institution is universal in this country. I come from a constituency where the last insurrection that tried to set

up a republic took place in 1839. The 20 people who died in that insurrection are honoured every year. There are people in this country who are happy to describe themselves as republicans, although the figure varies. It was about 45% at the time of the death of Princess Diana and it goes down to about 25%. Those people have a credible view that should be heard.

We had little prior knowledge of this debate. I had no idea that it was happening today. There seems to be an acceptance of this matter without a knowledge of the fine details. I urge that we find a simpler solution, because the one we have seems to be very complex. There is income from various sources, some of which are controlled and some not. Perhaps we could apply a system similar to the one that I urged hon. Members to use for ourselves some years ago in supporting a motion tabled by Chris Mullin, which was that the salaries of hon. Members should be linked to changes in the basic state pension, so that if there was an increase in the basic state pension, our salaries would increase, and if it was frozen, our salaries would be frozen. I believe that a simple mechanism of that type would be acceptable to the country as a whole, and it would be beneficial to the House because it would give us a greater interest in the level of the basic state pension. It would be interesting to put a cap on future payments for the civil list, and if it was linked to a mechanism like that, whether based on the retail prices index or the consumer prices index, it would be possible to understand it. It is essential that the royal family should face the same financial discipline as every other family in the land.

Of course the royal family have done many beneficial things recently, particularly raising money from the royal palaces. However, it is worth remembering that the most profitable royal palace in Europe is Versailles, and they have had rather a different attitude to royalty in France from the one that we have had here. However, that is not essential.

The royal family are in the position that we cannot attack them or say anything critical. That is the rule in the House, which we accepted some seven centuries ago. We know the recent history, with the behaviour of certain members of the royal family having been widely criticised in the press, but it is impossible for us to make any derogatory remarks about them here. I believe that we should remove that gag, not because we wish to criticise the Head of State but so that when minor members of the royal family are extravagant or outrage the public by their standards of behaviour, we in the House have the freedom to be critical of them.

2.46 pm

Michael Ellis (Northampton North) (Con): May I personally commend and congratulate the Chancellor of the Exchequer not only for taking the initiative in this matter, which has been pressing for many years, but for making excellent and historic improvements to the current arrangements, which have been unsustainable for some time?

The royal family are one of the few departments of Government—just about the only thing that the Government funds, I would suggest—that make a profit for the taxpayer. They brought into the revenues of the Treasury something in the region of £200 million than was paid out last year. That was a profit for the taxpayer in raw figures. It has also been estimated that one weekend, the weekend of the recent royal wedding, brought hundreds of millions of pounds into the Revenue in tourism, merchandise sales and the like. That profit for the taxpayer is well worth sustaining.

Mr Kevan Jones: I take the hon. Gentleman's point about tourism and other matters that provide a net contribution, but surely under the settlement of the 1760s we cannot really consider the Crown Estate as still being owned by the royal family. It was given up so that it could produce the money for the state that it currently does. I would not look at it in the same terms as the hon. Gentleman.

Michael Ellis: The hon. Gentleman may not, but others may choose to do so. In fact, I happen to think that the 1760 arrangements were an historic injustice to King George III and his heirs and successors. There is every reason to say that if the hon. Gentleman is not happy with the arrangements being proposed, perhaps the royal family could sustain having 100% back.

Jacob Rees-Mogg: Hear, hear!

Michael Ellis: I see that that idea is getting agreement.

John Thurso: The hon. Gentleman has tempted me. Part of the 1760 settlement was that the Crown no longer had to pay for the Army. Would it be equitable for it to take back the Crown Estate and the entire Ministry of Defence Budget?

Michael Ellis: Now my hon. Friend is tempting me.

It is important to bear in mind, as Professor Vernon Bogdanor has stated in one of his treatises on subject—"The Monarchy and the Constitution", I think—that it costs about the same to run the royal family as it does to run the Driver and Vehicle Licensing Agency in Swansea. I venture to suggest that the royal family attract far greater support from the British public than most institutions.

The issues at stake are important, and they are: fairness, accountability and transparency, and the necessary flexibility, which has not been built into the system to this point. As my right hon. Friend the Chancellor of the Exchequer has pointed out, the previous system, although not that old, was quite frankly archaic, bureaucratic and burdensome. It was also inflexible, so that if money was saved in one department—for example, in travel arrangements—it could not be spent on, say, repairing a leaking roof. The previous arrangements were unnecessarily bureaucratic, and they urgently needed reform to save taxpayers' money and to save time. They also needed to be more accountable and transparent, which is what these necessary reforms will achieve.

If we take the trouble to look at how the money is spent, we see, for example, that £400,000 is spent on communications. I venture to suggest that much of that money is spent on communication with members of the public who write in to the palaces, and on other necessary duties, such as inviting to garden parties the tens of thousands of people—and it is, in fact, tens of thousands—who enjoy and appreciate visiting the royal

[Michael Ellis]

households by invitation every year. This money is not spent on trifles; it is spent for the general public's enjoyment.

The same thing goes for the palaces. Much of the expenditure goes on the maintenance of royal palaces. I venture to suggest that not even the few republican diehards whom we might find in this House would propose that the royal palaces be knocked down after the abolition of the monarchy and car parks built in their stead. Even in the absence of a monarchy—may God forfend—those palaces would have to be maintained. They might be museums or something similar, but they would still need the maintenance that they need now. In fact, they have been allowed to fall into a state of disrepair because of the lack of funds, which only makes it more expensive to repair them.

I also support the modernising arrangements as they relate to the Duchy of Cornwall. That is welcome, because in future the heir to the royal house will be able to secure funds and revenue from the Duchy of Cornwall without necessarily being male—that is, without being the Duke of Cornwall. That is important and follows other reforms, in the tradition of the Demise of the Crown Act 1901. Formerly, offices of the state were cancelled on the demise of the Crown. However, the various Acts that Parliament has seen fit to pass over the past 100 years or so have meant that such positions—ministerial positions, judicial appointments and the like—could continue. My right hon. Friend the Chancellor of the Exchequer's further reform, making it necessary only for an Order in Council after the completion of one reign and the beginning of another, simply follows in that historic tradition.

I commend these measures, and I support them in full. I congratulate the Chancellor on bringing them forward, and I invite Members of this House to consider supporting Her Majesty in her 60th jubilee gift, which the House is currently considering.

2.53 pm

Mr Denis MacShane (Rotherham) (Lab): This has been a most enjoyable debate. With the need to refurbish some of the royal households with up-to-date wallpaper, we have learned that the fortunes of Osborne & Little might now increase. We heard from my right hon. Friend the shadow Chancellor some historical evidence of our hon. Friend the Member for Bolsover (Mr Skinner) making interventions from a sedentary position when this issue was last discussed in the 1970s. People listening to this debate from outside this place might have felt that some of the speeches by right hon. and hon. Members were delivered not so much from a sedentary position but, as it were, from a kneeling position, if that were possible in the House. I would say gently to the hon. Member for Northampton North (Michael Ellis) that some of us think that the land in this country that is not in specific private ownership belongs to the people. For us, the notion that the royal family is signing generous cheques to the taxpayer sits a little oddly.

I want to raise one substantial point today. The Chancellor and the shadow Chancellor said that we needed to look back to 1760, but if my history—learned from Linda Colley and other historians of the period—serves me right, it was actually a cunning manoeuvre by the late King George III that substantially increased royal revenues, rather than the act of generosity that it is sometimes presented as. One part of the motion, which I think the House will support, that worries me conceptually is the notion that the time of transition from one monarch to another is not the time for reflection on the arrangements that we want for our Head of State. The notion that we are going to write down a settlement that cannot be debated for another 200 years might therefore need some reflection on Second Reading.

I respect the Queen and I have travelled with other members of the royal family, although I hate the term "minor royals"—it is offensive to the very hard-working men and women who give a lot of their time to public service. If I can, I always welcome in person any of them who come to my constituency, because they are always well received and well liked. Her Majesty came to the Advance Manufacturing Centre in Catcliffe with Prince Philip last November and stood for an hour asking good questions. I was amazed at her stamina and her presence; the visit really cheered up all the people there. This just goes to show that 85 really is the new 55.

None the less, how does one justify 159 butlers, valets, cooks, dressers, housekeepers and the rest for Prince Charles? *[Interruption.]* We are all reading the memoirs written by the father of the hon. Member for North East Somerset (Jacob Rees-Mogg) in *The Times*, and there is a lovely entry today about how he and Rupert Murdoch managed to cheer up the Queen at a lunch back in the 1970s; I would not have minded eavesdropping on that. But why on earth, when we keep a royal flight, is Prince Charles taking a jet trip from Mr Joe Allbritton, who is not British at all but some kind of American oligarch and millionaire—

Michael Ellis: Why not?

Mr MacShane: The hon. Gentleman, from a sedentary or kneeling position, asks why not—

Jacob Rees-Mogg: Will the hon. Gentleman give way?

Mr MacShane: Of course.

Jacob Rees-Mogg: It seems a little bit mean to object when the royal family employ someone, and then object when they save a bit of money by taking a free flight. I do not think the right hon. Gentleman can have it both ways.

Mr MacShane: I am trying to choose my words carefully, because this is a serious matter. Serious questions would be asked if any Government Minister, acting on behalf of the nation, were to start hopping around in oligarchs' planes—

Chris Ruane: And yachts!

Mr MacShane: I do not think that right hon. Member for Tatton (Mr Osborne) was a Government Minister at the time of that yacht trip—

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. The right hon. Gentleman is in danger of straying into—

Mr MacShane *rose—*

Mr Deputy Speaker: No, I will finish. Individual names are being attached to what is being said, and that is not what we should be doing. This is a general debate on the civil list, and we should not refer to individual members of the royal family or to individual amounts spent.

Mr MacShane: There, to some extent, we have it. I accept fully your ruling—

Mr Deputy Speaker: Order. I will go on to the next speaker if the right hon. Gentleman does not accept it.

Mr MacShane: I said that I accept your ruling fully, Mr Deputy Speaker, and I will not say another word, save that—*[Laughter.]* If it is in order, Mr Deputy Speaker, I should like to say that it is not right for this debate to take place in the *Daily Mail*, *The Daily Telegraph* and *The Independent* but not on the Floor of the House. That is all.

Mr Deputy Speaker: Order. There are clear rules for this House that we have to abide by. The right hon. Gentleman might not like it, but that is the case.

Mr MacShane: I actually believe that a plane should be made available for the use of senior Government Ministers, including the PM. He had to scrounge a lift from Prague to Brussels with the Czech President the other day. He got something out of it, but frankly, every senior Minister in most democracies has that mode of transport available to them. Our planes are continually available to any member of the royal family, while elected Ministers come second.

We then have the problem of explaining why the present monarch and the next one are such giant landowners. Is that an issue that we might be able to debate, Mr Deputy Speaker?

Of course we all enjoyed the royal wedding celebration this year and we will enjoy the diamond jubilee next year. Roman emperors promised their subjects panem et circenses: the current Government are doing their best to reduce the quota of panem with their cuts and cruelties imposed on the poor and handicapped, but they are increasing the availability of circenses through the royal shows.

I do not believe that there is any kind of republican mood in the country. It was interesting to hear the oleaginous loyalty, if I may put it that way, expressed by my hon. Friend the Member for Newport West (Paul Flynn), who had a tremendous enthusiasm for the monarchy, which has surprised many of us. I remember the silver jubilee in Rotherham in 1978, when I am told that 41,000 Union Jack flags were sold in the socialist republic of South Yorkshire.

If we look at the European Union, we see that the states that are monarchies—Sweden, Denmark, the Netherlands and even, with all its troubles, Spain—enjoy less partisan and less conflictual politics. When it comes to growth, distribution and a fair social settlement since the second world war, we find that the EU's monarchies generally have a much better record than the EU's republics. The royal families, however, are also much cheaper there. In Spain, with its King, Queen and wonderful royal palace where I had the privilege and honour of having dinner with the Crown Prince of the Asturias and the lovely Princess—and Prince Charles—a few weeks ago— *[Interruption.]* The food was free, but I paid for my own air fare. The total cost of the whole Spanish monarch is €8.4 million, while the Queen of the Netherlands gets by on €828,000.

I ask only that we do some comparative analysis before simply continuing with an arrangement that, even with the Chancellor's proposed modernisations, remains deeply anachronistic.

Mr Leigh: Surely we should make a comparison with other major countries. In fact, the cost of the Queen bears favourable comparison with the cost of the Italian and the German Presidents—and who has ever heard of them, and what do they do for their country in comparison with our Queen?

Mr MacShane: I do not really want to get into discussions about German lineages. I recall a previous German President who actually walked the length and breadth of Germany in his summer holiday, and he did not receive anything remotely like what we pay our official Head of State.

It is interesting to note that Scotland's First Minister, Mr Salmond, has ditched his party's original republicanism and now asserts that an independent Scotland—if that unlikely event were to take place—would keep the monarch as its Head of State. However, I would like to see any future monarch living a lifestyle in tune and in touch with that of the nation. We can see the Duke of Cambridge, who serves with RAF officers, and his wife living a lifestyle much closer to that of the rest of the nation.

Mr Nigel Dodds (Belfast North) (DUP): The right hon. Gentleman has referred to people who have ditched their republicanism. Will he join me in welcoming the decision of the Sinn Fein mayor in the Irish Republic who welcomed Her Majesty and shook her hand—despite Gerry Adams's advice to do otherwise—showing an increasing acceptance of the monarchy everywhere?

Mr MacShane: A law throughout my entire life has been that if Mr Gerry Adams advises anybody to do anything, they will be on the safest ground if they do the opposite.

I do not know whether my right hon. Friend the Member for Barking (Margaret Hodge), the Chairman of the Public Accounts Committee, or the Chair of any other Select Committee could examine the high levels of expenditure that we have discussed this afternoon. I am sure that the Bill will go through without opposition, but if the monarchy is to continue in future years—after the time of Her Majesty—some things will have to change.

I welcome the Bill and the way in which it is being presented, and I think that the Opposition are handling the matter as they should, but a wider debate is needed. Let me say again—not on my knees—that there is nothing that can be discussed in our newspapers, pubs and meeting rooms that cannot also be discussed, in full detail, in this our House of Commons.

3.5 pm

Stephen Williams (Bristol West) (LD): Unlike the shadow Chancellor, I have not spent the last 48 hours carefully considering what to say in the debate, so I shall keep my remarks short. I have not been enjoying the tennis either; my mind has been occupied with other matters.

I welcome the approach that the Chancellor has outlined, and the prospect of the longer debate that we shall have on Second Reading when the Bill has been published. I want to place on record, on behalf of the Liberal Democrats, the affection and esteem in which Her Majesty the Queen is held throughout the country. Every time I visit a primary school in my constituency, two questions are entirely predictable, and have been asked throughout the last decade. They are "Do you know the Prime Minister?" and "Have you met the Queen?". There is a subtle but profound difference between those questions, which shows that young children can be very perceptive about the relative influence of Members of Parliament and the Queen. The Queen has visited the city of Bristol many times throughout her reign, and has always been warmly received.

Although I welcome the Chancellor's approach, I think there is an important point to be made about the future finances of the monarchy. I agree with what the right hon. Member for Barking (Margaret Hodge) said about the importance of transparency. The reformed system of financing the Head of State—and this may be the first major reform since the accession of George III—must be transparent and open to scrutiny. Three years ago we discovered in a very painful way that resisting transparency does no institution in our land any good, and I believe that the institution of the monarchy will be enhanced by transparency over its financing.

Both the right hon. Member for Barking and her predecessor as Chairman of the Public Accounts Committee referred to the royal palaces. Thanks to the initiative of Mr Speaker, this palace is now open on more occasions during the year so that members of the public can come and see the place with which we are so familiar, but Buckingham palace is still only open for one month a year, except to those who are fortunate enough to be invited there for a formal occasion. I hope that consideration will be given to whether it would be possible for grand places such as, in particular, Buckingham palace to be open to the public on more days during the year. That would both enhance the income of the royal palaces and the royal arts collection and enable more people from all over the country to see what is probably the most famous building in the world.

I look forward to our Second Reading debate and to perhaps making a longer contribution on that occasion.

3.8 pm

Martin Horwood (Cheltenham) (LD): I speak as—I hope—a radical democrat who really believes that sovereignty resides with the people and should be only cautiously delegated to Crowns and perhaps even Parliaments. Nevertheless, I declare myself a monarchist, not just for sentimental reasons but because I believe that the monarchy performs an important role as an impartial focus for national sentiment at a time when public confidence in other public institutions, with which we are of course familiar, may be seen as being at an all-time low. Moreover, it is clear—certainly from the celebrations of the royal wedding day in my constituency—that royal occasions provide a terrific excuse for a party which will make people feel good, and that must be a good thing at a time when we are increasingly measuring national well-being as well as simple economic indicators.

Let me say to my hon. Friend the Member for Northampton North (Michael Ellis) that I consider those to be rather better justifications for the civil list and the spending of public money on the monarchy than the fact that monarchy offers better value for money than the DVLA, which I think is a dangerous road on which to embark. Obviously affection for, and confidence in, the monarchy has been reinforced by the conduct of the current Queen, who has performed her role over many decades with enormous dignity and professionalism. It is important that the monarchy has also moved with the times, not least by responding appropriately to the recent austere financial situation in which this country finds itself. I am therefore very supportive of the Chancellor's announcement.

Michael Ellis: As the hon. Gentleman is so eloquently expressing his support for the monarchy, will he be contributing towards Parliament's gift for the Queen's diamond jubilee—the window?

Martin Horwood: I think that is a rather inappropriate question actually, but I was strongly inclined to do so, although it might be a rather expensive window, so if we can bring the cost down a bit, that might be appropriate.

I was making the important point that it is entirely right to bring greater audit and transparency to the arrangements for the Head of State. My hon. Friend the Member for Bristol West (Stephen Williams) said that too, and he is also absolutely right that public money and public confidence must go together. However, some issues remain to be tackled if we are to maintain that confidence over future generations for the Queen's heirs and successors.

I am pleased that the Minister for Equalities is sitting on the Front Bench as well as the Chancellor, because I want to discuss the issue of absolute cognatic primogeniture. I am not referring here to the situation of Catholics in the succession, which is simple in terms of equalities but rather complicated in terms of the role of the Church of the England as the state Church; that raises all sorts of issues. The issue of succession to the Crown by women in order of birth is important, however. Without wanting to cause any embarrassment to Their Royal Highnesses the Duke and Duchess of Cambridge, it is an issue on which we have a window of opportunity that may close in a year or so.

This was an issue in Sweden in the 1980s, when the birth of an infant daughter following the birth of the young Crown Prince Carl Philip meant that it became a question of disinheriting a young heir to the throne. It would be unfortunate if we were to go down that path in this country, so if we want generally to modernise the monarchy, now would be a good moment for this issue to be addressed alongside the financial issues. We could then look forward to future generations of the monarchy enjoying the same affection and confidence as Her Majesty the Queen.

Mr Deputy Speaker (Mr Nigel Evans): I gave you a bit of latitude there, Mr Horwood. I call Jacob Rees-Mogg.

3.12 pm

Jacob Rees-Mogg (North East Somerset) (Con): I know there is a great wish to debate Epping forest, a matter of enormous interest, so I will try not to be unduly long-winded.

So far in the debate, we have missed a crucial point. We have just focused on the cost of the monarchy, but our sovereign represents the greatest institution in our land; it is that bit that makes us British, and we do not want a mean monarchy. We want a proper and well-funded monarchy, not a bicycling monarchy, even if riding the Mayor of London's bicycles.

The subject of this debate encapsulates the connection the monarchy gives us to our history. What did the Commons spend its time debating in the 16th century? It spent its time debating that the King should live of his own: that the King—Henry VIII for much of that era—should be able to use his own resources to provide for all he needed to spend. This debate returns us to that same principle.

The Crown Estate provides an extraordinary link with our history. We could probably find some acre of the Crown Estate somewhere—probably in Somerset—that was the property of Alfred the Great, but we would certainly find that there was property in the Crown Estate that came with William the Conqueror and from the dissolution of the monasteries. St James's palace started as a leper colony founded by Queen Margaret in, I think, 1118. It was then part of the endowment of Eton college, which was, very tactfully, given back to the Crown by Eton when Henry VIII said, "If you don't give it back, I'm going to dissolve you." *[Interruption.]* That was a missed opportunity, I think some on the Labour Benches are saying. The Crown Estate is an extraordinary link with our history, which is what makes us the country—the United Kingdom—that we are. Some attack that and say, "We want a good value monarchy." That makes Her Majesty sound as though she is something to be bought off the top shelf at Tesco, and it really cannot be how we wish to approach our constitution. The Crown is an essential element of that constitution; everything of importance that happens is done in the name of the Crown.

The hon. Member for Newport West (Paul Flynn) said that he wanted the royal family to be treated as any other family but, as my hon. Friend the Member for Northampton North (Michael Ellis) pointed out, if they were any other family they would not be paying such a high tax rate. Given the 15% provision, Her Majesty will be expected to pay an 85% tax rate, which is more than the 50% tax rate that many of us hope will go over the course of this Parliament.

Paul Flynn: Over the years we were kept in ignorance of the royal tax rates and it was only as a result of a campaign in this House about 12 years ago that we were given any information at all about this. I would welcome it if the hon. Gentleman is asking for full transparency on the royal taxes, but I am not sure that that is part of the suggestion before us today.

Jacob Rees-Mogg: I clearly have not asked for full transparency on the royal tax affairs. Indeed, I would argue for the precise opposite, because I do not think it is particularly sensible to be investigating in close detail how the royal family spend their money. I recall a line about motes and beams; we have had quite a problem with our own expenditure in this House and I am not sure that we have got things entirely right. Before we start criticising the monarchy and looking over every biscuit that the Queen buys, we should make sure that we have our own house in order.

Mr Kevan Jones: The hon. Gentleman would not be suggesting that a way of controlling the royal household would be to have the Independent Parliamentary Standards Authority running it, would he?

Jacob Rees-Mogg: I would most certainly not be recommending that IPSA comes anywhere near our sovereign.

When the Crown Estate was granted in 1760 by George III, at the same time as he gave up his claim as King of France, the monarchy was in deficit and it needed extra money to fulfil the functions that were being fulfilled. Some of those functions were greater than those now paid for by the civil list. That is all certainly true, although Parliament would vote excess resources to pay for things such as the Army, so my hon. and noble friend the Member for Caithness, Sutherland and Easter Ross (John Thurso) was not entirely fair on the point about paying for the Army.

Now the Crown Estate is in substantial surplus and I think that the Chancellor, in his proposals, which in many ways are very good, may be being somewhat canny, because the next sovereign would be able to cancel this arrangement and say, "I should like £200 million a year, thank you very much." There is no requirement on a new sovereign to agree to hand the Crown Estate over in return for a civil list. The hon. Member for North Durham (Mr Jones) said that this is taxpayers' money and not the Crown's money, but it really is the Crown's money because, on becoming King, the Prince of Wales or any other sovereign could simply rescind the agreement and claim it back. The Crown Estate is the sovereign's property, which the sovereign gives to Parliament to help to pay for the costs of the nation; it is not taxpayers' money that is being handed over. *[Interruption.]* Does the right hon. Member for Morley and Outwood (Ed Balls) want me to give way?

Ed Balls *indicated dissent.*

Jacob Rees-Mogg: No, he is going to let me carry on. As a result of what I have described the Queen is paying a higher rate of tax than anybody else. We should remember that and I hope that the Chancellor will be generous. I would like the 15% provision to be increased because we want to have a glamorous monarchy that befits the status of our nation. We are a great nation, a noble nation and a nation that has had power across the globe in the past. We have one of the finest histories of any country in the world. When I see the coronation coach being pulled through the streets of London, I want to see it being pulled by the finest horses that money can buy and I want to see it gilded with the finest gold that can be bought. I want Her Majesty to have as a jubilee present the finest window that can be funded by Members of Parliament. That is the status of monarchy that we want and I urge the Chancellor to remember

[Jacob Rees-Mogg]

that. Even though I know that we are in this time of austerity, that we are all in it together and that the Opposition spent all the money, maxed out the credit card and so on, we should look after Her Majesty.

3.19 pm

Kerry McCarthy (Bristol East) (Lab): How on earth do I follow that, Mr Deputy Speaker?

We have had an interesting debate and, as has been said, this is just the start of the process. It is an unusual process, given that we have not yet had sight of the Bill and that this is a preliminary debate. The debate has ranged from yachts, trains and the prospect of the monarch taking out a Boris bike for the day to other important issues that are perhaps slightly off-topic, such as primogeniture, succession and whether first-born females and Catholics will one day be able to take precedence in succeeding to the throne. We heard from the hon. Member for North East Somerset (Jacob Rees-Mogg) that St James's palace was once a leper colony that was given to Eton. By the time the Bill goes into Committee—I very much hope that he will be a member of that Committee—I might have worked up a gag about that. I am still working on it at the moment.

As we have heard, the demands on the royal household are vastly different today from when the House last discussed the issue. The financing arrangements are largely unchanged since 1760. As my right hon. Friend the shadow Chancellor has made clear, we welcome the opportunity to discuss the new sovereign support grant, which we feel will be better equipped to meet the royal household's needs. We will support the Chancellor in reforming the arrangements although, as he would expect, we will ask questions and will want to know in detail how the arrangements will work.

Efforts have already been made to ensure that grant support to the royal household is fair to the taxpayer in the context of wider Government spending and we welcome them, too. Last year, the Chancellor announced in his spending review that support for the royal household would be frozen at £30 million in 2011-12 and 2012-13 before the new arrangements are put in place. That will necessitate a 14% reduction in royal household expenditure in 2012-13.

We have also heard from a number of speakers about the significant efficiency savings made by the royal household in recent years, although the hon. Member for North East Somerset also expressed the view that the monarchy should not go down the Tesco value route, which led my hon. Friends to ask about the Lidl—or Aldi—monarchy. I suspect that that those are not places where the hon. Gentleman often shops.

My right hon. Friend the Member for Morley and Outwood (Ed Balls) asked whether the efficiency savings would be a continuing process or whether the end of the road had already been reached, with all the savings being made that could be made. My right hon. Friend the Member for Rotherham (Mr MacShane) highlighted some points where further savings could be made and I hope that that will be addressed when the Bill goes to Committee.

As hon. Members have said, the Treasury's choice of a level of 15% of the revenues of the Crown Estate needs proper scrutiny. The Chancellor said that that figure was chosen to maintain the current level of expenditure, or something in that ballpark, to the end of this Parliament. It has been estimated that 15% of the Crown Estate profits would provide some £37.5 million a year, 25% higher than the total grants that are currently provided. As a number of right hon. and hon. Members have said, we need to consider the appropriate level of expenditure for the royal family. There might be a case for increasing that amount and we must consider carefully how demands on the royal household have changed. As my right hon. Friend the shadow Chancellor said in his opening speech, the pressures on the royal household from issues such as security have increased greatly.

There could also be a case for reducing the royal grant if, for example, there were further efficiency savings. I note that the Chancellor is proposing a cash floor to avoid real-terms cuts to the royal grant in future, which is a significant commitment in the context of wider Government spending cuts, but we should, however, also consider whether there is a potential need for a cap on the amount raised. We should consider the proposed mechanism for uprating the royal grant each year, too.

As has been said, profits from the Crown Estate could rise significantly, particularly because of its links with wind farm developments, which could bring in substantial revenues. The rise is described as exponential in the short term and significant in the longer term, so we need to consider whether a cap might be appropriate.

Parliament must also be certain that any new arrangement will be stable and work in the long term. If the royal grant or reserves fluctuate significantly, that could, as the hon. Member for Caithness, Sutherland and Easter Ross (John Thurso) said, lead us into the unwelcome situation of an almost annual review of the finances. We will need to strike a balance when building flexibility into the formula, and some might say that seven years is too long a gap to leave between reviews, but we will need such flexibility if Crown Estate revenues rise significantly.

One fact that has come to light, as Members have already said, is that the Crown Estate owns 55% of the foreshore around the United Kingdom and all the seabed up to 12 nautical miles from the coast. Although I do not think that the House will go down the hon. Gentleman's suggested path and transfer ownership of the foreshore to coastal communities, despite some in the south-west facing high water bills because of the extra costs associated with being on the coast, I think that we need to look at the issue in the context of the UK being the world's leader in offshore wind power.

Opposition Members and Members in general very much support further investment in renewables, but is it appropriate that increased Government investment in such technologies should directly support the royal household? Indeed, that goes for private and public investment. The Government have made available some £200 million of public funding for investment in renewables, a proportion of which could end up accruing to the royal household via the sovereign grant, so what flexibility can be built into the new grant to deal with such situations?

There is a need to ensure the appropriate parliamentary oversight of the sovereign grant and of royal household expenditure, and we heard from the hon. Member for Gainsborough (Mr Leigh), as the former Chair of the Public Accounts Committee, and from my right hon.

Friend the Member for Barking (Margaret Hodge), as the current Chair. She described the measures as a sensible act of modernisation, and both Members said that they look forward to getting their teeth into scrutinising the process and making it more transparent.

Mr Kevan Jones: Does my hon. Friend agree that we must start by looking at everything, the total expenditure, including not only, as I said, support from the military, but, for example, the cost of the lord lieutenancy service? If we do not do so, we will not be informed or really understand what the monarchy costs.

Kerry McCarthy: As I have already said, security is a big element of spending on the royal family, but other elements need to put into the mix, and the Chancellor's announcement of the merger of the three separate funding pots will help with transparency and with looking at everything in the round.

We very much welcome the agreement that the National Audit Office and the Public Accounts Committee will audit royal household funding, but as the Bill goes through the House, we will seek clarity on when and how often those audits will be carried out, clarity on what disclosure there will be of the information and evidence used in the process and, indeed, clarity on the Committee's remit to look at issues such as those that my hon. Friend has just raised.

In conclusion, we support the Chancellor's initiative, but we will seek clarity on the level at which the new grant is set, on the arrangements for uprating it each year and on whether there will be flexibility on that and on the level of parliamentary oversight. We hope that by the time the Bill reaches its final stages there will be cross-party consensus on the new arrangements.

3.29 pm

The Economic Secretary to the Treasury (Justine Greening): The last time that the House substantively debated this issue was during proceedings on what became the Civil List Act 1972, and, as the system that the Act implemented comes up for renewal, it is only right that we debate its merits and potential for reform.

I am grateful to right hon. and hon. Members for, in particular, a lively and informative debate about reforming the sovereign grant. As we heard from my hon. Friends the Members for Brentford and Isleworth (Mary Macleod) and for Northampton North (Michael Ellis), the royal family contributes a tremendous amount to our country, and they paid fitting tributes to its work on behalf of the nation. We also heard from other Members their thoughts about the royal family and how they should be funded in future.

Of course, the last time we had such a debate was back in 1972. I have not yet had time to read that debate; I am not sure whether it would have been as entertaining as the one we have had today. We heard suggestions about whether we should have a biking monarchy. I am sure that Members will be interested to know that the Duke and Duchess of Cambridge were given a tandem Boris bike by the Mayor of London; I am sure that they will use it frequently.

As my right hon. Friend the Chancellor said, we believe that the system is in need of change. I greatly appreciate the support of the shadow Chancellor, the right hon. Member for Barking (Margaret Hodge) and my hon. Friend the Member for Gainsborough (Mr Leigh) for the measures that we are bringing forward. We want to reform the system so that we can put the grant funding on a sustainable, long-term footing and, as we have said, open it up to full parliamentary scrutiny. I think the colleagues I mentioned appreciate the objectives that we have in mind. In addition, we want to take the opportunity to modernise and simplify some peripheral elements of the current legislation.

As the Chancellor set out, we have been guided by three principles: first, ensuring that we have sustainable, long-term financing for the royal household, free from annual political interference; secondly, ensuring that it has some flexibility so that the royal household can manage its finances efficiently; and thirdly, ensuring accountability by establishing proper checks and balances to prevent sums from becoming excessive. Following those principles, we have arrived at the proposals that we are debating—initially, although we will have a Second Reading debate shortly—for a new sovereign grant.

These are genuinely significant reforms that are designed to last. Linking the sovereign grant to Crown Estate profits means that arrangements will be durable where the old system was not. As we have heard, 15% of Crown Estate profits is the starting point for deriving the grant amount. It will be based on 15% of profit in the year two years prior—so, for example, the grant for 2013-14 will be 15% of the profit for 2011-12. That will provide an amount that should keep royal spending broadly in line with spending in recent years in real terms. The percentage will be reviewed every seven years. In the unlikely event that an increase is proposed, it will require affirmative resolution in Parliament; and, of course, there are powerful control mechanisms that ensure that the grant never becomes unmanageable.

Furthermore, the Bill brings accountability arrangements for the royal household into line with those for other Government Departments. We think it is important that Parliament should have the ability to scrutinise the expenditure when it sees a need to do so—

Mr Kevan Jones: If a large surplus builds up in the seven-year period, what will happen to it? Will it be retained by the royal household for their use, or will it be paid back to the Treasury?

Justine Greening: There will be a cap at 15% of the spend by the royal household in the previous year. If the hon. Gentleman waits for a few more minutes, when I will have a chance to present the Bill to the House, he will have even more information at his disposal to understand exactly how that cap will work, how the review will take place, and who will perform it.

The Bill brings accountability arrangements for the royal household into line with those for other Government Departments. Parliament will have an opportunity to scrutinise that expenditure when it—

Mr MacShane: The hon. Lady keeps saying that the royal household will be brought into line with other Government Departments. Does not that imply that there will be a Government Minister who is accountable to the Commons for what the royal household is spending and will, from time to time, answer questions on it?

Justine Greening: The right hon. Gentleman is absolutely right to raise that issue. Of course, the Treasury will be accountable for the sovereign grant.

As for accountability to Parliament, sovereign grant expenditure will be audited annually by the Comptroller and Auditor General and those reports will be laid before Parliament. Should it wish to do so, the Committee of Public Accounts will also be able to scrutinise grant expenditure and will be able to invite the royal household to give evidence. As we heard from the right hon. Member for Barking, her Committee is already looking at how it may wish to fulfil its role in the accountability of the sovereign grant. In fact, that was one of the main things that Parliament argued for before the Civil List Act 1972. It was not implemented at that time, but it is right to do so now.

I very much welcome the valuable contributions of Members on both sides of the House—those of the right hon. Member for Rotherham (Mr MacShane), the hon. Members for North Durham (Mr Jones) and for Newport West (Paul Flynn), and my hon. Friends the Member for Caithness, Sutherland and Easter Ross (John Thurso), for Bristol West (Stephen Williams) and for Cheltenham (Martin Horwood). They set the context for the debate that we will have on Second Reading of the Bill, which I will shortly present. Once that Bill is before the House, Members on both sides of the House will have a better chance of understanding the proposals and how they will impact on the sovereign grant.

As I have said, this is only the first debate. There will be an opportunity to debate the matter in more detail on Second Reading and in Committee, which will be a Committee of the whole House. I am pleased that we have had a good discussion this afternoon, and that there is agreement on a number of fundamental issues.

Her Majesty the Queen has given exemplary service to the country throughout her 60-year reign. She, and other members of the royal family who support her in her official capacity, will continue to play a vital role in representing and promoting the UK and the Commonwealth. I know that my hon. Friend the Member for North East Somerset (Jacob Rees-Mogg) would agree wholeheartedly that it is right to provide the royal household with stable and sufficient support in those duties.

As I have pointed out, the royal household has significantly reduced its expenditure. As the Chancellor said, total spending by the royal household has reduced by almost £10 million over the past two decades. That is a real-terms cut of more than 50% in 20 years, which no other Department can claim to have achieved. It is also right that we ensure that that provision is transparent and accountable. In fact, on current assumptions, we expect the sovereign grant to be between £34 million and £36 million for 2013-14 and 2014-15. Such a level of support is lower than it would have been under the old system. As we have heard, in cash terms, that is broadly in line with the current level of spending, but in real terms, there is a cut of 9% over the course of this Parliament. As I said, that is lower in real terms than royal household expenditure in any of the past 20 years. The cost amounts to 51p per person per year in the UK. That is a remarkably low price to pay for the royal family's profound contribution to public life.

The sovereign grant Bill will put that funding on an efficient, sustainable footing, and provide for it to be fully accountable to Parliament and the public. These are necessary reforms and I commend the Bill to the House.

Question put and agreed to.

Resolved,

That—

(1) new provision be made for, or in connection with, the financial support of the Sovereign and of the heir to the throne;

(2) any sums payable in respect of provision so made should be payable out of money provided by Parliament;

(3) provision be made enabling the continuation, in the reigns of Her Majesty's successors, of the payment of the hereditary revenues of the Crown as directed under section 1 of the Civil List Act 1952;

(4) provision be made about allowances and pensions under the Civil List Acts of 1837 and 1952;

(5) any sums payable in respect of such allowances and pensions by virtue of any provision so made should be charged on the Consolidated Fund;

(6) it is expedient to amend the law relating to the financial support of members of the Royal Household.

Ordered, That a Bill be brought in upon the foregoing Resolution;

That the Chairman of Ways and Means, the Prime Minister, the Deputy Prime Minister, Mr Chancellor of the Exchequer, Mr Secretary Clarke, Mr Secretary Hammond, Mr Secretary Hunt, Danny Alexander, Mr Mark Hoban, Mr David Gauke and Justine Greening bring in the Bill.

The Treasurer of Her Majesty's Household (Mr John Randall): The Prince of Wales, having been informed of the subject matter of the Bill so far as it relates to the Duchy of Cornwall, recommends it to the consideration of the House.

Sovereign Grant Bill

Presentation and First Reading

Justine Greening accordingly presented a Bill to make provision for the honour and dignity of the Crown and the Royal Family; make provision about allowances and pensions under the Civil List Acts of 1837 and 1952; and for connected purposes.

Bill read the First time; to be read a Second time tomorrow, and to be printed (Bill 213).

Legislative Reform Order (Epping Forest)

3.39 pm

The Parliamentary Under-Secretary of State for the Home Department (Lynne Featherstone): I beg to move,

That the draft Legislative Reform (Epping Forest) Order 2011, which was laid before this House on 21 March, be approved.

The 2012 Olympic and Paralympic games will be the greatest sporting festival this country has ever seen. Athletes, officials, media representatives and spectators will come from all over the world to enjoy top-class competition, together with all the associated events that come with the Olympics. I am sure that all right hon. and hon. Members are as excited as I am about the prospect and number of applications for tickets, even if it has inevitably led to disappointment for a lot of people. It shows that the British people are similarly looking forward to the games.

Such a big event inevitably requires a significant safety and security operation. Indeed, the police are preparing for the largest ever peacetime security operation in this country. I am pleased to be able to say that planning is well under way, as was confirmed by the audit and review that the Government carried out on taking office. In securing major events such as the Notting Hill carnival, the Metropolitan Police Service has developed a well-tested approach to hosting large numbers of officers from outside its usual areas of work through the use of a temporary muster, briefing and deployment centre. That provides a facility where large numbers of officers can be gathered, fed and, most importantly, briefed before being sent off to their duties.

Lyn Brown (West Ham) (Lab): I thank the hon. Lady for her opening remarks. We are all looking forward to the Olympic games, and we are very excited in the east end of London, but on this specific proposal, will she tell me what other venues were considered for this important site?

Lynne Featherstone: I will come to the venues. However, I can tell the hon. Lady that 29 were considered, but that only this one—Wanstead Flats in Epping forest—was considered suitable. That was an operational matter for the police; it was not for the Government to intervene or make suggestions on. I will deal with that in more detail later, however.

Three muster centres are planned for the London 2012 Olympics. The main one will be needed to support the main Olympic park area, the transport hub at Stratford and other Olympic facilities. The police and emergency services already have facilities built into the park itself, but the police need to have a base that is a sensible distance from the site, not least so that they can respond sensibly in the event of an incident that puts the park out of action. The Metropolitan police are satisfied that the fairground site at the southern end of Wanstead Flats in Epping forest is the best option for a deployment centre. The fairground site offers the best combination of location and access, minimises disruption to local people and is the most cost-effective solution to the needs of the police.

Lyn Brown: The hon. Lady says that it will create minimal disruption to local people. May I gently suggest to her that local people in the vicinity of Wanstead Flats and the fairground area would not necessarily concur with her observation? Given that she is a Home Office Minister and given that the Home Office—effectively in its broadest family—has considered these proposals, will she tell the House why residents in the area were not told of the other venues considered by the Metropolitan police and on what basis they had been rejected? Surely that should have been part of the consultation process.

Lynne Featherstone: My understanding was that there were three consultations, but indeed the other sites were never open to selection by local people. As I explained to the hon. Lady, however, that was because the police said that, operationally, only this site would facilitate a muster centre of the necessary size and in a suitable location.

John Cryer (Leyton and Wanstead) (Lab): There were three consultations, but at least two were deeply flawed. If anybody speaks to the people who live near the fairground site, which is almost entirely in my constituency, they will struggle to find anybody who supports the construction of the muster centre.

Lynne Featherstone: I will come to the consultation in due course, although I would say now that only 31 representations were made throughout the process.

The City of London corporation, which is responsible for Wanstead Flats, is content with this approach. I should make it clear that the Government accept that there will be some disruption and inconvenience to local people, but are satisfied that this is the best solution to a specific problem, serving the wider public interest. It is also worth pointing out that the Metropolitan police will pay £170,000 in lieu of rent, in addition to the costs of making good the site. That sum will help to create lasting legacy benefits for those who use Epping forest.

Lyn Brown: The Minister rightly says that the police are paying £170,000 a year, effectively for 120 days, which works out at about £1,500 a day. Given the cost of putting the area back to its former use once the muster site has gone, is she really convinced that that is enough money properly to reinstate the flats to a state at which they can benefit the local community?

Lynne Featherstone: I think the hon. Lady has misunderstood what I said. The £170,000 is additional to the duty and obligation on the police to put the site back to its original condition within the 90-day period, and the £170,000 is for the local area to spend to advance the site and make it better than it was before. The cost of putting it back to its current condition is above and beyond the £170,000.

Wanstead Flats are legally part of Epping forest. The Epping Forest Act 1878 prohibits the enclosure of any part of the forest, even on a temporary basis, and that is why we have brought forward a legislative reform order to make a temporary amendment to the Act. Let me make it quite clear that the Government have no wish to see any change to the status of Epping forest, which is a well-loved amenity. Accordingly, the order before us is strictly time-limited and at the conclusion of the games the muster, briefing and deployment centre will be removed, the land will be restored to its former status and the full protections of the 1878 Act will remain intact. No lasting change to the law will be made.

[Lynne Featherstone]

Our proposals have already been subject to consideration by three separate parliamentary Committees—the Delegated Powers and Regulatory Reform Committee and the Hybrid Instruments Committee in another place, and this House's Select Committee on Regulatory Reform. It is on the latter that I should like briefly to focus. I am grateful to the members of the Regulatory Reform Committee, which is chaired by my hon. Friend the Member for Poole (Mr Syms), for its very thorough and comprehensive report on the order, which was published on 6 May. I am pleased to note that it stated at paragraph 49:

"The Government...believes there are good reasons to maintain the restrictions in the 1878 Act rather than removing them in their entirety, so has proposed to limit the position, coverage area and duration of the LRO provisions. We support this belief and agree that the proposal is a proportionate measure to achieve the policy objective."

The Committee went on to say, at paragraphs 50 and 51, that it agreed

"that the proposal strikes a fair balance between the public interest and the interests of any person adversely affected by it...and...does not remove any necessary protection."

The Committee went on to recommend that the order should be approved.

I would like to address a couple of concerns that the Committee raised, some of which have also been raised by Members. The first relates to consultation. The proposal was subject to three separate consultation processes during the second half of 2010, covering the police proposals to use the site, the specifics of the LRO itself and the planning permission from Redbridge council. The latter was unanimously approved by the council's regulatory committee on 24 February 2011, subject to conditions to which the Metropolitan Police Service has agreed. Every effort was made to involve and consult local people and to give them an opportunity to express their views. That included leafleting the streets most directly affected and holding public meetings and exhibitions in the area. Respondents and petitioners clearly were not deterred from contesting the principles in the proposal. The previous Security Minister, Baroness Neville-Jones, held two specific meetings on this issue with the hon. Member for Leyton and Wanstead (John Cryer) and I am grateful to him for his support in this matter.

This is complex territory and I accept the Committee's view that the consultation was imperfect. I apologise for that. Nevertheless, the Committee did conclude, at paragraph 53, that the Home Office

"has respectably arguable grounds for concluding that its consultation was adequate."

It is also worth pointing out that the Hybrid Instruments Committee in another place invited petitions against the order and, having considered them carefully, decided not to recommend that the order be referred to a special Select Committee, in part because

"Many of the matters complained of in the petitions have been so dealt with, in particular by the normal planning process or in the report to the House by the Delegated Powers and Regulatory Reform Committee (4th Report, 2010-12), that no further inquiry into them is necessary".

That quote was from paragraph 6 of the House of Lords Hybrid Instruments Committee's First Report of Session 2010-12, on the Legislative Reform (Epping Forest) Order 2011.

I shall touch on one specific issue—whether the Home Office should have consulted just on the legislative options for Wanstead Flats or whether it should also have introduced possible alternative sites into the equation. As the published documents make clear, the Metropolitan police considered a very large number of possible sites in north-east London for the muster, briefing and deployment centre. Applying objective criteria they concluded that Wanstead Flats was the only suitable site. That was the clear professional, operational advice from the police to the Government, and I think it would have been very difficult, and dangerous, for the Home Office to try to countermand that advice. I do not believe the effectiveness or the clarity of the consultation process would have been enhanced had we included reference to alternative sites that had already been ruled out as unsuitable. Indeed, to have done so might have unnecessarily alarmed residents living near those sites.

Finally, on the question whether this sets a precedent for future development on Wanstead Flats or, indeed, other open spaces, the answer is emphatically no. The Olympics are a unique event in terms of their scale and the policing challenge they present, and I can think of nothing else that would require similar arrangements to be made. More than that, the particular legislative route that we have adopted means that even if a future Government were minded to put buildings on Wanstead Flats, even temporarily, they would have to start all the procedures again from scratch and secure fresh parliamentary approval. Nine months into the process and after three public consultations and three parliamentary committees, I can assure hon. Members that that is something not easily obtained.

I am sorry to have spoken at some length, but I thought it was important to address these issues. In conclusion, I return to where I started. The success of the 2012 safety and security operation depends on the police being able to operate effectively, and the muster, briefing and deployment centre on Wanstead Flats is an integral part of that. The proposal before the House is a proportionate measure. It enables the policing operation to take place while making no lasting change to the protection granted by the Epping Forest Act.

Lyn Brown: Notwithstanding the other points that I have made, does the Minister genuinely believe, and can she categorically assure my constituents, that this is a temporary, one-off measure, that it will not happen again and that it will not be a precedent for future use by anybody else following the Olympic games?

Lynne Featherstone: Yes. If there ever were to be anything on the scale of the Olympics—something that none of us in the House today can imagine—the process would have to be started all over again, and there would be opportunities to comment. The answer to the hon. Lady, in the scope of what one can imagine, is yes.

We are satisfied that the proposed LRO is the best solution to a specific, time-limited problem in the unique circumstances of the 2012 games. I request that the House support the measure.

3.53 pm

Clive Efford (Eltham) (Lab): I congratulate my hon. Friends the Members for Leyton and Wanstead (John Cryer), for West Ham (Lyn Brown) and for Walthamstow

(Stella Creasy) on the way in which they have represented their constituents' views on this matter. Anyone who has had a conversation with them about the issue is left in no doubt about the strength of the opposition locally to the proposals.

I am sure that we all welcome the fact that we have the Olympic games coming to London. We also understand that it is impossible to have the world's greatest sporting spectacle take place in our great city without we, as hosts, accepting some inconvenience if we are to put on a safe, efficient and enjoyable games. Our aim must be to showcase our city and country and confirm our status as one of the world's leading nations, a place that people want to visit and do business in. However, we must also remember that foremost in the minds of local people is the legacy. One way that the success of the games will be judged, when the pomp and fanfare has been and gone, is the legacy left for the people of London, particularly those who live in and around the Olympic boroughs. We all understand and accept that in order to deliver a safe and efficient games the Metropolitan police must be free to make judgments and decisions on operational matters, and the Minister has our full support in that, but it is unfortunate that this decision is being made in the face of local opposition. I am sure that the Minister will want to reassure local people that their concerns about the future of the site will be considered.

Wanstead Flats is a highly valued and essential open space in that part of London. In the short time I had to prepare for the debate, and being that sort of anorak, I decided to look up the history of Wanstead Flats and discovered that attempts to enclose it and restrict access for the common people have long been a source of controversy. In 1871, Henry Wellesley, Earl Cowley, attempted to enclose another piece of the flats. An advertisement with the headline "Save The Forest" encouraged working men to "Attend by Thousands" an open air meeting on Wanstead Flats on Saturday 8 July 1871 and protest against the enclosure. We are dealing with a highly sensitive site in east London that has a history of local activism to protect it. As that piece of history demonstrates, it is clearly because local people have campaigned effectively to protect it that it is still there for us to debate in the House today.

According to the briefing paper provided by the Residents of Leytonstone and Forest Gate campaign, to which I am grateful, the site is designated as green belt and green corridor land, as heritage land and as a site of metropolitan importance for nature conservation. To of the north of the site is a part of the flats that is designated as a site of special scientific interest. As a veteran of the campaign to stop the east London river crossing and protect Oxley woods, which is also an SSSI, I sympathise with the people who are sensitive about the use of the site and wish to protect it for the future.

The Epping Forest Act 1878 lays down a legal framework for the preservation and management of Epping forest, requiring its conservators to keep it for local use. I will not list the six requirements set out in the Act because I want other local Members to have enough time to speak. Suffice it to say that the previous Government introduced the Legislative and Regulatory Reform Act 2006, which gives the powers to set aside the 1878 Act, which is what the Minister for Policing and Criminal Justice is doing. It is a little churlish of me, but I thought I should point that out as another U-turn.

When we deal with local communities like the one in east London, we must remember that they will still be there when everyone has gone home, waiting to see whether the organisers of the games have proved as good as their word and delivered on their promises. The people opposing these plans feel that insufficient effort has been made to find alternative sites and there is concern locally that it could set a precedent for future events. I welcome the comments that the Minister has just made to give reassurances on that.

Will the Minister clarify the position on the future use of the 2006 Act? Is it the case that to use this site in the same way in the future, the same procedure will have to be used and Members of Parliament will again have the opportunity to bring the matter to the Floor of the House if there is strong opposition? Will she also give an assurance that the corporation of London will consult the local community and involve it in future decisions on this site? From the conversations that I have had, there is a feeling that the local community has been left out of those discussions.

Lyn Brown: Notwithstanding what the Minister said about the site being restored following its use as a muster site, I know from my time in local government how much argument there can be about whether there has been true restoration of green and open spaces. There are inevitably arguments about how much restoration will cost and to what standard it should be done. Given my fear that the £170,000 will be used to restore the site, rather than to enhance it, does my hon. Friend agree that the police are getting the site rather on the cheap and that they should up their cash so that local people really have something to invest in the site at a later date?

Clive Efford: I am not qualified to say what the true value of the site is and what a proper rent would be. However, I do not think that the £170,000 should be used to restore the site. It should be available as a legacy and be spent in consultation with local people. I was just about to make that very point.

Stella Creasy (Walthamstow) (Lab/Co-op): To be clear, we are talking about a large structure, stables for up to 54 horses, an area for dogs and parking for 375 vehicles on a site that has dense vegetation. Many of my constituents very much enjoy going to the Wanstead Flats. I hope the shadow Minister can understand why we are concerned about the restoration of the land, not just in its quality, but in its content. That is vital to the future of the site.

Clive Efford: Absolutely. People will need reassurance about the management of that process and should have some input into it to ensure that the standards are not diminished, that the site is restored to its former state and that the damage is not permanent. The only way to reassure the local community is to involve it in the process. I ask the Minister to clarify who will ultimately be responsible for overseeing this. Does she have any influence over the body that will be responsible so that she can ensure that it involves the local community?

[Clive Efford]

I am grateful for the Minister's unequivocal statement that the £170,000 is for the restoration of the site and not its repair. Will she guarantee that it will be spent in consultation with local people, who have demonstrated through their campaign a great love of and commitment to the site? From their experience of living near the site and visiting it regularly, they will have essential expertise and ideas on how the money can best be spent.

I hope the Minister agrees that when it comes to the legacy, it is issues such as this that will determine in the long run whether local people and communities in the Olympic boroughs feel that the Olympic games have been in the interests of ordinary people, their local communities and London. I hope that the Minister will do everything in her power to ensure that those communities are involved not just in planning the legacy on this side of the games, but in delivering it post the games.

4.4 pm

Mr Robert Syms (Poole) (Con): I rise as Chairman of the Regulatory Reform Committee. The draft order and the explanatory document were laid before the House on 21 March under section 14(1) of the Legislative and Regulatory Reform Act 2006. The Government recommended that the draft order be subject to the affirmative procedure, under section 17 of the Act.

The draft order proposes an insertion into the Epping Forest Act 1878 that would allow the Metropolitan Police Authority to erect a muster, briefing and deployment centre on Wanstead Flats for up to 90 days. As we have heard in the debate, it will be quite a busy centre, with perhaps upwards of 3,500 police officers on certain days of the Olympics, providing security at the Stratford centre, the Olympic stadium and various other stadiums in that part of London.

The Home Office has reassured the Committee that the draft order is a temporary provision that constitutes no precedent, as we have heard from the Minister. It believes that it is the most efficient way to ensure the safety and security of the 2012 games, following a site selection process that found Wanstead Flats to be the most suitable location. Clearly, we are all concerned about security.

The Committee considered the draft order on 3 May. It concluded that the affirmative resolution procedure was appropriate and recommended that the draft order be approved. The report was agreed, but following a Division in which the Committee divided five to three. Under the procedures of the House, when there is a Division the matter has to be referred to the Floor of the House.

I think it fair to say that members of the Committee were sympathetic to local Members, particularly the hon. Member for Leyton and Wanstead (John Cryer), who wanted to attend the Committee but could not under the Standing Orders of the House. He made representations himself to the Metropolitan Police Service and the consultation, and I hope that he will catch your eye in a moment, Mr Deputy Speaker, to represent the views and concerns of his constituents. The debate provides an opportunity for local Members to make their concerns known.

As we have heard, a number of concerns were expressed in our report, such as the fact that the consultation document contained an avoidable error.

Lyn Brown: The hon. Gentleman is an honourable man. Does he not agree that given the state of the consultation, local people have a right to be concerned? Does he also accept the point made by my hon. Friend the Member for Eltham (Clive Efford) that how and where the £170,000 will eventually be spent is a concern, given the botched consultation?

Mr Syms: There were clearly problems with the consultation, although it is true that, as the Minister said, there were only 31 replies. However, my Committee still found that it wished to approve the order, and I hope that the House will do so today. It seems to me that there would be a very good reason for local Members to write to the Home Office to put pressure on the Metropolitan police, and indeed the City of London corporation, so that there is some local involvement in how the £170,000 is spent. Once the site is repaired, if it is used by many of the hon. Lady's constituents, they clearly ought to be consulted about what improvements are made. That seems to be a matter for another day, but I am glad that she has put her point on the record.

Although the difficulties with the consultation were unfortunate, the Committee concluded that that should not inhibit the progress of the draft order and did not alter the fact of the site's utilisation. There was concern about the adequacy of the consultation, because the wording used in the consultation document was potentially deficient. Wanstead Flats was described as

"essential to ensuring the safety and security of the Games",

which was a bit of an overstatement, even though it was clearly the preferable site.

The consultation was poorly conceived, which raised unnecessary worries among local residents, and took place nearly a year after Wanstead Flats was identified as the preferred site. It was limited in scope to rule out comments on alternative sites, and the document contained a factual error about the criminal sanction. The poor design and preparation of the consultation gave the impression that the process was a done deal, and that the legislative reform order was being used as the easiest way to reach the desired solution. That is one reason why we are having this debate on the Floor of the House today.

The fact that the Metropolitan Police Service is clear that it requires the site for the policing of the Olympics is a persuasive, but not conclusive, reason for the narrow terms of the consultation, as it has no statutory function in relation to the Olympics. Direct responsibility for the centre lies with the Metropolitan Police Service, which formulated the site criteria. Its assessment against those criteria found that Wanstead Flats was the only site to meet all of them. However, it would have been more appropriate if the consultation document had taken that assessment as a starting assumption that the Department expected to adopt unless persuaded otherwise.

As we have heard, the consultation generated 31 responses. The explanatory document dealt with them in a rather perfunctory manner and should have contained a more detailed response and information. Despite the

concerns raised, the report concludes that the Department has "respectably arguable" grounds for believing that its consultation was adequate.

The Delegated Powers and Regulatory Reform Committee of the House of Lords reported on the draft order on 4 May. It, too, considered the Government's consultation to have been "very poorly handled", and drew this to the House's attention, while concluding that the draft order was appropriate to proceed. As we have heard, a Hybrid Instruments Committee of the House of Lords considered the draft order on 23 May, concluding that there ought not to be a further inquiry by a Select Committee into any of the matters complained of by the eight petitioners.

There were genuine concerns, which is why the matter has been referred to the Floor of the House, so that local Members can raise those concerns. I am sure that there are further discussions to be had on another day about the details of the improvements to the site and the £170,000. However, I hope that the House concludes that the site in question is the most appropriate and will support my Committee's decision by voting for this order today.

4.10 pm

John Cryer (Leyton and Wanstead) (Lab): We have certainly had contrasting debates this afternoon. Let me start by saying—I will make my reasons clear—that I am speaking against the order. I do not support it in any way, and I do not want to mislead the Minister by putting her in the position of believing me somehow to be offering my support, because I am not. The order and the proposed creation of the muster centre have caused deep concern among my constituents. Wanstead Flats are a cherished local amenity and have been since 1878. They have actually been a local amenity for longer than that, but they have been recognised in statute for nearly 140 years, since 1878. The decision to build a police muster centre for the 2012 Olympics on a piece of much-cherished and precious piece of common land is simply wrong and should not have gone through in the first place.

Let me go back over some of the history of Epping forest and Wanstead Flats, which are partly in my constituency. Epping forest has been fought over for centuries, as my hon. Friend the Member for Eltham (Clive Efford) mentioned. In the 18th and early 19th centuries there were fights over enclosure. Repeated attempts were made to enclose the land—as there were across the south-east of England—but the campaigns launched and fought by local people kept it as common land. In the late 19th and early 20th centuries, there were battles over house building. As London rapidly spread eastwards into Essex, there were successful campaigns to maintain Epping forest—and, therefore, Wanstead Flats—as a local amenity. The Epping Forest Act 1878 was the result of those campaigns, and it has kept the area as an amenity for local people ever since.

The City of London corporation has long been seen as the defender of local people—ironic, in view of what has happened recently. It has fought battles against landowners and others to prevent encroachments on common land. That is why the City of London corporation was made the conservator of Epping forest. Over the past 150 years there have been more recent battles, particularly over Wanstead Flats. The 1878 Act states clearly that the land should remain open and undeveloped. On an 1882 visit to High Beach, another part of Epping forest, Queen Victoria declared Epping forest dedicated to the free use and enjoyment by the public "for all time". However, the City of London, having had quite an honourable record, has now spinelessly lain down and abandoned its traditional defence of local people and the local amenity, and decided to go along with the creation of a police muster centre without even the use of primary legislation to do so. There was some house building there during the war, between 1939 and 1945, but that took place under the wartime emergency powers legislation, which is a crucial point. That was primary legislation, and as soon as hostilities ended, the emergency powers legislation lapsed and the 1878 Act came back into prominence. As a result, the houses were moved—as a matter of fact, I recently met somebody who lived in one of the houses on Wanstead Flats until about 1950-51.

I want to run through what I see as the major points in these proposals. As for the location, which has been raised before, the Home Office explanatory document says:

> "It is a large site close to the Olympic Park and new Westfield shopping centre through which a large percentage of visitors to the Park will transit."

However, the site is actually not particularly near either, so that argument starts to fall down. Many locals—certainly people in my constituency who live near the site—have asked why the muster centre cannot be built on the Olympic site itself. I have yet to hear a compelling argument in favour of the muster centre being established on Wanstead Flats, which are a considerable distance from the Olympic site and from the Westfield shopping centre.

I also have to raise the question of security. A number of local people have said that the police muster centre could be a target for terrorists. That is certainly a possibility, given that the plans for the centre are widely available online, whereas the specific plans for the Olympic site itself are rather more difficult to get to grips with.

As far as traffic is concerned, the route from the muster centre to the Olympics will be a circuitous one involving the use of the A12. The reserve plans, for use in certain situations, involve the use of fairly narrow roads such as Cann Hall road, and an increase in traffic could cause serious problems for police transport accessing the Olympic site. Mixed messages about transport have been given to the public in east London. An Olympic planning document states that there will be a traffic downturn during the games, although I cannot imagine what evidence that is based on. Local businesses, on the other hand, have been clearly told that they should expect a rise in the volume of traffic. Both cases seem to have been put forward as an argument for building the police muster centre, so I would be grateful if the Minister could tell me which is correct. Is there going to be a downturn or an upturn in traffic? How will that answer back up the argument for the creation of the muster centre?

On compensation, I have to say that £170,000 is a paltry amount to pay for the site. The rent on an equivalent brownfield site in the south-east of England for a period of 90 days would be in the region of £1.5 million. Wanstead Flats are obviously not a brownfield site, and an equivalent site would cost nearer to £3 million

[John Cryer]

to rent for that period, yet the City of London corporation is perfectly content to say to the Metropolitan police, "We'll take 170,000 quid." That is an absolutely pathetic amount of compensation, especially as far as local people are concerned.

Stella Creasy: It is estimated that the land will be out of use for at least six months while the vegetation recovers, yet we will get no recompense for the lack of use of that common land for all that time.

John Cryer: I thank my hon. Friend for making that very good point. I will touch on that further in a minute.

Three consultations have taken place, as has been mentioned. One was a straightforward planning consultation conducted by Redbridge council, the local planning authority. The Metropolitan police consultation was one of the most bizarre that I have ever come across. It could be accessed only online, so none of my constituents could write a letter to the Metropolitan police. They had to make their submissions to the consultation online and it dealt only with specific questions. I believe that those factors alone should render that consultation null and void, because it was not a proper consultation. It was conducted entirely on the Metropolitan police's terms, and it excluded an awful lot of people in my constituency who do not have access to the internet.

The Home Office consultation focused on section 34 of the Epping Forest Act 1878, which was a bizarre way to go about it, given that that section ceased to be in force in about 1882. I would have thought that someone might have spotted that. The section of the Act that the consultation should have dealt with is section 7, which I want to quote in full. It states:

> "Subject to the provisions of this Act, the Conservators shall at all times keep Epping Forest uninclosed and unbuilt on, as an open space for the recreation and enjoyment of the public; and they shall by all lawful means prevent, resist and abate all future inclosures, encroachments, and buildings, and all attempts to inclose, encroach or build on any part thereof, or to appropriate or use the same, or the soil, timber, or road thereof, or any part thereof, for any purpose inconsistent with the objects of this Act."

It is difficult to argue that that is in any way ambivalent. It is absolutely crystal clear: that building on Wanstead Flats or in Epping forest—the Act covers the whole of Epping forest—was intolerable to Parliament at the time.

The Legislative and Regulatory Reform Act 2006 is being used for the first time to attack the central purpose of legislation from a past era. The 2006 Act has been used in the past to make what can now be seen as relatively minor amendments to legislation, but here it attacks the central thrust of the 1878 Act because it undermines section 7—the whole basis of the legislation. The purpose of the 2006 Act was to remove regulatory burdens, but in this case, it is about removing protection—protection afforded to the people of east London since 1878.

This should never have gone ahead and it has probably happened because of all the mistakes made during the consultations. It is almost certainly vulnerable to judicial review if anyone wanted to take up that case. There are, however, one or two guarantees that we need to secure from the Minister at the end of this debate.

For a start, we need a guarantee that the muster centre will be gone after 90 days. The original plan was for 120 days; it was then cut to 90 days, so we need an absolute guarantee that the police's muster centre will last for no more than 90 days. Secondly, the Minister has already touched on this matter, but it needs to be made absolutely clear that this will not set any precedent. We are potentially amending primary legislation, which could be used in future court cases to set a precedent that might allow developers to build on Wanstead Flats. That needs to be dismissed absolutely so that in future court cases, today's proceedings can be cited and developers told clearly that the Government had no intention of creating a precedent.

We also need guarantees that the order will be complied with to the letter and we need to know how the consultation on the disposal of the £170,000 will be conducted. Who will be consulted, who will run the consultation, and who will make the judgment that the land has been returned to its original use and its original state? I can feel an Adjournment debate coming on at some point in the future if we are not satisfied that all the criteria are being met. In the meantime, I leave it to the Minister to answer these questions.

4.22 pm

Mrs Eleanor Laing (Epping Forest) (Con): I begin by apologising for not being in the Chamber at the beginning of this debate. I was attempting to enter the House but the events occurring in the immediate area around Parliament right now have undemocratically deprived me of access. Given that we are debating a narrow order, Mr Deputy Speaker, it would be inappropriate for me to discuss the workings of democracy, so I will not do so or take up any more of the House's time on the subject, but I do make the point that if Members of Parliament are denied access to the House of Commons through action taken by other people in the Westminster area, that is an affront to democracy. That is the best excuse I have ever had for being late!

Although this legislative reform order specifically refers to Epping forest and I represent the Epping Forest constituency, I must explain that the piece of land in question is not in my constituency, but almost entirely in that of the hon. Member for Leyton and Wanstead (John Cryer). It is he who has the duty to speak on behalf of local people, but I have every sympathy with the points he has made. Wanstead Flats are part of Epping forest, and although my Epping Forest constituency does not cover the whole of the forest geographically I am nevertheless always concerned for the protection of our wonderful and ancient forest. It is the duty of us all, and particularly those with an interest in this particular area of London and Essex, to be concerned for the preservation of Epping forest itself. Any threat to our forest is unacceptable.

The hon. Member for Leyton and Wanstead has waxed lyrical—and rightly so—about the dangers of enclosure and about the historical position that has seen the people of east London and Essex fight literally for centuries to ensure the preservation of our forest. As the hon. Gentleman has just explained, that culminated in the Epping Forest Act. All of us who are concerned with the forest and its preservation will never allow anything to happen, in the House or anywhere else, that would undermine its preservation. Enclosure was wicked

and took resources away from people who needed them, but nowadays the threat is somewhat different: it is generally a threat of house building and overdevelopment on what ought to be one of the most important lungs of London. I agree with all that the hon. Gentleman said in that regard.

In 1882 Queen Victoria visited High Beach, which is in my constituency, and only a couple of weeks ago I went to see the oak tree that she planted when she was there. Actually, that one died; another was planted two years later, and still stands as a permanent reminder of the importance of preserving the forest for the people. Queen Victoria said that she was dedicating

"this beautiful forest to the... enjoyment of my people"

for ever.

I agree with the hon. Gentleman that the forest must be preserved for the enjoyment of the people for ever, but I disagree with him slightly on another point. I feel able to support the order because it refers specifically to a 90-day period. If it were a general order allowing the forest to be used in any way in perpetuity, I would join the hon. Gentleman in expressing deep concern. Furthermore, the area in question constitutes only about 2% of Wanstead Flats and is already used for circuses, fireworks and other forms of enjoyment. It is therefore geographically suitable for the purpose for which it is to be used during those 90 days.

I hear what Opposition Members say about the payment being made by the Metropolitan police. As the Minister explained earlier—I was not present, but owing to the wonders of modern technology I was able to listen to her on a mobile phone—

Mr Mark Francois (Rayleigh and Wickford) (Con): Hands-free?

Mrs Laing: Yes, it was. I am glad to be able to make that absolutely clear.

As the Minister explained, the Metropolitan police are making a significant payment to the conservators of Epping forest, in lieu of rent, and in addition to the payment for the restoration of the site. I hear what Opposition Members say about the amount involved, but the important point is that the entire amount paid by the Metropolitan police will be used for the enhancement of Wanstead Flats. Opposition Members argue that the amount should be greater, but I do not agree. Money paid by the Metropolitan police is taxpayers' money, and if it is used for the enhancement of Wanstead Flats, it obviously cannot be used for the prevention of crime and the maintenance of law and order. There is a wider interest. It is absolutely right for an amount to be paid for the enhancement of Wanstead Flats, but it should not be larger than the amount that has already been negotiated.

Stephen Timms (East Ham) (Lab): Does the hon. Lady interpret the order as meaning that the restoration must be completed before the end of the 90-day period? My reading of it does not make it clear whether it means that the Metropolitan police must have left by then, or that the restoration must have taken place.

Mrs Laing: I cannot answer the right hon. Gentleman's question, but I agree that assurances must be given on a time scale within which the work on Wanstead Flats must be undertaken and completed. It is not for me to answer the detail of his question, however.

Although I am very concerned at all times for the preservation of Epping forest, I do trust the Committee that examined the order; I have heard what my hon. Friend the Member for Poole (Mr Syms) has said, and I trust him and his Committee to have properly scrutinised this proposed small piece of legislation. On that basis as well, I can support the order.

Like all our other commonly owned property, Epping forest is there for the good of all the people, not just those who live in the immediate area of Wanstead Flats or the forest itself; and for the good of all the people, there is a wider public interest here. The Olympics are also for the good of all the people. My part of London and Essex will benefit enormously from the fact that an historic world event is being held on our doorstep. Therefore, we have to play our part in contributing to the effort for the Olympics for the temporary period that that effort is required. The conservators of the forest are trying to accommodate that wider public interest by making arrangements with the Metropolitan police for Wanstead Flats to be used for this temporary period, and I therefore feel that I can support the order.

4.32 pm

Lynne Featherstone: I wish to respond briefly to some of the many concerns raised in this debate. I am grateful to all the Members who participated, and I appreciate that this proposal raises strong local feelings about the protection of what is a valuable open space in north-east London. I can assure the House that I would be adding my voice to that of the opponents of the proposal if I thought that this was an attempt in any way to destroy a much-loved open space or to weaken permanently the protections guaranteed by the Epping Forest Act 1878. It is neither of those things. This measure is constrained in scope and time, and it will leave all the provisions of the Act in place exactly as they were, while Wanstead Flats will be restored to its previous state.

The hon. Members for Leyton and Wanstead (John Cryer) and for Epping Forest (Mrs Laing) made speeches, and they understandably have a strong interest in the subject. They show great care for their constituents and the well-being of this much-loved space. The hon. Member for West Ham (Lyn Brown) asked if £170,000 was sufficient in lieu of rent. That figure was arrived at following discussions between the Metropolitan police and the City of London on what would constitute a reasonable payment for the temporary use of the land. The police are a public service, so they rightly should consider getting best value for money. It would be odd for London taxpayers to expect their local police to spend more money, not less.

The hon. Member for Eltham (Clive Efford) asked whether local people would be consulted on the nature of the structures put on Wanstead Flats. I am sure that the Metropolitan police will want to consult local people. He also asked whether local people will be consulted on the future of Wanstead Flats. That is a matter for the City of London corporation, but I can assure the

[Lynne Featherstone]

House that the City has said it will consult local people on the use of that part of the £170,000 that is above and beyond what is required for the use of the land.

Lyn Brown: I appreciate that the hon. Lady might not have this information to hand, but who will be the arbiter of whether or not the restoration has properly happened to a standard required?

Lynne Featherstone: I do not have to hand an official answer per se, but I would be surprised if local people, the hon. Lady and other hon. Members did not raise this issue if the restoration were not done to what local people felt was the right standard and if the area had not been restored to the state in which it was found. The restoration is about that and the £170,000 is about enhancing the land above and beyond the state it was in when the police first came to use it.

Lyn Brown: May I intervene one last time?

Lynne Featherstone: One last time.

Lyn Brown: Should we find difficulty in appealing against the state in which the flats have been left after the police have gone and after the restoration has taken place, to whom would we appeal? Will the hon. Lady write to me or have the appropriate Minister write to me on that point?

Lynne Featherstone: I am happy to do that, but may I suggest to the hon. Lady that photographs would be useful in that regard?

I was asked whether the legislative reform order procedure would be required if ever a proposal were made to put something similar on Wanstead Flats, and the answer is yes. As I explained during my opening remarks, we would have to go through all this all over again—there is no question about that.

The hon. Member for Leyton and Wanstead asked why the facility was not part of the local Olympic park itself. There will be facilities for the police and emergency services, including front-counter services, on the park, but we are talking about different things here, as there are operational reasons why a briefing centre needs to be a reasonable distance from the park. Obviously, if anything happened in the park, people would need to come from outside to deal with it.

Redbridge council considered the traffic problems as part of the planning application and was content that the proposals would not damage the local environment. Transport for London raised no objections, and the location was chosen, in part, to avoid potential traffic nuisance.

Clive Efford: Before the hon. Lady wanders too far from this subject, may I take her back to the issue of the site? It is not good enough just to say that the City of London corporation is responsible for restoring the site for the local community. After all, the previous Government and this Government have been all over this project of delivering the London Olympic games; no doubt, Secretaries of State and other Ministers will be posing for photographs with famous sports personalities and so on as they arrive. So it is not good enough to say that all this about restoring the site is a local skirmish between the local community and the City of London corporation. Does the Minister not think that the Government have a duty to ensure that the corporation is as good as its word and to represent local people who have these concerns when the site is being restored?

Lynne Featherstone: The hon. Gentleman does the corporation a disservice, because its reputation is generally very good and people would often like it to take things over.

Lyn Brown *indicated dissent.*

Lynne Featherstone: The hon. Lady is shaking her head. I will not tempt her further and will write to hon. Members on this matter.

The traffic issue might be one of the things that worries local people the most. The Olympics will be taking place during the school summer holidays, so traffic levels will be lower than normal. The muster centre will cause some increase in the level of traffic, but all officers will arrive by coach, not in individual vehicles and, as I said, Transport for London is content that this proposal will not give rise to undue problems.

I was asked whether this order would set a precedent, and the answer is no. I am happy to put on the record the fact that should any future Government want to do something similar—I can see no reason why they would; that is outside the scope of imagination because the Olympics is the biggest event this country will be hosting—they would have to repeat this procedure and secure parliamentary approval all over again. I was asked how we can be sure that the police will be off the site after 90 days, and that they will have no legal power to be on the site beyond that point.

Stephen Timms: I want to pick up the point I raised with the hon. Member for Epping Forest (Mrs Laing). Does the order mean that the restoration must have happened within 90 days or simply that the police must have left within 90 days?

Lynne Featherstone: The police will have dismantled the muster, briefing and deployment centre, it will be off the site and they will have made the necessary restorations within the 90 days.

We are satisfied that the proposal is sound in principle and practice and all the statutory gatekeepers have broadly agreed with us. As I said, that includes the three parliamentary Committees as well as the local council, as the planning authority. The proposed LRO will ensure that the 2012 games are a safe and secure spectacle that can be enjoyed by all those involved, particularly those who have tickets.

Question put and agreed to.

Resolved,

That the draft Legislative Reform (Epping Forest) Order 2011, which was laid before this House on 21 March, be approved.

Liverpool Passport Office

Motion made, and Question proposed, That this House do now adjourn.—*(Jeremy Wright.)*

4.40 pm

Mrs Louise Ellman (Liverpool, Riverside) (Lab/Co-op): I am pleased to have the opportunity to bring to the attention of the House a matter of great importance: the dismissal of 14 staff at the Liverpool passport office because of a major error made by their employer, the Identity and Passport Service, an executive agency of the Home Office.

I thank the Minister for meeting Liverpool MPs and arranging for us to discuss the situation with him and key staff. I also thank him for forwarding us a copy of the internal review into the issue, although it came complete with many redactions. The key facts are not disputed. On 21 March 2011, 14 permanent staff at Liverpool passport office were called to a hastily convened meeting to be told that what they thought was their permanent employment had abruptly ended. Four were dismissed immediately and 10 were switched to temporary employment, which has now finished for most of them.

The reason given was that the IPS had made a major error in awarding those staff permanent employment status from September 2008 when they were recruited under a friends and family scheme. The rules under which they were recruited meant they should only have been given temporary employment status for a maximum of two years. The employees were unaware of that fact and they had been given permanent status by their employer. The sudden dismissals without warning shocked and angered the staff, some of whom had left their previous employment to take up what they thought was a new career. Others had taken out loans or mortgages on the basis of their permanent employment. Indeed, the whole office remains upset.

I want to raise serious, still unresolved, issues about the conduct of the IPS in this sorry saga and the current status of the dismissed staff. There is considerable confusion about what happened. I have in my possession a very interesting letter dated 4 January 2011, written by Paul Luffman, head of employee relations at IPS, and addressed to Barry Forrester at the office of the Civil Service Commission. According to the letter, the IPS's error was discovered in its recruitment audit at the end of March 2009. The Minister's reply to my parliamentary question on 31 March 2011 contradicts that, stating that the error was discovered in March 2010.

Why did it take one or perhaps even two years to inform the staff that there was a question mark against their employment? According to a reply I received from the Minister for the Cabinet Office on 27 April 2011, the IPS told the Civil Service Commission on 27 April 2010 that it was dealing with the situation, replacing the permanent contracts with temporary ones. In reality, they were doing no such thing. Who signed off that incorrect information? Who gave the wrong information to Ministers? When did the Minister discover that the information was wrong?

It also appears that the recruitment audit file was not returned to the Liverpool office as it should have been; it was sent to the Peterborough office and destroyed. Paul Luffman's letter asks the civil service commissioners if there were any alternatives to terminating the 14 permanent employment contracts, and that indeed is the key question. I understand that the letter was never dispatched. Why?

It is alleged that the letter was never dispatched because of concerns that it would embarrass David Normington, then permanent secretary at the Home Office and now first civil service commissioner and commissioner for public appointments. Is that correct? It is worth noting that David Normington would be in a difficult position to adjudicate the current situation.

Instead of the 14 Liverpool staff being informed of their problem at a time when more alternative jobs were available, they became unemployed two years later, when job opportunities were decreasing and educational and training courses were being curtailed.

Luciana Berger (Liverpool, Wavertree) (Lab/Co-op): My constituent, Denise Wheatcroft, who is 58 years old and the oldest of the group of 14 people, took the post with the Identity and Passport Service because she thought that it would guarantee her employment until her retirement. She now finds herself without a job aged 58. Does my hon. Friend agree that, if Denise had been informed of the situation when it was discovered, and in advance of the current situation, given the cuts that are impacting on Liverpool in particular, she would have been in a much better situation than she is today?

Mrs Ellman: I thank my hon. Friend for her comments and certainly agree. Indeed, she provides an example of the human cost of what has happened in Liverpool.

It has been said that the decision to dismiss the 14 employees was taken on the basis of "legal advice", and it has even been claimed that to maintain their employment would have been "illegal". I challenge that. I have seen no evidence that any formal legal advice was sought or obtained, and Paul Luffman's letter seeking such advice was never sent.

Telephone conversations and personal discussions, which I am told took place, do not constitute formal legal advice; nor is there any record of the questions to which any verbal advice responded. The suggestion of "illegality" in allowing those employees to continue with the permanent status that they were awarded is grossly misleading and an attempt to divert attention from what has happened and from the culpability of those who are responsible.

Mr George Howarth (Knowsley) (Lab): I congratulate my hon. Friend on securing this important debate about a running grievance that affects a number of our constituents. Does she agree that, regardless of the recruitment method and whatever flaws it had, there is no real evidence that it would be illegal to rectify the situation, so the Department and, by extension, Ministers have a real opportunity to redress a terrible example of bad faith on the part of the Department?

Mrs Ellman: I thank my right hon. Friend for his contribution and certainly agree. During the course of my contribution, I will suggest what I think needs to be done to redress the situation.

It is possible that, given the circumstances in which the permanent employment status was awarded, continuing with it was contrary to an interpretation of current departmental rules, but that is a very different proposition

[Mrs Ellman]

from any notion that it was illegal. We are, indeed, discussing a unique situation, and it required an imaginative and flexible approach. In any case, advisers advise, Ministers and their staff are responsible for decisions and the advice itself is influenced by the question posed. Where is the instruction from the Civil Service Commission to dismiss the 14 staff? Does such written instruction exist? If so, will the Minister publish both question and answer?

Correspondence from the then Liverpool regional manager in June 2010 refers to advice that the Civil Service Commission could make an exception to permit these employees to be made permanent staff. Annexe E of the internal review quotes the human resources business partner as stating:

"The Civil Service Commissioners recruitment principles do allow for some exceptions—I believe there could be a small opportunity to attempt these".

Esther McVey (Wirral West) (Con): I congratulate the hon. Lady on bringing this important issue to the House. I should like to support the points she is making and add that given that this is a unique and extreme situation with many missing parts, perhaps the Minister could look at it again with fresh eyes.

Mrs Ellman: I thank the hon. Lady for her comments and agree with everything she says.

I want to return to the question of whether there was another way of dealing with the matter. I have quoted the views expressed by the Liverpool office regional manager in June 2010, and I would now like to refer to Paul Luffman's letter—the letter that was never sent from the Department to the Civil Service Commission. In referring to what has happened and what should be done about it, it says:

"I would like to discuss this directly and in detail with the Civil Service Commissioners to see whether IPS is able to use one of the exceptions to fair and open recruitment, before resorting to withdrawal of the contracts. I understand that the civil service commissioners recruitment principles do allow for some exceptions to fair and open recruitment, and I believe there could be an opportunity to attempt to use these (albeit retrospectively) to rectify the situation."

Steve Rotheram (Liverpool, Walton) (Lab): I echo the sentiments of the hon. Member for Wirral West (Esther McVey) regarding the importance of this issue. Given the additional information that my hon. Friend the Member for Liverpool, Riverside (Mrs Ellman) has provided to the House, and the cross-party unity that seems to have broken out, does she agree that it is not good enough for the Minister simply to bury his head in the sand, and that the first thing that should happen is for him to reinstate the Liverpool 14?

Mrs Ellman: I thank my hon. Friend for his contribution; I certainly agree with him. Indeed, I will make the same request before I conclude my remarks.

We see from the written information that we have to hand that there was the possibility of an alternative way of dealing with the IPS's grave error with regard to these employees, yet it appears that it was not properly pursued, and that for some bizarre and unknown reason the letter written by the Department to the civil service commissioners asking that the matter be looked at was not posted. That has to be one of the great mysteries in all this sorry episode.

Stephen Twigg (Liverpool, West Derby) (Lab/Co-op): I join colleagues on both sides of the House in congratulating my hon. Friend on securing this debate and on her tenacity in uncovering the information that she is sharing with the House. My constituent, Christina O'Brien, who is one of those affected, will be encouraged by what she has discovered. Will my hon. Friend press the Minister to reconsider this matter so that we can see these 14 hard-working staff re-employed at the passport office?

Mrs Ellman: I thank my hon. Friend for his comments, and I will certainly do as he requests. Fourteen people are unemployed as a direct consequence of a major error made by the IPS—an error that it failed to address constructively. They are the victims of an unacceptable catalogue of events.

The internal review document that I have seen contains many redactions at critical points. That is why it is not a proper and satisfactory explanation of what went wrong and why. Perhaps it is time for an external inquiry if matters cannot be put right. To add insult to injury, I understand that a business case has been submitted for the imminent recruitment of staff at the Liverpool passport office on the same or similar grades as those of the dismissed employees. It seems that the jobs are still required, although the 14 people who were doing them satisfactorily were dismissed. In those circumstances, I must press the Minister. Can the dismissed workers have priority consideration for those posts, which I understand are about to be part of a recruitment drive?

A June 2010 memo from the Liverpool regional manager states:

"Surely we have a duty of care to those who are in this position through no fault of their own."

No duty of care was shown by IPS. The key questions on what has happened and why the matter has not been rectified remain unanswered. In those circumstances, and given all the information I have presented today, and the contributions of my colleagues on both sides of the House, I call for the reinstatement of the 14 dismissed workers as a matter of natural justice.

4.56 pm

The Minister for Immigration (Damian Green): The hon. Member for Liverpool, Riverside (Mrs Ellman) naturally takes an extremely keen interest in the future of the passport office and its staff, and I recognise the sentiments that she and hon. Members on both sides of the House have expressed.

The hon. Lady may be aware, although she did not mention it in her speech, that an employment tribunal hearing date for six of the people involved has been fixed in Liverpool for 30 September. I hope that she and the House will appreciate that, in view of that pending action, I am unable to comment on matters of legal interpretation, as they will be for the tribunal to determine. She and I, and others, have had discussions about the legal interpretations, and she gave powerful views on them, but as I said, I cannot comment from the Dispatch Box on matters that are for the impending tribunal to determine.

The hon. Lady made a number of points and revealed a number of things. She said that she had got hold of an e-mail from, I believe, 2009. She will understand that I have had no access to that, not least because it was sent under a previous Administration. If she wishes to provide that to me, I will investigate and get fully involved in seeing what it tells us.

The hon. Lady made a powerful point about the question that could be asked to the commissioners. She will remember that at our recent meeting, she made the perfectly reasonable point that she wished to ask questions of the commissioners. I asked her to send me her question on the interpretation of the advice, and said that I would be happy to put it to the First Civil Service Commissioner. I have not received that question, but my offer still stands. If she or any of the hon. Members who were at that meeting wish to send me the question that they would like to ask the Civil Service Commission, I would be more than happy to ask it.

Mrs Ellman: I have written to the Minister recently on the legality of the situation. Those matters should be addressed to the commissioners. However, he previously remarked that he would not have had access to information given under the previous Administration. I would be most surprised if the civil service does not make all information available to Ministers, including information that existed under previous Administrations. This not a party matter, and surely the civil service deals with all information regardless of who is in government.

Damian Green: Of course this is not a party matter, but Governments do not have access to the papers of previous Governments—that is a long-standing rule. Let us not go into the constitutional niceties, though. It is a fact that I have not seen this e-mail that the hon. Lady mentioned. If she wishes to send it to me or hand it to me at the end of the debate, I will happily take it away and look at it. She will be aware that the IPS has offered its sincere regrets to the individuals involved, and I can only add my apologies for the distress that resulted from this operational error, which, as she said, took place under a previous Administration. The IPS has clearly apologised.

Steve Rotheram: I accept that this problem was not of the Minister's making, but it is a problem for him to act on. It is not good enough to hide behind the legalities and legal niceties. It is a unique set of circumstances, and I do not believe that reinstating these 14 people from the passport office would set an undue precedent. Even before the tribunal sits, he should use his powers to right this wrong.

Damian Green: The hon. Gentleman invites me to take a legal decision, but a legal process is in action under the tribunal, and what he calls hiding behind legal niceties I would call obeying the law, which it is a good idea for Ministers to do.

Mr George Howarth: The Minister will know that, while a tribunal is pending, it is open to any employer to review the situation, decide that it is not worth proceeding to a tribunal and try to rectify the situation by their own actions. If he wanted to be bold, he could overrule what his officials are telling him and say, "Look, there is a moral case here." It has been put effectively by my hon. Friend the Member for Liverpool, Riverside (Mrs Ellman), and in the light of what she said, I think that we should resolve this situation before the tribunal.

Damian Green: I am conscious of the strong feelings involved, and as I said, I would be delighted to look at the new information that she has revealed to the House this afternoon.

The hon. Lady made a number of other legal points. As she will be aware, the civil service rules do not permit exceptions to enable permanent appointment under this type of system, although they can enable the extension of fixed-term contracts up to a maximum period of two years. She mentioned the letter from Paul Luffman, which was indeed a draft letter that was never sent. It was not sent to the commissioners because the Home Office human resources team were dealing directly with the commissioners, not the IPS.

I want to put on record what happened. The core of the problem sits with an error made by the Liverpool passport office in September 2008 in preparation for the peak demand period starting in March 2009. At that time, the Liverpool office ran a recruitment exercise using friends and families as a candidate-attraction method. The IPS issues more than 5 million passports each year and demand is subject to seasonal peaks. It manages the seasonal variations through the use of flexible employee deployment and through a variety of employee contracts. These contracts include full-time, part-time and part-year appointments and will occasionally include the appointment of staff on fixed-term or casual contracts.

For a number of years, the IPS has, in areas of the country where there are challenges for the permanent recruitment and retention of lower graded staff, used a localised process for the recruitment of fixed-term appointment or casual staff. In this case, short-term opportunities were advertised through the existing network of IPS staff. The recruitment process is closed, which means that the job opportunities are not advertised publicly and therefore other potential candidates are not given access to information about the opportunities available. However, those candidates given the information are selected fairly and are required to demonstrate appropriate levels of competence and behaviours through an application and interview. They are also subject to normal referencing procedures.

Posts advertised under the friends and family scheme should be clearly described as either casual or fixed-term appointments. By definition, friends and family schemes are not fair and open campaigns and, under the civil service Order in Council, cannot result in a permanent appointment to the civil service. Posts advertised and appointed in this way can result only in fixed-term or casual appointments for a maximum of two years. IPS works to defined policies for deploying and recruiting staff. Since 2005, the management and administration of IPS recruitment has been overseen by the IPS central resourcing team in human resources at its headquarters in London. The error made by Liverpool passport office in 2008 and 2009 was that it employed those 14 staff on a permanent basis. The recruitment had not been authorised by IPS's head of resourcing and the Liverpool office had not described the scheme as falling under the friends and family provisions. This resulted in a list of candidates being subsequently employed on permanent civil service contracts by mistake.

[Damian Green]

In March 2010, the IPS central resourcing team carried out a routine audit of IPS external recruitment. The audit identified concern about the friends and family recruitment scheme that was adopted at the Liverpool office in 2008 to employ staff in 2009. The concern primarily arose from the fact that staff had been permanently recruited without any open competition or advertisement of the vacancies. IPS considered that the civil service Order in Council had been contravened on the grounds that permanent contracts had been agreed through a process that was not subject to open competition. In view of the contravention, IPS looked to withdraw the permanent contracts and place the individuals involved on fixed-term contracts.

The following month, April 2010, IPS notified the civil service commissioners that a total of 14 permanent contracts were being withdrawn and replaced by fixed-term appointments of under two years. However, that action was not taken immediately. Instead, IPS explored whether alternative approaches existed that could alleviate the potential impact on the staff employed. That process was protracted but IPS was unable to find new evidence to support any other approach. It was not until February 2011 that the final decision was taken to cease the permanent contracts. Having reached that decision, IPS briefed the local senior management team and national trade union representatives from the Public and Commercial Services Union. The PCS local branch was briefed on 16 March 2011 to allow employee representatives time to prepare and consider an appropriate response. On 21 March 2011, the decision to dismiss the affected staff was carried out. The 14 staff affected, still in employment, had their permanent employment contracts terminated immediately and four of those staff, who had already completed two years' service, by exception were offered a five-week paid notice period. The remaining 10 staff were offered and accepted fixed-term contracts of up to two years, including time already served. Of those 10 fixed-term contracts, three were scheduled to end on 14 June 2011, two on 31 August 2011 and five on 30 September 2011.

Stephen Twigg: The Minister has just described the sequence of events. Does he agree that one of the most disturbing features of this saga is that the problem was identified almost a year before the directly affected employees were informed? Would it not, with the benefit of hindsight, have been a great deal fairer for the employees concerned to have been advised that there might be an issue as soon as it came to light? Frankly, the situation in terms of finding other jobs, especially in the public sector, was a lot rosier in April 2010 than it is now.

Damian Green: As I have just said, the reason for the delay was precisely because the IPS management were searching desperately for ways to avoid where we have come to. It was done with the best of intentions, but I appreciate the power of the hon. Gentleman's argument.

So far, four staff have elected to leave before their scheduled end date and four are still in post. Six of the staff who have left have found jobs elsewhere. Discussions with individual staff about potential compensation payments commenced in the week starting 20 June 2011. That is one of the matters that was discussed when I met hon. Members a few weeks ago. Those discussions remain under way and it is hoped that agreement about a suitable level of compensation can be reached. Those discussions will continue ahead of the tribunal hearing of 30 September.

At my meeting on 8 June with the hon. Member for Liverpool, Riverside and others, the question was raised of whether the people affected would be guaranteed an interview if any new recruitment was planned at the Liverpool office. IPS is unable, for legal reasons, to offer a guaranteed interview. However, it is open for the people involved to apply for posts under any future recruitment campaigns, and their experience of the work and the skills and competencies would be taken into account as relevant factors in considering any application.

A detailed review of what has happened and the lessons to be learned was immediately commissioned and reported in April 2011. The review has been shared with the staff, the unions, the hon. Lady and other interested Members. It is of course a matter for the individual staff concerned to take the matter further. As I said, six of them have submitted employment tribunal papers. It may well be that others choose to follow that approach. That is for them to decide, but it is important for me to acknowledge here that the people involved did a good job for IPS. We should make it clear that they were not asked to leave because they were inefficient or were unable to their job. We should also make it clear that IPS is engaging with all the people involved to determine whether we can reach an equitable settlement that will bring the matter to an earlier conclusion and reduce any further impact on those involved.

As I said at the outset, this matter arose due to an unfortunate error in 2008 at the Liverpool passport office. The review, which reported earlier this year, identified that a number of practical improvements have been implemented. A key change is that the recruitment of any staff is subject to central processing, which means that although local interviews and managing of the process take place, it will be a matter for the IPS central resourcing team formally to agree and approve any new appointments and the recruitment methodology to support them. Staff cannot be put on the payroll without that process having been completed. That is a key processing change and, as part of the next generation of human resources expertise in IPS, it will allow access to the right level of expertise, ensure that the right governance arrangements are in place and ensure that decisions are legally compliant. That has now been in place for over a year.

IPS has admitted that it failed to complete the right processes in 2008 and 2009, and it has taken steps to recover the situation. I appreciate that 14 people consider, rightly, that they have been disadvantaged in the whole process, but I can only emphasise again that the cancellation of their contracts is not a reflection of their ability or their contribution. Human resource services across government have to meet exacting standards and while IPS's actions in this case have clearly had a serious detrimental impact on the individuals involved, I believe that it was an isolated error and that IPS has taken the right steps to avoid the situation being repeated.

IPS is looking to agree an equitable settlement with the people involved, and I would welcome information and support from the hon. Lady and the other hon.

Members who are, perfectly rightly, concerned about their constituents and who have engaged on the issue to ensure that we can bring the matter to as speedy a conclusion as possible, not least and most importantly for the benefit of their constituents.

Question put and agreed to.

5.14 pm

House adjourned.

House of Commons

Monday 4 July 2011

The House met at half-past Two o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

DEFENCE

The Secretary of State was asked—

Defence Reform

1. **Matthew Hancock** (West Suffolk) (Con): What progress his Department is making in implementing the recommendations of Lord Levene's report on defence reform. [63132]

The Secretary of State for Defence (Dr Liam Fox): Before I answer my hon. Friend's question, I confirm to the House that a British serviceman is missing in Afghanistan and that an extensive operation to locate him is under way. The individual was based in central Helmand and was reported missing in the early hours of this morning. His next of kin have been informed and will be updated as the operation continues, so no other family need be concerned. I recognise that there will be many questions, but speculation on an issue of this nature is unhelpful. I urge restraint from colleagues and the media, and assure the House that the United Kingdom and the international security assistance force are taking all necessary and appropriate action.

In answer to my hon. Friend, all parts of the Ministry of Defence, civilian and military, are committed to making the reforms happen, and some have already been put in place. I have chaired the first meeting of the new Defence Board; we have introduced the new infrastructure organisation and corporate service models; and the new Defence Business Services organisation stands up today. We will put all the other elements in place as quickly as possible. Lord Levene's recommendations will mean the biggest change to the MOD in a generation. It will take time to do it all and get it right.

Matthew Hancock: As a member of the Public Accounts Committee, I know that our reports have frequently shown that attempts to reform the MOD have failed through lack of consistency and leadership, and that as a result the Secretary of State is having to deal with the shambles that he inherited. Will he assure me that he will not make the same mistakes as the previous Government, and instead see through the radical reform that is needed?

Dr Fox: The new operating model incentivises delivery by accountable senior leaders. We understand entirely the need for the transformation process to be rigorous and for the reforms to be pushed through. I assure my hon. Friend that we will give all the energy required to ensure that that happens.

Mr Frank Roy (Motherwell and Wishaw) (Lab): How many people will be made redundant as a consequence of the Levene report?

Dr Fox: The original numbers for a reduction of 25,000 in the civil service took into account what we estimated would be some of the reductions under the Levene proposals.

Mr James Arbuthnot (North East Hampshire) (Con): When will the Ministry of Defence's three-month review of procurement projects report? Will it, as the name implies, take three months? If so, when did it begin?

Dr Fox: We are approaching the end point of that review, and it will certainly be in the next few weeks. There are a number of complex issues to sort out, as my right hon. Friend understands, not least how to go about setting a long-term budget that allows the MOD to plan with certainty. When we have finished those deliberations, we will make them known.

Angus Robertson (Moray) (SNP): The Secretary of State is aware that the decision on military basing is imminent and that an all-party submission has called for the retention of RAF Lossiemouth as an air base on defence and security grounds. He is also aware of the unique economic threat to the economy of Moray and the north of Scotland of a double base closure. Will he take this opportunity to say when he will make a statement to the House on the military basing review?

Dr Fox: I fully understand all the hon. Gentleman's arguments. As I have always said, we regard the military elements as having paramount importance, but we understand the other elements. Having taken a number of the key decisions over the weekend, I hope that we will make progress very shortly.

Nicholas Soames (Mid Sussex) (Con): I warmly commend my right hon. Friend for the determination he is bringing to bear to push through the Levene reforms. Does he agree that one of the most important issues affecting the three services is the need for "purple" command and control and for decisions to be taken on a tri-service basis, and that that should be pushed through?

Dr Fox: That is the natural way in which defence is developing in this country, as in others. We wanted to set up the joint force command to carry that process forward in a constructive and transparent way. It will also, as I said in my statement to the House, allow career progression right up to four-star level for those who might not get preferment through the traditional single-service structure. It is therefore not only good for defence but a thoroughly meritocratic reform.

Mr Jim Murphy (East Renfrewshire) (Lab): I associate the Opposition with the Secretary of State's comments about our missing soldier in Afghanistan, and I appreciate

the fact that he took the time to brief me personally earlier this afternoon. We all know that our forces are both brave and brilliant, and this is a reminder of the daily danger they face. The Opposition, the entire House and, more importantly, everyone in the country, regardless of their view on the conflict in Afghanistan, will wish the Government and our forces well in rescuing this individual soldier.

Will the Secretary of State assure us that not a penny piece that is currently planned for supporting the operation in Afghanistan will be affected by the implementation of the recommendations of the Levene report?

Dr Fox: Yes, I can give the right hon. Gentleman that assurance. We have ensured that nothing in our military planning, nothing that we are doing in Libya and nothing that is happening financially will in any way undermine our operations in Afghanistan.

Post-conflict Security (Libya)

2. **Mr David Crausby** (Bolton North East) (Lab): What role he expects his Department to play in establishing post-conflict security in Libya. [63133]

The Secretary of State for Defence (Dr Liam Fox): We are in discussions with Whitehall colleagues, international organisations and allies regarding a post-conflict solution in Libya. It is too early to speculate on what might be required and who might be involved.

Mr Crausby: Can the House be assured that the plan for peace in Libya will be as robust as the plan for war? Is the Secretary of State absolutely certain that we will not underestimate the size of the task in the way that pretty well everybody did in the case of both Iraq and Afghanistan?

Dr Fox: The hon. Gentleman asks a key question. How the transition occurs is of key importance. If there is some political settlement and an orderly handover to a new authority in Libya, the chances of maintaining order are much greater. We are working towards that with the contact group and others, and it makes sense for NATO and the United Nations to plan for all eventualities when we see the back of Colonel Gaddafi, as we all hope will soon happen.

Mark Lancaster (Milton Keynes North) (Con): I am sure the Secretary of State will join me in paying tribute to the work of the stabilisation unit on post-conflict security in Libya. Given the restrictions of the existing United Nations resolution, does he feel that a further UN resolution might be required to carry out that work?

Dr Fox: It will depend on the situation on the ground and how benign the environment is. At the moment we do not envisage the need for another UN resolution, and we believe that the orderly handover to the UN and a new Libyan authority should be possible without one. Of course, that is constantly kept under review by my right hon. Friend the Foreign Secretary.

Mr Bob Ainsworth (Coventry North East) (Lab): Although it is understandable that the Secretary of State might be a little reticent, it is worrying that he says it is too early for planning. The situation in Libya could go on for some time yet, but equally the forces of the uprising could be in Tripoli at any time. Is he seriously suggesting that we still have to wait to plan for the conflict's aftermath? I do not think it is going to be like what happened in Tunisia—it will be a lot more difficult than that, and somebody will have to provide some support.

Dr Fox: A great deal of planning, looking at a range of scenarios, is being undertaken by the National Security Council and across Whitehall Departments, and a range of important discussions are being held with our allies, not least at the large gathering of military leaders in London last week. We could well see the collapse of the Libyan regime over a short period, but it could take some considerable time yet. I am afraid that I think it is unlikely that the opposition forces will enter Tripoli in the near future.

Middle East and North Africa

3. **Karen Lumley** (Redditch) (Con): What recent assessment he has made of the security situation in the middle east and north Africa; and if he will make a statement. [63134]

8. **Paul Uppal** (Wolverhampton South West) (Con): What recent assessment he has made of the security situation in the middle east and north Africa; and if he will make a statement. [63140]

16. **Robert Halfon** (Harlow) (Con): What recent assessment he has made of the security situation in the middle east and north Africa; and if he will make a statement. [63149]

The Minister for the Armed Forces (Nick Harvey): As the Foreign Secretary has said, demands for greater political, social and economic participation will continue in the middle east and north Africa. We assess that the security situation will remain fragile unless Governments in the region work to fulfil the aspirations of their people.

Karen Lumley: Will my hon. Friend assure the House that the UK has sufficient resources in place to honour its commitment under UN Security Council resolution 1973 and continue operations in Libya for as long as is necessary?

Nick Harvey: I am pleased to give precisely that confirmation. As the Chief of the Defence Staff has said, we can sustain the operation for as long as necessary. We have flexible and adaptable forces. That is not to say that sustaining operations will not put stress on people and assets, but we are perfectly capable of doing so, and nobody should be in any doubt about our determination.

Paul Uppal: It is as well to remind the House that the international community came together to avert an injustice and a massacre in Benghazi. Does my hon. Friend agree that it is essential that we keep that international community cohesion and effort on this most pressing issue?

Nick Harvey: My hon. Friend makes a good point. The international community acted very speedily to deter the threat to civilian life in Libya. The sustaining of that effort in Libya is absolutely international in nature. It is essential to a successful outcome that all involved retain that cohesion and determination of purpose, and that all involved plan for what will follow, which was questioned a minute ago.

Robert Halfon (Harlow) (Con): Does my hon. Friend agree that a Palestinian state with Hamas in part control is a major defence threat, not just to Israel but to the wider region? Does he also agree that there should be no recognition of a Palestinian state until Hamas recognises Israel's right to exist, renounces violence and recognises existing treaties?

Nick Harvey *rose—*

Mr Speaker: Order. I am sure the Minister will answer with reference to the responsibilities of the Ministry of Defence.

Nick Harvey: Those are pre-eminently matters of foreign policy which my hon. Friend should put to the Foreign Secretary, who will have heard the question and will reflect upon it.

Mr Denis MacShane (Rotherham) (Lab): In terms of the killing of civilians, torture, repression, and the export and support of terrorism, does the Ministry of Defence draw any distinction between Colonel Gaddafi and Bashar al-Assad of Syria; and if so, what is it?

Nick Harvey: Again, that is predominantly a question of foreign policy, but clearly the foreign policy circumstances are very different in the two countries. In the case of Libya, a regional power invited an intervention and a UN Security Council resolution authorised all necessary force. In the case of Syria, no regional body is inviting an intervention; more to the point, as yet, there has been no progress on a UN resolution, although the UK has a draft before the UN.

Keith Vaz (Leicester East) (Lab): As the Minister knows, the situation in Yemen is now critical. Have the Government received any request from the acting President of Yemen for military assistance by way of advisers or any other assistance whatever?

Nick Harvey: I can confirm that we have received no such requests.

Nick Smith (Blaenau Gwent) (Lab): Does the Minister recognise that new threats to the UK following the Arab spring make the national security strategy out of date? Will he update the strategy in the light of those recent events?

Nick Harvey: The national security strategy anticipated a variety of threats from different parts of the globe throughout its 10-year time frame. It proposed that we should have flexible and adaptable forces that are capable of responding to different scenarios in different ways at different times. The momentum of activity following the uprisings in north Africa and the middle east has called us into action, but that action has so far shown to be perfectly manageable within the arrangement that the strategic defence and security review laid down. No reason has been provided at this stage for anybody to contemplate a different arrangement.

Defence Exports

4. **Jack Lopresti** (Filton and Bradley Stoke) (Con): What steps his Department is taking to promote defence exports. [63135]

11. **Chris Skidmore** (Kingswood) (Con): What steps his Department is taking to promote defence exports. [63143]

The Parliamentary Under-Secretary of State for Defence (Mr Gerald Howarth): We are supporting defence exports through an active and innovative defence diplomacy initiative, working closely with the UK Trade & Investment Defence & Security Organisation. Exports help to build and enhance relations with allies, to support UK defence industry, and to reduce the cost of equipment for Britain's armed forces.

Ministers and officials from across Government, including my right hon. Friend the Prime Minister, are already actively promoting British defence exports overseas. We are also embedding exportability into the early stages of the Ministry of Defence acquisition cycle. By considering export issues early and offering partnership at the design stage, we aim to increase export opportunities, which should result in reduced acquisition costs to the MOD.

Jack Lopresti: I thank my hon. Friend for that response. The Government have made positive changes in how they work with the UK defence industry to achieve better mutual benefits. However, what more can the Government and industry do so that we take an even better approach to exports throughout the whole of the UK defence sector, including MBDA and many other companies in my constituency, to maximise opportunities for the UK?

Mr Howarth: I am glad that my hon. Friend noted the extraordinary efforts that I and my ministerial colleagues across all Departments are making. There is no complacency. The defence exports support group was set up by my right hon. Friend the Secretary of State specifically to act as a forum for Ministers to plan and focus their support to defence exports. I would like to take this opportunity to congratulate MBDA on the fantastic job it is doing in supporting current operations in Afghanistan through the provision of some outstanding equipment. I hope that he will convey that message to his constituents. I am working with MBDA to see what we can do to help promote further exports.

Chris Skidmore: Airbus has recently set up a new research and development centre at the national composite centre in my constituency at the Bristol and Bath science park. Will the Minister welcome this development, and does he agree that effective research and development is crucial to promoting defence exports?

Mr Howarth: I assure my hon. Friend that I am very aware of the work going on his constituency—I have been briefed on it—and I think it is a sector in which the United Kingdom enjoys outstanding strength. I have also visited the Airbus facility at Filton, where the wings for the A400M are built. That aircraft has fantastic export potential, and I hope that it will be a world-beater.

John Woodcock (Barrow and Furness) (Lab/Co-op): How does the Minister expect successfully to sell British industry abroad when his muddled defence review is squeezing firms at home? Is he aware that the pioneering lighting firm in my constituency, Oxley, has been forced to shed another 13 jobs and cites the difficulties created by the Government's defence review as a key factor in that decision?

Mr Howarth: It might have escaped the hon. Gentleman's notice that the difficulties that the MOD faces are entirely the fault of the right hon. Member for Kirkcaldy and Cowdenbeath (Mr Brown), the former Prime Minister, who destroyed the country's public finances and forced the Government to take measures to try to restore them. We are ensuring that we maximise the defence industry's opportunities for first-class British kit in the export market. If he would like representatives from Oxley to come and tell me about it, I would be happy to meet them.

Mr Russell Brown (Dumfries and Galloway) (Lab): The Secretary of State has made his position clear: defence procurement will be based on open competition in the global market and buying off the shelf. How does that square with supporting UK industry? The hon. Member for Kingswood (Chris Skidmore) asked whether he recognises the absolute necessity for ongoing support for research and technology within the sector to make it clear to companies in the sector that the Government are firmly behind what they are doing.

Mr Howarth: We fully recognise the importance of research and technology, which is why the Government have sought hard to protect that budget and why my hon. Friend the Minister with responsibility for defence equipment, support and technology is also working hard and will shortly produce a White Paper on the subject. I assure hon. Members that nobody is more aware than the Government of the importance of the British manufacturing defence base as a basis upon which to generate wealth for the UK through exports.

Defence Industrial Base

5. **Jack Dromey** (Birmingham, Erdington) (Lab): What steps the Government have taken to strengthen the defence industrial base; and if he will make a statement. [63136]

The Parliamentary Under-Secretary of State for Defence (Peter Luff): We will publish a White Paper later this year, following up the recent public consultation on last December's "Equipment, Support and Technology for UK Defence and Security" Green Paper. The Government are already taking effective steps to provide much greater support to UK defence exports and to make it easier for smaller enterprises to do business with the public sector, including with the MOD.

Jack Dromey: Britain's defence industries lie at the heart of our economy. The Government are delaying vital defence orders for our armed forces, and the Secretary of State has said that he will buy off the shelf using open competition in the global marketplace. Does the Minister not recognise the anxiety and uncertainty that this is causing to tens of thousands of defence workers all over Britain who, like our armed forces, give outstanding service to this country?

Peter Luff: First, I am happy to say that the shelf is stacked high with British products, and that makes us extremely successful in the international market. Britain is the second greatest exporter of defence equipment—and long may that be the case. On the other comments of the hon. Gentleman, whom I hold in high regard—we have had discussions on British industry before—I would point out that our life would be so much easier had we not inherited a total mess of a defence budget, including a £38 billion black hole. The things he is complaining about were the fault of the previous Government.

Richard Fuller (Bedford) (Con): The previous Labour Government sold the defence contractor QinetiQ to a City firm that, a couple of years later, sold it for eight times the value and closed its plant in Bedfordshire with a consequential loss of employment. Will my hon. Friend ensure that he does a better job of defending our defence industrial base than the previous Labour Government?

Peter Luff: Speaking as someone from Worcestershire, where QinetiQ also has a very large presence, I absolutely understand what my hon. Friend is saying. It certainly would not be difficult to do a better job than the last lot did.

Michael Dugher (Barnsley East) (Lab): The Government promised a White Paper on defence procurement in the spring of this year, but it still has not appeared. They are continuing to take major decisions on procurement and the process of procurement in the MOD before they have set out any strategy on the industrial base. Will the Minister tell the House exactly why the White Paper has not yet been published? Is his definition of "spring" the time of year when the clocks go back and the leaves come off the trees?

Peter Luff: I am delighted to be able to tell the hon. Gentleman that I can give him an answer to that question. We have delayed publication because of the large number of defence-related reviews that the MOD is conducting at present, including the Levene review, the reserves review and the basing review. These will all lead naturally to the defence equipment and support White Paper, which will be published later this year. The Yellow Book review on non-competitive contracts will be released at the same time, not in July as originally intended, because the two documents will naturally sit together.

Surface Fleet

6. **Dr Julian Lewis** (New Forest East) (Con): What assessment he has made of the shape and size of the future surface fleet of the Royal Navy; and if he will make a statement. [63138]

The Minister for the Armed Forces (Nick Harvey): As we set out in the strategic defence and security review, under Future Force 2020 the future surface Navy will have a world-class carrier strike capability, with 19 frigates and destroyers, including the state-of-the-art Type 45 destroyer; an amphibious fleet able to land and sustain a commando group from the sea; 14 mine countermeasures vessels; a global oceanographic survey capability; and a fleet of resupply and refuelling vessels. Work is also under way on the requirements and design of the Type 26 global combat ship, our next generation frigate.

Dr Lewis: I am encouraged by that response. Does the Minister remember when he and I sat on parallel Opposition Benches under the previous Government as the size of the frigate and destroyer fleet went down successively from 35 to 32 to 31 to 25 and then to 19? Will he specifically confirm that that figure of 19 frigates and destroyers will not be reduced to a pathetically inadequate baker's dozen, as posited in some parts of the press?

Nick Harvey: I can certainly confirm that the situation remains unchanged from the SDSR. The future force will comprise 19 destroyers and frigates. It was a matter of great regret that the Government had to make a range of cuts in the SDSR, but that was a result of the general economic climate and, specifically, of the defence black hole that we inherited.

Mr Kevan Jones (North Durham) (Lab): On the size of the surface fleet, the First Sea Lord told the Defence Committee on 11 May:

> "We would be challenged to find further platforms to rotate through, and to continue to maintain the overseas commitments that are standard operating requirements."

Will the Minister tell the House exactly how the Royal Navy will sustain its operations in Libya, and what impact those operations are having on the Royal Navy's ability to deliver what was set out in the SDSR?

Nick Harvey: As I said in answer to an earlier question, there is no denying that the pace and longevity of operations in Libya put a stress on the fleet. However, the Libyan operation is a high priority, and we will ensure that it has the necessary resources. HMS Liverpool remains on task in the Mediterranean in support of the NATO-led operations. We have plans for her relief in due course but, for operational security reasons, I am not going to say which ship will be involved.

Operation Ellamy

7. **Mr Philip Hollobone** (Kettering) (Con): What assessment he has made of the Typhoon and Apache platforms in Operation Ellamy. [63139]

18. **Mr Douglas Carswell** (Clacton) (Con): What assessment he has made of the performance of Eurofighter Typhoon in Operation Ellamy. [63151]

The Parliamentary Under-Secretary of State for Defence (Peter Luff): Typhoon aircraft and Apache attack helicopters have performed very well in Operation Ellamy, proving their military worth and fulfilling all the operational tasks asked of them. Typhoon, in its first multi-role mission in providing both air defence and ground attack, has demonstrated exceptional levels of survivability and, in its ground attack role, a targeting capability with minimal collateral damage, proving that it is a truly formidable aircraft.

Mr Hollobone: Given that both platforms are being deployed in theatre in roles beyond their original specification, will my hon. Friend please comment in more detail on the ground attack role of the Typhoon, and on the Apache being deployed for the first time at sea?

Peter Luff: The Apache has been on about 20 sorties with no known civilian casualties—an exceptional testimony to that aircraft. Typhoon is performing exceptionally well in Libya. My hon. Friend is right that it was originally conceived as an air defence aircraft; it is now in its first multi-role combat aircraft role, and it is performing superbly. As Wing Commander J Attridge, the operational Typhoon detachment commander said,

> "the Typhoon has come of age"

over the skies of Libya and we are seeing the maturation of the RAF's first multi-role combat fast jet aircraft since world war two. We are all delighted with its performance.

Mr Carswell: Given that historically we have invested many billions in cold war era Eurofighters, but perhaps a little less on the unmanned aerial vehicles we need, does the Minister have any plans to switch resources from the former to the latter?

Peter Luff: It is not an either/or situation. UAVs have their role to play, but Typhoon is not a cold war legacy; it has proved to be an exceptionally capable modern aircraft, taking on the world and proving its exceptional worth in Libya. I am very confident of success in the large number of ongoing export campaigns around the world. Typhoon is a remarkable modern aircraft with a very bright future ahead of it.

Accommodation Costs

9. **Mr Jim Cunningham** (Coventry South) (Lab): How much his Department spent on accommodation in London for military officers and staff of his Department in the last 12 months; and if he will make a statement. [63141]

The Parliamentary Under-Secretary of State for Defence (Mr Andrew Robathan): Over the last 12 months, the Ministry of Defence spent some £25 million on renting 3,000 service family accommodation properties and 1,000 substitute family and single accommodation properties in London for entitled service personnel. Substitute properties were rented only when no suitable MOD accommodation was available. We seek to get best value for money. Travel and subsistence payments for service and civilian personnel relating to short-term detached duty, permanent transfer, which involves move of home, or temporary transfer in London cannot be identified separately. However, for civilian personnel in London, the MOD imposes a monthly rental ceiling of £1,250. Personnel based in the London area are undertaking essential duties in a range of locations.

Mr Cunningham: Given the financial difficulties of the MOD and the worldwide economic situation that we inherited, the present Government have made the position worse. With all these defence cuts going on, particularly among specialist police in the MOD, how does the Minister justify spending £500,000 on a trip to America, which was cancelled last year?

Mr Robathan: I am not entirely sure how that question relates specifically to my previous answer, but I will of course answer it. As I understand it, the trip is part of the Defence Academy course, and 300 people went to America for a week or whatever. It seems to me that this is a reasonable use of defence expenditure to ensure that people are properly trained at the Defence Academy and that they gain a proper understanding of the United States, which is, after all, our most important ally, with which we are much engaged in Afghanistan at the moment.

French and UK Armed Forces

10. **Neil Carmichael** (Stroud) (Con): Whether he has discussed with ministerial colleagues the effectiveness of co-operation between French and UK armed forces; and if he will make a statement. [63142]

The Secretary of State for Defence (Dr Liam Fox): I have regular discussions with my ministerial colleagues about our bilateral co-operation with France, following the signature of the defence and security co-operation treaty last November. The aim of the treaty is to develop further co-operation between our armed forces and to improve their ability to work together more effectively.

Neil Carmichael: I have considerable experience of dealing with our allies, as my wife is French. Does the Secretary of State believe that this alliance means making better use of our budget for cost-effectiveness and for strategic planning?

Dr Fox: I am pleased to hear about my hon. Friend's personal entente cordiale, and I hope that the relationship we have with France in defence will turn out to be as fruitful. We certainly aim to ensure the best use of money in future procurement and the development of projects, but above all we have been looking at the respective doctrines of our armed forces to ensure greater interoperability. France is a natural partner of the UK in being willing both to spend and deploy, which cannot be said of a number of our other European partners in NATO.

Alison Seabeck (Plymouth, Moor View) (Lab): Will any of the discussions with the French Government on working more closely together and on cost cutting lead to the scenario suggested in *Jane's* that 3 Commando Brigade Royal Marines could be disbanded? I hope that the Secretary of State will reassure my constituents, who have close links to the Royal Marines currently serving in Afghanistan, that that will not happen.

Dr Fox: There has been no such discussion in dealing with our French counterparts, and neither do I intend that there will be any such discussion.

Bob Russell (Colchester) (LD): Will the Secretary of State clarify whether the co-operation between the French and the UK armed forces will enable in 2015 celebrations of that great away win over the French—the battle of Waterloo?

Dr Fox: It is for the Department for Culture, Media and Sport to celebrate, and carry the budget for celebrating, historic events. It does no country a disservice, however, to remember that we have benefited from our armed forces in security not only today but throughout our history.

Operation Ellamy

12. **Mr David Hanson** (Delyn) (Lab): What recent assessment he has made of the likely date for achievement of the objectives set for Operation Ellamy. [63144]

The Secretary of State for Defence (Dr Liam Fox): Operation Ellamy is helping to enforce UN Security Council resolution 1973. We have made it clear repeatedly, and I have done so in the House, that we will continue operations until Gaddafi stops attacking the Libyan people and they can live in peace and security.

Mr Hanson: I assure the Secretary of State that the Opposition support the objectives of the operation. For clarity, however, will he tell the House the cost to date of the operation, its ongoing monthly cost, and the financial provision he is making for the hopeful post-conflict activity that we discussed earlier?

Dr Fox: Assuming our operations continue until September, which is not unrealistic, we assess the cost to be about £260 million. I have set out the details of that in a written answer to the House.

Arms Export Review

13. **Simon Hughes** (Bermondsey and Old Southwark) (LD): What input his Department has had to the arms export review being undertaken by the Foreign and Commonwealth Office. [63146]

The Minister for the Armed Forces (Nick Harvey): MOD officials have engaged with Foreign Office colleagues on the review of export licensing previously announced on 16 March by the Foreign Secretary.

Simon Hughes: Given the considerable interest that there has been in export licences in relation to the middle east and north Africa, and the desire of many of our constituents to see a change in the old regime and system and a reduction in arms sales abroad, will my hon. Friend tell us whether we are likely to have the results of the review before the summer recess, and whether we will have an opportunity to debate them on the Floor of the House?

Nick Harvey: I understand that the intention is to publish the findings of the review before the summer recess, but whether there will be the opportunity to debate them in the House is not a matter for me. I assure my right hon. Friend, however, that we continue to operate on a case-by-case basis in the middle east in relation to fresh applications for export licences.

Duncan Hames (Chippenham) (LD): The recent joint report by the Committees on Arms Export Controls recommended that the Government publish a full statement on how they apply criterion 8 relating to sustainable economic development when making decisions about arms export licences. Will the Minister give his commitment that the Department will follow and adopt that recommendation?

Nick Harvey: I must make it clear that the responsibility for defence export licences lies with the Department for Business, Innovation and Skills, which consults the Foreign Office on specific criteria and the Ministry of Defence on other criteria. I assure my hon. Friend that, in so far as is relevant to the issues on which we are asked to advise, the Ministry of Defence agrees entirely with the points that he makes, but such matters are pre-eminently for the Department for Business, Innovation and Skills.

Afghanistan

15. **David Rutley** (Macclesfield) (Con): What recent assessment he has made of the security situation in Afghanistan; and if he will make a statement. [63148]

The Secretary of State for Defence (Dr Liam Fox): I visited Afghanistan in recent weeks and gained a clear sense of the progress being made. I was also able to thank our armed forces in person and on behalf of the House for their fine efforts. Following that visit, I am in no doubt that the transition of security lead to the Afghans remains achievable by the end of 2014.

David Rutley: Given this country's strong efforts to create a secure environment in Afghanistan, and our commitment to withdrawing British troops by 2015, will my right hon. Friend tell the House what progress is being made in building the capability of local Afghan forces, and in ensuring a clear transition in military command?

Dr Fox: I have had the opportunity over time to see the Afghan national security forces—both the Afghan national army and the police—and as anyone who visits them will recognise, their capability is enormously enhanced. Things that may appear small to us, such as literacy training, have phenomenally increased their capability. When I look at the Afghan national training mission, I have cause for great hope that we will achieve the levels of security competence required for that transition.

Graham Jones (Hyndburn) (Lab): Will the Secretary of State give us some idea of the percentage of children who are attending schools in Helmand province as an indication of how successful we have been in the operation there?

Dr Fox: It is difficult to give an accurate figure, but I will try to obtain one from the provincial reconstruction team and write to the hon. Gentleman. What is clear is that, while we have taken a large amount of military equipment and money to Afghanistan, perhaps the most important thing that we have taken there is hope: hope for a generation who may be able to be educated and to have some economic capabilities of their own in the future, which events have denied to recent generations in Afghanistan.

Mr Jim Murphy (East Renfrewshire) (Lab): We read in the newspapers this week that the Prime Minister plans to announce a further troop withdrawal from Afghanistan. The whole country will feel disappointed that our forces have again had to learn of news through media leaks. As we head towards the 2014 deadline, can the Secretary of State repeat his guarantee that decisions about troop numbers will be based on conditions on the ground and on best available military advice, not on politics or other arbitrary factors?

Dr Fox: Given the last Government's record, for the right hon. Gentleman to talk about troop numbers in Afghanistan being leaked to the newspapers is a bit like the pot calling the kettle black. We said very clearly that there would be a reduction of 426. Some 200 troops have already been withdrawn, largely because they were involved in logistic tasks above and beyond our core number. Any reduction in the core number, particularly in our force in Helmand, will be announced after discussions in the National Security Council between the relevant politicians and Departments and the military.

Eurofighter Typhoon

17. **Stephen Metcalfe** (South Basildon and East Thurrock) (Con): What recent assessment he has made of the export prospects for Eurofighter Typhoon. [63150]

The Parliamentary Under-Secretary of State for Defence (Peter Luff): Typhoon has already been exported to Saudi Arabia and Austria, where it is in operational service. It is also competing in a number of other important markets. Oman has announced its intention to buy Typhoon, and India has selected it for the final phase of its medium multi-role combat aircraft competition.

I expect an increase in interest in Typhoon following its highly successful air defence and ground attack roles in current operations, in which it has consistently demonstrated exceptional levels of reliability, performance, accuracy, and overall cost-effectiveness.

Stephen Metcalfe: SELEX Galileo in Basildon, along with many other businesses throughout the United Kingdom, will benefit hugely from increased exports of the Eurofighter Typhoon, and my constituents will also benefit from improved job opportunities. Will my hon. Friend update me and the House on the progress of the tender process with India?

Peter Luff: The Indians are sticking to their timetable, and we are very optimistic about the prospects for Typhoon. My hon. Friend is right to stress the importance of the contribution of companies such as SELEX Galileo. We already have a highly capable radar on Typhoon which matches, or exceeds, many electronically scanned radars operating elsewhere, but SELEX Galileo is on track with Europe's first and only second-generation scanned radar, which will make Typhoon a truly outstanding, indeed unmatched, multi-role fast jet and a world-beater in the export markets as well. I hope that that includes India.

Fallen Servicemen

19. **Mark Pawsey** (Rugby) (Con): What recent representations he has received on arrangements for members of the public to pay final respects to fallen servicemen. [63152]

The Parliamentary Under-Secretary of State for Defence (Mr Andrew Robathan): Over the last two weeks we have received a number of e-mails and letters following a campaign on Facebook about arrangements for members of the public to pay their final respects to fallen servicemen and women.

Mark Pawsey: I recently spoke to a lady in my constituency who is a member of the War Widows Association. She expressed concern about the forthcoming change which would mean repatriation flights arriving at RAF Brize Norton. Like many other people, she believed that it was important for the British public to continue to be able to pay their respects to fallen military personnel. Will the Minister assure us that that will still be possible under the new arrangements?

Mr Robathan: I can certainly assure my hon. Friend and the House that that is the case.

Because of the number of e-mails that we had received, I went to Brize Norton on Friday to reassure myself about the plans that are being made. The RAF is spending £3.2 million on a new repatriation centre specifically for the families of the bereaved, who must be the focus of our attention. It is an excellent centre, which will give them a very good view of what is happening when the aircraft land. There are private chapels of rest where they can go and be with their loved one's remains. The cortege will then head down a very dignified avenue of limes to the nearest gate, which is being refurbished and will be called the Britannia Gate. It is dignified, respectful and solemn.

Once the cortege has left Brize Norton, it will be the responsibility of the police and Oxfordshire county council. The county council is building a memorial garden with a great deal of car parking so that people who wish to show their respect—the general public and the Royal British Legion, which approved the arrangements—will be able to do so in a dignified and proper place.

Paul Flynn (Newport West) (Lab): The Minister misses the point. As recently as 12 o'clock today a representative of the people of Brize Norton expressed his disappointment and anger, because they wish the very moving scenes that took place at Wootton Bassett to be replicated at Brize Norton. That cannot happen because the cortege route is being taken through rural roads and not through the urban area. Should not the people of Brize Norton and the surrounding areas have the right to express the grief of the nation, in order that we are all reminded of the true cost of war?

Mr Robathan: First, as I have said, the families of the bereaved must be the most important consideration. Oxfordshire county council has carried out a great deal of consultation. The hon. Gentleman mentions Brize Norton and, as it happens, the route will go straight through the village of Brize Norton. It will not go through the nearby village of Carterton, whose streets are both very narrow for a modern village and have speed bumps, which are not suitable for corteges. This has been decided by Oxfordshire county council in consultation with local people, and there is no suggestion of its having been done covertly. If I may say so, I think the hon. Gentleman should go to Brize Norton—as I did—and see the alternatives, as he would find that we wish to allow the British public the right to show their respect for these heroes, but we are not necessarily going to be driven by one person on the radio.

Mr Speaker: I am grateful to the Minister. I call Mr James Gray.

Mr James Gray (North Wiltshire) (Con): There can be no finer sight than the last four Hercules from RAF Lyneham flying down the line of the high street of Wootton Bassett on Friday afternoon on the way to Brize Norton, but does the Minister agree that it might not be possible, nor indeed quite right, to seek to replicate the Wootton Bassett effect elsewhere, as that was a chapter in our history? I am not sure we necessarily want to see it repeated elsewhere.

Mr Robathan: My hon. Friend makes a very good point. The route from Lyneham to Oxford passes straight through the centre of Wootton Bassett, and the route from Brize Norton to Oxford is being drawn so that it can go past somewhere where people can pay their respects. As my hon. Friend will know, the facilities at RAF Lyneham were fairly ad hoc, but we have now built a repatriation centre which, I have to say, is very impressive. It will be finished at the end of July, and I think people will come to realise that this is a different situation, and that the RAF, Oxfordshire county council and the police are doing the right thing for the bereaved and the servicemen who have been killed.

Topical Questions

T1. [63157] **Simon Kirby** (Brighton, Kemptown) (Con): If he will make a statement on his departmental responsibilities.

The Secretary of State for Defence (Dr Liam Fox): My departmental responsibilities are to ensure that our country is properly defended now and in the future, that our service personnel have the right equipment and training to allow them to succeed in their military tasks, and that we honour our armed forces covenant.

Simon Kirby: Has the Secretary of State considered the effects of off-the-shelf procurement on UK jobs, UK tax revenue, and the future capability of UK manufacturing?

Dr Fox: As has already been said, a lot of what is on the international shelves is made in Britain, but the Ministry of Defence's primary purpose is to ensure that our armed forces have the right equipment when they need it at a reasonable cost to the taxpayer.

Gemma Doyle (West Dunbartonshire) (Lab/Co-op): The creation of the office of the chief coroner would make a significant difference to the families of fallen service people as they go through the very difficult inquest

process. The Royal British Legion believes this is a matter of priority, not of cost. When will the Secretary of State stop passing the buck to his colleagues in the Justice Department and make this one of his priorities?

The Parliamentary Under-Secretary of State for Defence (Mr Andrew Robathan): As you will understand, Mr Speaker, this is not a question of passing the buck: the Ministry of Justice is responsible for the coroners department. This has been the subject of much consultation, and the MOJ must answer on it. *[Interruption.]* The right hon. Member for East Renfrewshire (Mr Murphy) asks what it is doing: it is ensuring that coroners are better trained, as training was the problem beforehand.

T2. [63158] **Jason McCartney** (Colne Valley) (Con): Does my right hon. Friend the Secretary of State agree with me and the British Veterans National Defence Medal Campaign that the recent MOD medal review was wrong to suggest that there is little appetite or desire in this country to recognise our brave service veterans with a UK national defence medal?

Mr Robathan: I would not agree with my hon. Friend on that. What I would say is that groups such as the British Veterans National Defence Medal Campaign are being consulted on the medal review. What that campaign proposes would mean that some 4.5 million to 5 million people would qualify for a national defence medal, and we have to take into account all representations before determining whether that is the right thing to do.

T3. [63159] **Pamela Nash** (Airdrie and Shotts) (Lab): On 24 June, *The Daily Telegraph* reported that a £10 billion black hole in the defence budget will lead to cuts having to be increased beyond the current 8%. Can the Secretary of State confirm or deny that report?

The Secretary of State for Defence (Dr Liam Fox): I am delighted that the Labour party now studies *The Daily Telegraph* in great detail, as it may be able to learn something from that side of the press. There is no doubt that the size of the budget deficit we inherited—about £38 billion of unfunded liability, on the assumption of flat real growth between now and 2020—had to be tackled. We have taken a huge amount out of that already and we will work, not only through this strategic defence and security review, but into the next one, to ensure that as we progress towards the end of the decade we eliminate that horrific inheritance from the Labour party.

T4. [63160] **Miss Anne McIntosh** (Thirsk and Malton) (Con): Will the Secretary of State give the House an assurance that enough British-trained RAF pilots are operating in Libya, especially at the moment? If there are not, will he ensure that even more pilots will be trained by RAF Linton-on-Ouse, in my constituency? Will he also assure the House that that base will remain one of the top training bases for the RAF for years to come?

Dr Fox: Not only can I give the assurance that we have sufficient British pilots and sufficient British assets in Libya, but I can tell the House that as we go ahead with the greater devolution of powers to the single service chiefs it will be up to them to determine, and make it clear to me, that they have proper training mechanisms in place to ensure that that position remains.

T8. [63164] **Thomas Docherty** (Dunfermline and West Fife) (Lab): Given the widespread opposition in west Fife to becoming a nuclear submarine graveyard, will the Secretary of State confirm that the Ministry of Defence will be using the same principles for identifying the long-term waste store as are used by the civil industry? Will he specifically confirm that the store has regulatory support, makes financial sense and has community buy-in?

The Parliamentary Under-Secretary of State for Defence (Peter Luff): The hon. Gentleman will understand that two sites have been identified as potential candidates for submarine dismantling—Devonport royal dockyard and Rosyth royal dockyard. I can give him the assurance he seeks: we will be following a similar approach to that of the civil nuclear sector and we will take account of a wide range of factors. I do not have time to enumerate those in this answer, but I would be happy to talk to him in detail later, if that would be of help to him. I can particularly reassure him on the subject of consultation, because we recognise the keen local interest in this subject and are keen to ensure that local people have the opportunity to express their views. We will work with all the local authorities and the devolved Administration in Scotland before and during public consultation.

T5. [63161] **Neil Carmichael** (Stroud) (Con): My constituency is home to a large number of reserve armed forces members, who welcome the review of their role. May I ask the Secretary of State whether that review will recognise their capacity, capabilities and willingness to integrate with the regular armed forces?

The Minister for the Armed Forces (Nick Harvey): I entirely agree with my hon. Friend about the excellent work done by our reserve forces. I have been thoroughly impressed with the commitment and skill that they have shown when I have met them, including in Afghanistan. As he knows, a review is being led by the Vice-Chief of the Defence staff and my hon. Friend the Member for Canterbury (Mr Brazier), and their report is in the process of being finalised. I expect them to deliver that report shortly and it would be inappropriate to comment further at this time.

Dan Jarvis (Barnsley Central) (Lab): Will the Secretary of State confirm whether he has any plans to reduce the size of the Army post-2015?

Dr Fox: Nothing has changed in our assumptions since the strategic defence and security review.

T6. [63162] **Stephen Gilbert** (St Austell and Newquay) (LD): Like many in the House, I welcome the recent removal of arms export licences to Bahrain. However, given the earlier answer by the Minister for the Armed Forces, may I ask Ministers how many times they have raised concerns about arms export licences to Saudi Arabia with their colleagues in the Department for Business, Innovation and Skills?

The Parliamentary Under-Secretary of State for Defence (Mr Gerald Howarth): On Bahrain, I can tell my hon. Friend that a cross-Whitehall review of export licences to that country was held on 18 February, and licences for equipment that could be used for internal repression were revoked—to date, 23 single licences have been revoked and 16 open licences have had Bahrain removed from them. On Saudi Arabia, I can tell him that, like all other countries, we subject all defence exports to a rigorous review against the criteria set by this country and elsewhere.

Mr Elfyn Llwyd (Dwyfor Meirionnydd) (PC): On 28 April, I received an answer from the Minister to a request for a breakdown of outsourced transport costs from the Bicester logistics centre. The response was that £4 million had been saved and that the amount spent by Bicester on private couriers between 2008 and 2010 was zero. In my office, I have copies of literally thousands of transport documents that show that the answer is millions of pounds. The answer I was given therefore could not be further from the truth. Will the Minister provide urgent clarification on this very important matter?

Peter Luff: I share the right hon. Gentleman's concern, based on what he has told me, and would be delighted to meet him to discuss the matter in more detail. He has brought a very serious matter to the attention of the House and I look forward to meeting him to discuss it further.

T7. [63163] **Graham Evans** (Weaver Vale) (Con): Following recent debates about the restructuring of NATO, will my right hon. Friend confirm that the future of Northwood as a key NATO command headquarters is secure?

Dr Fox: In the recent discussions at NATO ministerial, the maritime headquarters for NATO were going to be in Lisbon, Naples or Northwood. First, Northwood is an effective and efficient place from which to carry out that command and, secondly, the UK Government do not believe that it is acceptable to see another northern European command move to the south of Europe at a time when many northern European forces are carrying more than their fair share of operations in Libya or Afghanistan.

Toby Perkins (Chesterfield) (Lab): I was pleased to be at Staveley Armed Forces day on Saturday, where I met a soldier who had recently returned from his third tour of duty in Afghanistan. He expressed his fear that political expediency would outweigh the military concerns about troop withdrawals from Afghanistan and, specifically, about the impact that was having on their efforts to train up Afghan nationals. His fear was that those nationals would return to the Taliban if they felt that Britain had withdrawn from Afghanistan prematurely. Does the Minister share that fear?

Dr Fox: I think the key element is the confidence we can give the people of Afghanistan that the international community's relationship with that country will not end when our combat forces leave at the end of 2014. As we have trained up the Afghan national security force to have greater capability, there is now greater emphasis both on the political space and on redevelopment and reconstruction, rather than on the purely military arguments.

T9. [63165] **Andrew Selous** (South West Bedfordshire) (Con): What plans do the Government have to mark the 200th anniversary of the battle of Waterloo, which ended a quarter of a century of conflict in Europe and packed Napoleon off to St Helena?

Mr Robathan: My hon. Friend may know that I spent some 15 years in the Coldstream Guards and he will know—he has historical knowledge—that the Coldstream Guards shut the gates of the chateau, or the farm, of Hougoumont. Wellington said that the battle would have been lost had that not happened. Our relationship with France has changed a little since the Napoleonic wars, and this is now an historical matter. I understand that our colleagues in the Department for Culture, Media and Sport have set up a Waterloo 200 committee to discuss the commemoration, but it will certainly be commemorated by the Coldstream Guards, among others.

Jim McGovern (Dundee West) (Lab): May I thank the Under-Secretary of State for Defence, the hon. Member for Mid Worcestershire (Peter Luff), for agreeing to meet me yesterday to discuss the potential implications of the SDSR on organisations that depend almost entirely on Ministry of Defence contracts for their survival? I was perhaps a tad parochial at that meeting in stating the case for the Remploy factory in my constituency. Is the Minister in a position to give any assurances and an update to the people employed at Remploy in Dundee West and to me?

Peter Luff: I am afraid I cannot go beyond what I said at the meeting with the hon. Gentleman, which I greatly enjoyed. I look to him to carry on making the case for an important facility and factory that does excellent work for the people it serves and who work for it.

T10. [63166] **Mark Pawsey** (Rugby) (Con): Like the hon. Member for Chesterfield (Toby Perkins), I had the honour of joining Armed Forces day celebrations and, in my case, they were at Bulkington in my constituency. Does my right hon. Friend agree that this annual event not only raises public awareness of the contribution made to our country by those who serve and have served in the armed forces but gives the opportunity for the entire country to show its support for all the men who make up that community? *[Interruption.]* And women.

Dr Fox: Men and women. I completely agree with my hon. Friend, who makes a valid point that will resonate throughout the country. Armed Forces day gives us all a chance to be aware of what the armed forces do and gives the public the chance to thank them. I visited the Armed Forces day celebrations in Edinburgh, which were magnificent. The city put on a great display and I look forward to seeing what Plymouth is capable of doing next year.

Jim Sheridan (Paisley and Renfrewshire North) (Lab): The Secretary of State may be aware of the excellent research carried out by Professor Al Rowland into the

exposure of our atomic test veterans. Since conducting that research, Professor Rowland has been honoured by the Queen. The UK Government are now the only Government refusing to accept their responsibilities for Christmas island, so will the Secretary of State now agree to do so?

Mr Robathan: I do not entirely accept what the hon. Gentleman says, and I happen to know that neither do those on his party's Front Bench. What happens in New Zealand is, of course, up to the people of New Zealand. However, I note from the article in *The Times* today, which he might have read, that Neil Sampson of Rosenblatt says that he wants a compensation fund worth £30 million to be set up. It should be asked of Rosenblatt—perhaps the hon. Gentleman himself might wish to ask this question—how much its fees are, because I understand that they would take up more than half that compensation fund, and would—I think everybody in the House would agree—therefore probably be a little large.

Sir Menzies Campbell (North East Fife) (LD): My right hon. Friend will not be surprised to learn that RAF Leuchars in my constituency continues to fulfil its responsibilities for the air defence of the northern half of the United Kingdom with the professionalism and commitment that we have come to expect. Has he assessed the extent of the effect on the ability of Leuchars—or, indeed, of any other air base in Scotland—to operate if Scotland was not under the umbrella of NATO?

Dr Fox: I had a chance to visit Leuchars recently to thank those who carry out those duties on our behalf. My right hon. and learned Friend raises an important point. Those in the Scottish National party in the Scottish Government who pretend that they can enjoy both the security of the Crown forces and the luxury of talking about leaving NATO leave a lot to be desired intellectually.

Mr Bob Ainsworth (Coventry North East) (Lab): What is the status of the Chinook helicopter order?

Peter Luff: Nothing has changed since the strategic defence and security review.

Business of the House

3.31 pm

The Leader of the House of Commons (Sir George Young): With permission, Mr Speaker, I should like to make a short business statement. The business for tomorrow and Wednesday remains unchanged to that announced previously. However, the remaining business will now be:

THURSDAY 7 JULY—Proceedings on the Supply and Appropriation (Main Estimates) Bill, followed by consideration of a business motion, followed by all stages of the Police (Detention and Bail) Bill.

I can advise the House that my right hon. Friend the Home Secretary will make the final draft of the Bill available to hon. Members in advance of its formal introduction and publication tomorrow. I have been advised by the Home Office that copies of the final draft will be available in the Vote Office by 6 pm this evening. I will of course make my usual business statement on Thursday.

Hilary Benn (Leeds Central) (Lab): I am grateful to the Leader of the House for his statement and for advance sight of it, which responds to the point that I raised with him last Thursday. It has taken Home Office Ministers far too long—six weeks now—to respond to a court judgment that was originally given on 19 May. The result has been a complete mess, with doubt about the enforcement of bail conditions—for instance, in domestic violence cases—and the Leader of the House having to make this statement, completely changing the business for Thursday. Can he give us any news on the application to stay the judgment pending the appeal hearing, which I understand is scheduled for 25 July, because it might have a bearing on Thursday's business?

As I indicated last week, we are very willing to assist in getting the legislation on the statute book as quickly as possible, because we all want to ensure that the law is restored to what everyone thought it was before the judgment. However, let me ask the Leader of the House two questions. First, can he confirm that the Home Secretary will be leading the debate? We see from his statement that all stages will be taken in one day, including the Committee stage on the Floor of the House. Secondly, when does he anticipate the Bill being considered in the other place?

Sir George Young: I am grateful to the right hon. Gentleman for his renewed offer of support for getting the legislation on the statute book. On his first point, the timeline was dealt with on several occasions on Thursday by the Minister for Policing and Criminal Justice.

On the application to the Supreme Court, the greater Metropolitan police are asking for a stay of execution. It would not resolve the main issue, and it would not happen until later this month, by which time the House will have risen. The Home Secretary will indeed be taking Second Reading. I anticipate that the Bill will then go to the other place on Thursday evening, and I hope that it will be dealt with early next week.

Several hon. Members *rose—*

Mr Speaker: Order. May I just remind the House that this is a narrow business statement and that questions should relate exclusively to announced changes to the business on Thursday? The wider, routine business statement will, as the Leader of the House has made clear, be on Thursday.

Mr James Gray (North Wiltshire) (Con): The very important business that the Leader of the House has announced will mean that an hour and a half debate on the use of electronic devices in the Chamber will not now occur. Will the Leader of the House tell us when he intends to allow that debate to occur?

Sir George Young: First, may I say that in replying to the shadow Leader of the House I should have said the Greater Manchester police, not the greater Metropolitan police?

I am sorry that the debate on Thursday will not now take place. I will make my normal business statement on Thursday outlining the business for forthcoming weeks.

Jeremy Corbyn (Islington North) (Lab): In his business statement on Thursday, could the Leader of the House tell us what the Home Secretary seems not to be capable of telling us about the case of Sheikh Raed Salah, including when she signed an order that he was to be deported from this country, why he has been held for some days in Her Majesty's Prison Bedford, why he is being denied legal access until tomorrow and why, and under what pressure, she decided to make what I believe to be a retrospective decision?

Mr Speaker: Order. I think this is a question for Thursday, unless the Leader of the House has any plans to indicate that the matters will be debated on Thursday.

Sir George Young: I understand that the matter is before the courts.

Mr Peter Bone (Wellingborough) (Con): I assume that the Leader of the House is not going to move item No. 2 on the Order Paper tonight, but has he considered whether it could be moved and tacked on to whatever time we finish our debate on the emergency Bill?

Sir George Young: My hon. Friend is quite right that there is now no need to move the motion that protects the Backbench Business Committee debate for 90 minutes. We do not propose to add that debate to the end of business on Thursday; it will have to be dealt with on another occasion.

Mr John Spellar (Warley) (Lab): Obviously, no leader of the House likes having to change business, although that is often necessary under the force of circumstances. We fully understand why that is being done in this case and the Opposition have indicated that they support that. However, I hope that the Leader of the House has satisfied himself regarding this question: did officials, when they knew about this decision, not tell the Minister, or is it the case that the Minister was told and did not act on it? What is the answer?

Sir George Young: If the right hon. Gentleman looks at *Hansard* for last Thursday, he will see the timeline outlined by the Minister for Policing and Criminal Justice. Ministers were told on 24 June.

Clive Efford (Eltham) (Lab): I have *Hansard* for last Thursday, and the Minister made it quite clear that the original decision was on 5 April and that a judicial review gave oral confirmation of that decision on 19 May. Can the Leader of the House say whether he was alerted, after 19 May, to the possibility of the need to legislate on the Floor of the House to reverse that decision?

Sir George Young: This is rehearsing to some extent the arguments that were dealt with on Thursday. As my right hon. Friend the Minister said on Thursday, we had to wait for the written judgment to follow the oral one.

Mr Philip Hollobone (Kettering) (Con): When will the House consider Lords amendments to the Fixed-term Parliaments Bill? Given that the Leader of the House has effectively included an extra day of legislation into Parliament's proceedings, does he anticipate that the House will run for longer than intended in the current Session?

Sir George Young: That is not the Government's intention. We plan to adjourn on the day that has already been announced.

Mr Gerry Sutcliffe (Bradford South) (Lab): We had a statement last Thursday. Why are we waiting until this Thursday when we could have debated the exceptional Bill today? There is an increased cost to the police in not understanding what the position is and having to do bail at the doorstep level. Could we not have had the opportunity at least to see the draft Bill given that the Minister had the statement ready on Thursday?

Sir George Young: The Bill had to be drafted before it could be presented to the House. We have worked as quickly as we could and the Bill will be available to Members by 6 o'clock this evening—in good time for discussion on Thursday.

Diana Johnson (Kingston upon Hull North) (Lab): I do not understand why we cannot have the Bill earlier in the week. I am particularly concerned about the people who are suspected of domestic violence and have conditions on their bail, which I understand will not be enforced. That is clearly a major problem and I wonder why it is taking so long—until Thursday—to bring forward the Bill.

Sir George Young: The announcement was made on Thursday and the Bill will be available later today. I think that is moving at good speed. On the specific issue the hon. Lady raised, the police service is dealing with the implications of the ruling, including in the circumstances that she outlines, and the Home Secretary has been told that the police will be able to manage operationally in the meantime.

Mr Dave Watts (St Helens North) (Lab): Can the right hon. Gentleman explain why it has taken five weeks to deal with this matter? Is an investigation going on to find out why this important legislation has taken five weeks, and is it true that the Government are only acting on the back of the report and legal advice of the Association of Chief Police Officers?

Sir George Young: Again, this is rehearsing to some extent the exchange we had on Thursday, and an exchange that can take place again this Thursday. The announcement that I have just made relates to the business we are dealing with on Thursday; the substantive matters will be dealt with on that day.

Chris Leslie (Nottingham East) (Lab/Co-op): Although it will be good to have time to debate the Bill—that is all very well—can the Leader of the House allow us time for a separate debate about the general shambles in the Home Office and which Ministers and Law Officers were clearly asleep on the job?

Sir George Young: If the hon. Gentleman comes along on Thursday, he can put in a bid for such a debate. I am not sure whether he was here last Thursday, but there was a protracted exchange involving the Minister for Policing and Criminal Justice on precisely the issues that the hon. Gentleman and his colleagues continue to raise.

Keith Vaz (Leicester East) (Lab): Two promises were made last Thursday. The first was on the request from the police that they should have the best legal advice from the best legal brains. I am sure that refers to the Solicitor-General. The second promise was that the Bill would be discussed with the Select Committee on Home Affairs and with the shadow Home Secretary before the final draft appeared. As the Home Secretary will be appearing before us tomorrow morning, could she please bring her latest version to the meeting?

Sir George Young: Indeed, the Home Secretary will be bringing a copy of the Bill with her, and I hope that the right hon. Gentleman will also have his copy—available from 6 o'clock this evening.

Toby Perkins (Chesterfield) (Lab): With regard to the timing of the debate on Thursday, is it not true that parliamentary business is being lost and legislation is being made in an emergency because the Home Office was not on top of its brief in the first place? Is any investigation going on to make sure that next time round we get legislation to protect the police earlier?

Sir George Young: Again, these issues were raised last Thursday, and the hon. Gentleman will have an opportunity this Thursday to discuss the background to the Bill. My responsibility is simply for announcing the changed business on Thursday, and in response to requests from some of the hon. Gentleman's colleagues we are dealing with this as quickly as we possibly can.

Mark Tami (Alyn and Deeside) (Lab): Why did it take the Home Secretary so long to tell the Leader of the House that there was a need for this change?

Sir George Young: The moment the statement was made last Thursday, and it was clear that legislation was needed, we decided to change the business of the House, and a statement was made at the earliest opportunity.

Vernon Coaker (Gedling) (Lab): What a fiasco! Why does the House have to wait until Thursday before it debates the emergency legislation when the Home Office has known about this for six weeks? Will the Home Secretary be able to tell us what the current situation is with respect to those on police bail? How many people are being let out who should not be? How many people do not know what is happening? Should there not be an emergency statement now, rather than waiting until next Thursday?

Sir George Young: Yes to all the questions except the last one, which is no.

Reform of Social Care

3.43 pm

The Secretary of State for Health (Mr Andrew Lansley): With permission, I wish to make a statement on the reform of social care.

The coalition Government have from the outset recognised that reform of the care and support system is needed to provide people with more choice and control and to reduce the insecurity faced by individuals, carers and their families. By 2026, the number of people over 85 years old is projected to double. Age is the principal determinant of need for health and for care services. It is further estimated that in 20 years' time, 1.7 million more people will have a potential care need than do today.

People often do not think about how they might meet the costs of care in later life. They assume that social care will be provided free for all at the point of need, but since the establishment of the welfare state that has never been the case. Currently, people with more than £23,250 in assets, often including their home, face meeting the whole cost of care themselves.

The cost of care can vary considerably and it is hard for people to predict what costs they may face. The average 65-year-old today will face lifetime care costs of £35,000, but as the Commission on Funding of Care and Support notes, costs are widely distributed: one in four will have no care costs, but one in four will face care costs of more than £50,000 and for one in 10 it will be more than £100,000. The lack of understanding of how the system works and uncertainty about costs means that it is difficult for people to prepare to meet potential care costs, and there are currently few financial products available to help them. This means that paying for care can come as a shock to many families and have a severe impact on their financial security.

Change is essential. That is why we took immediate action last July by establishing the Commission on Funding of Care and Support, which was tasked with making recommendations on how to achieve an affordable and sustainable funding system for care and support for all adults in England. In response to its initial advice, we allocated an additional £2 billion a year by 2014-15 in the spending review to support the delivery of social care as a bridge to reform. This represents a total of £7.2 billion of extra support for social care over the next four years, including an unprecedented transfer of funds from the NHS to support social care services that will also benefit health.

Since then we have taken forward wider reform. Last November we published our vision for adult social care, setting out our commitment to a more responsive and personalised care and support system that empowers individuals and communities, including the objective that all those who wish it should have access to a personal social care budget by 2013. In May, after three years of work, the Law Commission published its report on how to deliver a modernised statute for adult social care. Making sense of the current confused tangle of legislation to deliver a social care statute will allow individuals, carers, families and local authorities to understand more clearly when care and support will be provided.

Andrew Dilnot's report comes at the same time as the final report from the palliative care funding review, which I received last week. Tom Hughes-Hallett and Sir Alan Craft have made an excellent start in looking at this complex and challenging issue. We want to see integrated, responsive and high-quality health and care services for those at the end of life. We will now consider the review team's proposals in detail before consulting stakeholders on the way forward later this summer. We will also consider how best to undertake substantial piloting, as recommended in the report, in order to gather information on how best to deliver palliative care services.

We are also responding to events at Southern Cross, which have caused concern to residents in Southern Cross care homes and their families. We welcome the fact that Southern Cross, the landlords and the lenders are working hard to come up with a plan to stabilise the ownership and operation of the care homes. We have also made it clear that we will take action to ensure proper oversight of the market in social care. That is why we are seeking powers through the Health and Social Care Bill to extend to social care the financial regulatory regime that we are putting in place in the NHS, if we decide that that is needed as part of wider reform.

A central component of those wider reforms will be the long-term funding of care and support. Over the past 12 months Andrew Dilnot, who chairs the Commission on Funding of Care and Support, together with the noble Lord Warner and Dame Jo Williams, has engaged extensively with many different stakeholders. They have brought fresh insight and impetus to this most challenging area of public policy. We welcome the commission's excellent work and its final report. I would like to thank Andrew Dilnot, Lord Warner and Jo Williams for their work, which has made an immensely valuable contribution to meeting the long-term challenge of an ageing population.

The report argues that people are unable to protect themselves against the risk of high care costs, leaving them fearful and uncertain about the future. The commission's central proposal, therefore, is a cap on the care costs that people face over their lifetime of between £25,000 and £50,000—it recommends £35,000. Under the commission's proposals, people who cannot afford to make their personal contribution would continue to receive means-tested support, but it proposes that the threshold for receiving state help for residential care costs would rise from £23,250 to £100,000. People would make some contribution to their general living costs in residential care, but the commission suggests that this should be limited to between £7,000 and £10,000.

The commission also proposes the following standardised, national eligibility for care, which would increase consistency across the country; universal access to a deferred payments scheme for means-tested contributions; improvements in information and advice; improved assessments for carers and better alignment between social care and the wider care and support system; and considering changing the means test in domiciliary care to include housing assets. The commission makes recommendations about how as a society we can organise and fund social care. We will consider the recommendations as a priority.

The commission recognises that implementing its reforms would have significant costs. In the current public spending environment, the Government will have to consider the recommendations carefully against other funding priorities and calls on our constrained resources. The commission's recommendations present a range of options, including on the level of a cap and the contribution that people make to living costs in residential care, which could help us to manage the system and its costs. We intend to engage with stakeholders on those issues, including on the trade-offs involved.

Reform in this area will have to meet a number of tests, including whether the proposals would promote closer integration of health and social care and increased personalisation, choice and quality; support greater prevention and early intervention; whether a viable insurance market and a more diverse and responsive care market would be established as a result of the proposals; what is the level of consensus that additional resources should be targeted on a capped costs scheme for social care; and what a fair and appropriate method of financing the additional costs would be.

The Government have set out a broad agenda for reform in social care. We want to see care that is personalised; that offers people choice in how their care needs are met; that supports carers; that is supported by a diverse and flourishing market of providers; that has a skilled work force who provide care and support with compassion and imagination; and that offers people the assurances they expect of high-quality care and protection against poor standards and abuse. Andrew Dilnot's report was never intended to address all those issues, but it forms a vital part of that wider agenda.

To take the matter forward, we will work with stakeholders in the autumn, using Andrew Dilnot's report as the basis for engagement and as a key part of the broader picture. That engagement will look at the fundamental issues for reform in social care, such as improving quality, developing and assuring the care market, integration with the NHS and wider services, and personalisation. We want to hear stakeholders' views on the priorities for action from the commission's report and on how we should assess the proposals, including in relation to other priorities for improvement in the system. As the right hon. Member for Wentworth and Dearne (John Healey) and I have discussed, the Government will engage directly with the official Opposition to seek consensus on the future of long-term care funding.

We will set out our response to the Law Commission and the Dilnot commission in the spring. There will be full proposals for the reform of adult social care in a White Paper and a progress report on funding reform. It remains our intention to legislate to this effect at the earliest opportunity. The care of the elderly and of vulnerable adults is a key priority for reform under this Government, and I commend this statement to the House.

John Healey (Wentworth and Dearne) (Lab): I thank the Health Secretary for the copy of his statement, and for making it to the House himself.

We welcomed the Hughes-Hallett report last week and we welcome the Dilnot report on social care today. The Dilnot report sets out important recommendations on capping the catastrophic costs of care; lifting the wealth threshold for state help; immediate free support for children with care needs on becoming adults; universal

[John Healey]

disability benefits continuing as now; a standard national needs test; and better information and advice, led by local councils.

The important elements in the Dilnot report are similar to the plans that we set out in government in the care White Paper in March last year. Our concern was and is to protect the one in 10 people who have to pay more than £100,000 for the cost of their care in older age; our concern was and is to protect hard-working people on modest incomes, who are more likely to care for their relatives and a lot less likely to get any help in doing so; and our concern was and is to protect people from the lottery of where they live, rather than what they need, determining their assessment for care and the level of support.

It should be a cause for celebration and pride that one in five of us in this country who are alive today will live to 100, and that our children are likely to spend a third of their lives in retirement. Instead, too many of us approach our older age in fear—fear that we will need care that will not be there; fear that our savings will be wiped out by the open-ended costs of care; fear that we cannot protect our families from that risk; and fear of becoming a burden or being left alone.

Today's report from Andrew Dilnot is a starting point, but it is what the Government do with it now that counts. My right hon. Friend the Leader of the Opposition has made a big offer to the Prime Minister to put politics aside and work to see a better, fairer and lasting system of support for our older and disabled people in England. Labour is willing to talk to and work with the Government and all other parties to do so, because we know that any new system of care must give all of us long-term confidence about what will be on offer for us and our families as we plan and prepare for older age.

That requires the Prime Minister to give the lead, because discussing and agreeing an affordable, sustainable system and how we pay for it involves important parts of Government beyond the Health Secretary. It requires the Prime Minister to give a guarantee that the Government will not kick Dilnot's recommendations into the long grass, because as Dilnot says, the system needs "urgent and lasting reform". If the Government are serious, we are serious; and if they are serious, we need to hear more. Dilnot recommends a White Paper by December this year, so why are the Government already saying that it will be spring before publication?

Any solution is a solution only if it is available and affordable to everyone, so what assurance can the Government give that the voluntary insurance protection will be an option for all? Dilnot states that the current system is

"under extreme strain, and people are experiencing tightening eligibility and reduced care packages."

Do the Government accept his conclusion that additional public funding for the means-tested system is urgently required?

The corporate crisis at Southern Cross is causing extreme anxiety for many people living in its homes. Do the Government accept that there is a case for regulating business standards as well as care standards, to give people greater confidence in their care?

The Secretary of State said that he would engage directly with me. I thank him, but this is a big challenge not just for him but for the Chancellor and the Prime Minister. Will the Government accept that cross-party talks are required across Government? This is a once-in-a-generation chance, and the House and the public will need to hear from the Prime Minister himself to believe that his Government are determined, as we are, to build a better, fairer and lasting system of care in our country.

Mr Lansley: I am grateful to the right hon. Gentleman for the welcome that he gives to the report by Andrew Dilnot and his colleagues, and indeed to the report that Tom Hughes-Hallett and Alan Craft produced on palliative care. They are both immensely valuable.

The right hon. Gentleman rightly says that it is important for us to move beyond many of the suggestions that have been made in the past. One of the essential purposes of the Dilnot commission was to seek something that was affordable and sustainable, that met tests of choice, fairness, value for money and ease of understanding, and that would be sustainable for the longer term. Dilnot has responded immensely well to the issues that we put to him, but that is part of a broader process of reform. In that sense we have not waited for Dilnot, because we have made progress on the wider aspects of reform. Now we have to ensure that we bring them together in a way that is coherent and works to deliver long-term, sustainable reform across the whole social care sphere.

The right hon. Gentleman rightly points to the fact that we inherited a fragile system in which there had already been a substantial tightening of eligibility and loss of care and support, with increasing levels of unmet need. That was precisely why, in an interim report last year, Andrew Dilnot and his colleagues asked us to make additional resources available in the spending review. I set out in my statement precisely how we have done so.

The concerns in relation to Southern Cross are particular to that company, and the Minister of State, my hon. Friend the Member for Sutton and Cheam (Paul Burstow), has made clear to the House how we are interacting with those who are involved with the company. We are making it very clear to the public—I reiterate it today—that we are prepared to act to secure the interests of individuals if there were any threat to their position in care homes. We are working with the Association of Directors of Adult Social Services and local authorities to ensure that those contingencies are in place. What I said today in the statement, and which people have not previously recognised, is that as early as last year we set out in the Health and Social Care Bill that we were prepared for regulatory powers to be available to ensure the future viability of social care providers, as we intend to do in relation to health care providers.

Let me may make one final point. I believe that my statement makes it absolutely clear that we will engage on the basis of the Commission on Funding of Care and Support, and that we will do so on a timetable that will work and that gives stakeholders and the public, and indeed the Government and the Opposition, an opportunity to come forward with a consensus. I discussed that timetable with Andrew Dilnot, and he is clear that he supports it. It will lead to a White Paper in the spring

and an associated progress report on funding reform. I am clear that that assures stakeholders that we will take this forward as a priority.

Sarah Newton (Truro and Falmouth) (Con): I very much welcome the report and the Secretary of State's statement. It was the previous Government who kicked the fixing of our broken care system into the political long grass. Will my right hon. Friend reassure me that we will work with all parties in both Houses to find a lasting solution?

Mr Lansley: Yes, I agree with my hon. Friend. That is indeed what we will set out to do. There have been many false starts, and not just under the previous Government. It is important for us to make progress, and for us to do so on a basis that is sustainable for the longer term.

Meg Munn (Sheffield, Heeley) (Lab/Co-op): The Secretary of State will be aware that all sorts of new and innovative ways of caring for elderly and disabled people are developing. The terms "domiciliary care" and "residential care" will become obsolete as services are provided in different ways. Will he ensure that whatever funding mechanism is being developed does not limit the type of services that can be provided, because providing for elderly people to be cared for in their own homes and in settings where they can live in a more normal way will be enormously important in future?

Mr Lansley: The hon. Lady very well illustrates one reason why Andrew Dilnot's commission is, among its recommendations, looking to eliminate discrimination between residential and domiciliary care services. We should not have a system that tends to provide perverse incentives to go into residential care, or indeed one that prevents that from happening when it is the right thing. However, part of the reason why the Dilnot commission should be seen in its wider context is that we are looking towards innovative and more effective means of supporting people's independence at home. The Department is now looking towards the evaluation of the telehealth whole system demonstrator pilots, the world's largest randomised controlled trial of telehealth, which should come in a matter of weeks.

John Pugh (Southport) (LD): Will the Secretary of State acknowledge that it will be easier to get agreement on the principles underlying the proposals than on the mathematics and the cost? Does he agree that only a renewed NHS focus on the chronic diseases of old age will ultimately make the latter bearable?

Mr Lansley: My hon. Friend is absolutely right. Although we are looking to ensure that we have a sustainable system of social care and support both for social care and the NHS, the linked priority of our Department and our Government is to improve and increase the effectiveness of our public health services. That is why I was this morning with the Faculty of Public Health to discuss precisely how we can improve health planning at local level, not least with local government, to try to reduce the prospective burden of disease in future.

Mr David Blunkett (Sheffield, Brightside and Hillsborough) (Lab): As a vice-president of the Alzheimer's Society, and like many hon. Members, I am aware that it is dementia awareness week. The most enormous resource is needed to help both individuals and their carers, particularly with residential support. Is not my hon. Friend the Member for Sheffield, Heeley (Meg Munn) entirely right to draw attention to the fact that even within Andrew Dilnot's acknowledgement of the perverse incentives, there is still an emphasis on the care market and the drive to encourage people to take up, or to consider the option of, residential care? Do we not need to put the glue back by supporting families and neighbourliness, so that we can keep people independent in their own homes as long as is humanly possible?

Mr Lansley: I understand the point that the right hon. Gentleman makes and in the past some of the criticisms of previous proposals have been made because they would have led to a situation in which informal care and family care would not have been properly supported—indeed, there would have been perverse incentives for people not to have family carers. We need to support family carers rather than bypass them.

I am glad that the right hon. Gentleman raises the issue of dementia. It is tremendously important that we understand it is one of the principal reasons for such a rising burden of disability and requirement for care and support. It is why we are looking to the longer term, not least to improve research into dementia. I am grateful to the Minister of State, my hon. Friend the Member for Sutton and Cheam, who has chaired the work on research into dementia, and he was able to announce substantial additional funding to support dementia research just the week before last.

Oliver Colvile (Plymouth, Sutton and Devonport) (Con): I declare an interest as I have an elderly step-mother who is in a home and this will be very important news for her family and my family. Have there been discussions with the Treasury, and does it recognise that this is one of the key issues? How far have those discussions reached, or if they have not started, when will they do so?

Mr Lansley: My hon. Friend will be pleased to know that the statement I have made is the product of collective discussion, which of course fully involved the Treasury.

Mr Dennis Skinner (Bolsover) (Lab): Does the Secretary of State agree that it would be a big mistake to miss this opportunity for root-and-branch change of the present system? Would it not be handy if local authorities played a bigger role than the billionaires who run Southern Cross, Winterbourne and the rest? Would it not also be nice for him to acknowledge that when he blurted out about the death tax he got it all wrong?

Mr Lansley: On the hon. Gentleman's point about local government, he should remember that the overwhelming majority of the residents in Southern Cross care homes are funded by local authorities, and that is precisely why we are working with local authorities to ensure that those residents' interests will be protected. I recognise the problems that we have seen with Southern Cross, although I do not know of any other companies

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in a similar position. None the less, it is one of the reasons why we seek the powers in the Health and Social Care Bill to regulate social care provision in the same way as health care provision.

Mrs Anne Main (St Albans) (Con): If we are to see elderly and disabled people needing more carers, my right hon. Friend will need to work with the Secretary of State for Education to enhance the status of those who work in the care industry, because we will need far more people willing to work in it and with the skills, qualifications and commitment needed to give the enhanced care that people would like to receive.

Mr Lansley: I am grateful to my hon. Friend. During the engagement that we are undertaking, one of the areas that we should certainly pursue is the work force development strategy in relation to care and support—and we will do that.

Mr Ronnie Campbell (Blyth Valley) (Lab): Can the Secretary of State tell us why one part of the UK gets care free and the other has to pay? Is it because the other part—Scotland—pays more taxes?

Mr Lansley: The difference in approach is the result of devolution.

Oliver Heald (North East Hertfordshire) (Con): I welcome the fact that the Secretary of State has gone wider than the Dilnot report today. It was at least two years ago that the Commission for Social Care Inspection, the regulator, called for wider powers to deal with financial regulation, and it is very welcome that that is to happen. Does my right hon. Friend agree that the level at which the cap is set under the Dilnot regime will be important in deciding whether an insurance market can develop? If it is set too low, the risk that is being shared will not be great enough, and if it is set too high, it will be too expensive.

Mr Lansley: I am grateful to my hon. Friend. That is precisely why we drafted the Health and Social Care Bill in the way we did. I hope that people will bear that in mind when debating the need for, and appropriateness of, this further regulatory measure. He made a perfectly valid point, and it is one reason we need to ensure engagement. It is not only a matter of whether the insurance and financial services industry would respond: along with stakeholders and the public, we need to understand what the public's attitude would be were they to have greater clarity about potential care costs and if they were willing to engage with financial services products in meeting those care costs. If they were, significant benefits would be derived, not least through bringing additional resources to bear,and through creating organisations with a direct incentive to undertake more prevention.

Jack Dromey (Birmingham, Erdington) (Lab): Dilnot offers a new dawn but not for three years, and in the meantime the fabric of social care is coming apart at the seams because the Government have imposed a 28% cut on local government, leading to such councils as Birmingham cutting care all over England. Will the Secretary of State act now to ensure that in the meantime the elderly and the disabled get the support that they deserve and which any civilised society should provide?

Mr Lansley: The hon. Gentleman should be aware that the maximum reduction in local authorities' spending power this year compared with last year is 8.8%. We removed the ring fence from Department of Health social care grants but we did not reduce the scale of those grants. In addition, he must remember that, as is not always recognised, the NHS is making specific provision to support social care. This financial year, £150 million will go to support reablement, and £648 million will be transferred, as I said, to support social care, which will also have health benefits. That will be spending power in the hands of local authorities to support adult social care.

Margot James (Stourbridge) (Con): I welcome the Dilnot proposals, but does my right hon. Friend agree that he should resist the demands from the shadow Health Secretary to rush into a White Paper this side of Christmas? It is more important to get it right, and there may well be ways to improve on the Dilnot proposals, particularly with regard to the cap and by making provision more affordable and fairer.

Mr Lansley: My hon. Friend makes a fair point. It was clear that had we sought to publish a White Paper before Christmas, the net effect would have been that we did not give the public, stakeholders or the official Opposition the time needed to discuss the issue and to do the job properly .

Barbara Keeley (Worsley and Eccles South) (Lab): It is clear that there are two issues: not just the future funding of social care but the current funding—the crisis referred to by my hon. Friend the Member for Birmingham, Erdington (Jack Dromey). Only 15% of councils are now meeting moderate need, but that figure used to be 50%. The Secretary of State cannot say that there is no crisis. It seems to me that building a future funding solution rests on not letting current provision deteriorate much further—but it is deteriorating rapidly. What, then, will Ministers do beyond the excellent cross-party work that probably will go forward to do something about the resources that are leaking away and the current crisis in provision?

Mr Lansley: I do not believe I did say that there was no crisis. The hon. Lady and the House must recognise, however, that last year the Dilnot commission, in an interim report, sought additional support specifically for social care and that we provided it through the local government grant and a transfer of resources from the NHS. She says that few authorities now provide social care for those with moderate needs, but that has been the product of years of change—it has been happening for many years. That creates a risk, but we are addressing that risk through the transfer of NHS resources and by helping people with lower levels of need through home adaptations, community equipment and reablement if they leave hospital, in order to make certain that we avoid the risk that we are running: of large numbers of people with moderate need falling rapidly into severe need.

Dr Sarah Wollaston (Totnes) (Con): I understand the need for the timetable to allow for adequate consultation, but Andrew Dilnot's excellent report draws attention to several areas including a lack of transparency, a lack of information available to families making decisions about care homes and, in particular, a lack of portability, which results in many patients being trapped and unable to move closer to loved ones. Does the Secretary of State feel that he could expedite any of the report's recommendations to allow such proposals to receive more detailed consideration?

Mr Lansley: I entirely understand my hon. Friend's point. In the course of the engagement during the latter part of this year, some of those issues will certainly come to the fore. My colleagues and I felt that it was better for us not to cherry-pick Andrew Dilnot's report now, but rather for us to give people an opportunity to comment on the recommendations in full. That will, however, take place over the space of weeks rather than many months.

Emma Reynolds (Wolverhampton North East) (Lab): I should remind Government Members that this issue has already been delayed because the Conservatives broke ranks before the election in order to score political points. However, there is now cross-party support for the recommendations, so why has the Secretary of State let the timetable slip from the autumn to next spring? Can he reassure the House and the country that there will be no further slippage in the timetable?

Mr Lansley: I am afraid that I do not accept the hon. Lady's premise. I am not going to revisit the past, but the truth is that, since I became directly involved, I initiated cross-party discussions before the election on the reform of social care, and I did not leave those discussions. It was her former Prime Minister who effectively broke them down.

Tony Baldry (Banbury) (Con): I think everyone knows where we want to get to on palliative care. We want to provide those people who want it with a much better opportunity to die at home or to die in a hospice while being properly cared for and supported. How does my right hon. Friend see us getting from here to there? What process will be involved, and who is going to drive that process to improve palliative care?

Mr Lansley: I am grateful to my hon. Friend for his question. This is very much about ensuring that, at the same time as engaging on the palliative care report, we build pilots that will enable us to see how the proposals would work in a number of places across the country. I know that some areas of the country are ready and willing to do that. The essence of what we are doing is to be increasingly clear about what quality services for those at the end of their lives look like, and to be sure that we can integrate those services by developing a system of per-patient funding. That would enable the providers to work together within the funding framework, without the current constraints and demarcations, and without the silo system that currently divides palliative care and end-of-life care services in a way that makes the system immensely confusing and difficult for people at the end of their lives. This is a real opportunity that has been fashioned by Tom Hughes-Hallett and Alan Craft's report.

Alison McGovern (Wirral South) (Lab): Funding for care is clearly a hugely important issue, but so is the quality of the care that older people receive. The parliamentary ombudsman and even the *Financial Times* have reported the need for greater respect and dignity for those receiving care. When will the Secretary of State return to the House and inform us in detail of the standards of care that older people can expect?

Mr Lansley: The hon. Lady will know that we are continuously seeking to improve the standards of care that older people receive, and, in so doing, we sometimes have to tackle what are clearly serious abuses. In the wake of the Winterbourne View events, for example, we will bring forward a report to Parliament on standards and the means by which they are to be met. With regard to hospital care, it was I who asked the Care Quality Commission to undertake specific unannounced nurse-led inspections to look at dignity and nutrition. We will work continuously to ensure that we deliver the standards of care that people have a right to expect.

Nick de Bois (Enfield North) (Con): My right hon. Friend might be aware that more than 100,000 people a year are not receiving the palliative care that they need. Can he assure the House that that will be a key priority, following the issue of this report?

Mr Lansley: My hon. Friend is right. I very much welcomed and encouraged the dialogue that took place between Andrew Dilnot's team and Tom Hughes-Hallett's team, and they have made complementary recommendations. My hon. Friend is absolutely right to say that, as far as end-of-life care is concerned, there is widespread unmet need. The disparity in the quality of care and the services provided in different parts of the country is staggering. Just as the Dilnot commission deals with care and support, we certainly aim to deliver greater consistency in eligibility and in the quality of care provided.

Mr Jim Cunningham (Coventry South) (Lab): I am sure that the Secretary of State is aware that there are concerns nationally—and locally in Coventry—about Southern Cross. Can he be more positive, because so far the answers we have received from the Government have been very vague? Equally, there is concern about the regulator being undermanned, so how does he intend to improve that and improve the quality of care?

Mr Lansley: I am sorry if the hon. Gentleman feels that the Government have been anything other than absolutely clear about what we are setting out to do. This is a problem that derived from the commercial decisions that the company made and it should be resolved by further commercial discussions between the company, its landlords and its lenders. We are constantly in touch with all of those, but it is not the Government's responsibility to step in and take those decisions. What is the Government's responsibility, which we are clear about and ready to take action as necessary, is to ensure that individuals in those care homes and their families are not abandoned and do not fall through the gaps or

[Mr Lansley]

find themselves without access to the care and support they need. I hope that, in the midst of the perfectly legitimate concerns being expressed, people do not stray into causing people to be more fearful than they need be.

Mr Marcus Jones (Nuneaton) (Con): Will my right hon. Friend confirm that the Government are taking the action necessary to ensure that residents in Southern Cross care homes, such as Harmony house in my constituency, will not be left without the care that they need?

Mr Lansley: My hon. Friend is absolutely right. I have a Southern Cross care home in my constituency and I am sure that most Members do. We cannot know precisely how the commercial discussions will turn out, but what we can be sure about is that we have put together with the directors of social services in local authorities clear contingency plans to protect the residents if need be.

Mr Dave Watts (St Helens North) (Lab): The Secretary of State will be aware that many people both inside and outside the House believe that this matter is going to be kicked into the long grass by the Government. Can the Secretary of State set out the time scales for the consultation process and for the introduction of the legislation that will be needed?

Mr Lansley: Many people would therefore be wrong in that respect, because we are clear about taking this report forward as the basis for engagement in the autumn, publishing a response and carrying out other related work on palliative care in the spring, publishing a White Paper and a progress report on funding reform and legislating at the first available opportunity thereafter.

Julian Sturdy (York Outer) (Con): Through the broad principles of the Dilnot report and the work already carried out by the Government, we at last have a framework that we can work towards to bring security, dignity and fairness back to elderly care, which I believe is really important. Will my right hon. Friend assure us, however, that we have a sensible and workable time frame within which to deliver?

Mr Lansley: My hon. Friend is absolutely right. At the heart of this, we know that additional resources have to be brought to bear and that given the financial circumstances we face, we also know that this will have to be a partnership between taxpayers, families and individuals—it cannot simply be handing costs over to the state. Although Andrew Dilnot makes no specific recommendations about how to pay for his proposals, he is very clear that even if it were to be through a tax mechanism, he believes it should come from an existing tax and should bear particularly on the same groups of older people rather than be a further intergenerational transfer from working age adults. What that immediately points to is the necessity of engaging fully with some of the stakeholder groups such as Age UK and others and of engaging properly with the public so that before we embark on this major reform, they can feel confident that they understand those trade-offs and precisely how these costs are to be met.

Catherine McKinnell (Newcastle upon Tyne North) (Lab): The increased availability of care at home is to be welcomed, but it also poses increased challenges for safeguarding vulnerable adults. Given that personal budgets can be spent on unregistered and therefore unregulated care providers, what steps will the Secretary of State take to ensure that taxpayers money can be spent only on good quality and safe care provision where the rights of care workers are also fully respected?

Mr Lansley: The hon. Lady makes a number of important points. As the Minister of State, my hon. Friend the Member for Sutton and Cheam, made clear recently, one purpose of legislation in due course will be to put the safeguarding on a statutory basis, which is important. Working with the CQC, we must ensure that in domiciliary care as well as in residential care homes, mechanisms are in place that enable us to assess the quality of care and get feedback from residents. The social care outcomes framework must be developed in a way that captures an understanding of the experience of care users, their families and supporters.

Nicky Morgan (Loughborough) (Con): I thank the Secretary of State for his statement and I welcome the Dilnot review. As other Members have said, however, hundreds of thousands of families across the country are already worrying about how they will pay for care bills for their relatives, including the Strachan family in my constituency, who said publicly this morning that they have only two months' money left to pay care home bills and are not sure what they will do after that. When my right hon. Friend launches the consultation, may I urge him not to forget the needs of those already in the care system who are worrying about paying bills, as well as being rightly concerned about those facing future care bills?

Mr Lansley: My hon. Friend's point relates to the degree of uncertainty and insecurity that the current system tends to engender. It is important that we deal with that, and that people understand the circumstances in which the state pays and will continue to pay. We should not give people who have no assets the sense that they will be required to pay when they have no means of doing so. The state will be there to support them. There will be a safety net, and the commission makes recommendations about how further to develop it in future. Beyond that, we must arrive at a place where people are able to understand better the nature of the care costs that they might meet, and where there are good, affordable, secure mechanisms through which they can prepare for those costs, so that they do not have the gross insecurity that exists at the moment.

Mr David Nuttall (Bury North) (Con): Does my right hon. Friend agree that improved palliative care will be enormously helpful to those of us who wish to resist the calls for the legalisation of euthanasia, and that a reduction in the number of deaths in hospital could save tens of millions of pounds each year for reinvestment in patient care?

Mr Lansley: I share with my hon. Friend the feeling that if we can improve the quality of end-of-life care and give people an understanding of the recent great developments in symptom control at the end of life, people's perception of the decisions that they might have to make about end-of-life care might change, and that might give them greater confidence that they can have what most people would regard as a good death.

Anne Marie Morris (Newton Abbot) (Con): I welcome the Dilnot report's many practical suggestions, which will be very important in Devon because it has the highest level of retired people—22%. With regard to the need for any new funding proposal to cover a range of different provision, given the change in relation to when people need to go into residential care, the contracting will need to be looked at carefully. Does the Secretary of State agree that if we are to have contracts, they need to be standardised? For example, the contracts that councils enter into with care homes are not standard, so although in theory they offer the same quality of care—

Mr Speaker: Order. I am extremely grateful to the hon. Lady, but I think that that is an excellent subject for her to pursue in an Adjournment debate, and I feel sure that she will.

Mr Lansley: There is the nub of a very good question there. If we develop greater national consistency in eligibility and in assessment, we might also start to engender greater consistency in quality, including the contracting that supports it.

Bob Stewart (Beckenham) (Con): My local borough, Bromley, tries very hard to use its resources for social care as efficiently as possible. Might boroughs such as Bromley and others throughout the country be given more resources to help them to ring-fence funds for social care, particularly palliative care?

Mr Lansley: As my hon. Friend will know, local authorities were keen for many of the grants that we provided not to be ring-fenced in future, including the social care, public health and learning disability grants. We aim to give local government more flexibility, but, through the NHS, we are providing additional resources—in Bromley and elsewhere—to support preventive interventions that benefit both social care and the NHS, and I think that that will make a big difference in Bromley. As we know, however, all local authorities are, of necessity, having to seek greater efficiencies, and we are working with local government to identify where they can be delivered. There is still a dramatic variation between the costs of care services provided in different parts of the country.

Charlie Elphicke (Dover) (Con): As we know, going into a home is long on cost but short on life expectancy. I particularly welcomed my right hon. Friend's comments about greater prevention. What more can be done to promote access to—and promote in general—day care and respite care?

Mr Lansley: We have made specific additional provision to support respite care. I hope that people will be given more independence and support at home not only as a result of NHS support—the £648 million that will be provided this year is a great deal of money, which will substantially increase access to such facilities as community equipment, home adaptations, reablement and rehabilitation —but through, for instance, telehealth, which I mentioned in response to an earlier question. I think that we can transform the quality of care and health services provided at home.

Christopher Pincher (Tamworth) (Con): Because Haunton Hall nursing home in Tamworth is owned by Southern Cross, its fate is of grave concern to residents and their families. Will my right hon. Friend confirm that any advice he receives from the regulator about companies such as Southern Cross, which the Labour party unfortunately ignored, will not go unheeded by him?

Mr Lansley: In the past, Governments received advice from the regulator about the desirability of their being able to undertake proper scrutiny of the financial circumstances—the financial viability and sustainability—of organisations. No powers in that regard have been taken in the past, but we are seeking such powers in the Health and Social Care Bill, and one of the debates that we will need to have concerns the extent to which it will be right for us to use them in the future.

Mr Philip Hollobone (Kettering) (Con): How will the Secretary of State ensure that the very best examples of the hospice movement, such as Cransley hospice in Kettering, can become involved in the establishment of the new framework for palliative care, so that best practice is extended throughout the country?

Mr Lansley: As my hon. Friend will know, Tom Hughes-Hallett, the chief executive of Marie Curie Cancer Care—who is leading the palliative care review—has engaged fully with Help the Hospices and the hospice movement. I understand from my conversations with hospice representatives over a number of years that they do not want their funding to be subject to the vagaries of public expenditure. Individual block grants that vary from year to year give them no confidence about the services that they provide. They do not want additional resources as much as clarity about what resources will be provided for the individuals who seek their care. They particularly hope that there will be a corresponding transfer of resources to hospices which provide services that replace the NHS and support people at home, as many are increasingly doing.

Graham Evans (Weaver Vale) (Con): I have four Southern Cross homes in my constituency. Does my right hon. Friend agree that the Southern Cross situation highlights the need for a dedicated financial regulator for social care services?

Mr Lansley: As I said earlier, this is one of the issues on which I hope we will have further discussion as part of the debate on wider social care reform leading to the White Paper.

Jason McCartney (Colne Valley) (Con): End-of-life care is massively enhanced by Kirkwood hospice in my part of west Yorkshire, and the construction of a new children's hospice has just begun on the outskirts of Huddersfield, funded by the West Yorkshire Forget Me

[Jason McCartney]

Not Trust. Does my right hon. Friend agree that when considering the hospice movement in our country, we must always remember the children's hospice movement?

Mr Lansley: My hon. Friend is absolutely right. The children's hospice movement has done immensely good work over the years. I am aware of that in my own constituency through the work of East Anglia's Children's Hospices, and I am sure many Members also completely understand. That movement's work has been done in circumstances in which a very small proportion of the resources for children's hospices comes from state sources. The palliative care funding review addresses both adult's and children's end-of-life care and palliative care and identifies per-patient funding for children as well as adults, and it therefore offers children's hospices precisely the same kind of security in the future as adult hospices.

Paul Uppal (Wolverhampton South West) (Con): Does my right hon. Friend agree that the Dilnot report goes some way to addressing the long-standing issue that for many years the current system has been punitive to those who have been prudent and frugal in planning for their old age?

Mr Lansley: Yes I do, and one of the essential reasons why the Dilnot commission was rightly established is that there are many people who have worked hard, saved and accumulated assets and expected to be able to enjoy them in their older age or to pass them on to their families, but who instead found that all those assets were destroyed as a result of the sheer chance event of, for example, long-term disability or dementia. That is a tragic situation, and, as Andrew Dilnot well puts it, if people have a health care need and are seriously ill the NHS will look after them, and if their house burns down or they have a car crash there is insurance for that, but here we have a potential catastrophe in people's lives for which the state will not provide and nobody else is willing or able to offer them that similar kind of protection. It is therefore vital that we take forward the Dilnot recommendations in the way we are proposing.

David Rutley (Macclesfield) (Con): I welcome the statement, and it is particularly welcome in Cheshire east where we anticipate a 120% increase in the number of people living beyond 85 in 10 years' time. The Dilnot report stresses the importance of the awareness campaign. Does my right hon. Friend envisage an active role for third sector organisations such as Age UK and Citizens Advice not only in delivering the awareness campaign, but in helping to shape it, and is there also a wider role for such organisations within the Dilnot framework?

Mr Lansley: My hon. Friend makes a very good point, and I hope we will be able to take up and develop that during the coming weeks.

Neil Carmichael (Stroud) (Con): Does my right hon. Friend agree that in a modern, responsive and caring social care system, we need more transparent and effective decision making and improved integration with the NHS, so that the person in need of care can navigate their way around the system?

Mr Lansley: I agree with my hon. Friend, and in his county the early implementation of health and wellbeing boards, which are to be legislated for under the Health and Social Care Bill, will provide precisely that opportunity for the integration of health and social care services.

Andrea Leadsom (South Northamptonshire) (Con): A constituent of mine who is 61 years old is the full-time carer for both her disabled husband, who lives with her, and her elderly mother, who does not. Since she drew her state pension, she has not been allowed any kind of carer's allowance. Will my right hon. Friend join me in praising all retired people who do such work, which saves the taxpayer a fortune, and will he look into what we can do to provide more support for such people?

Mr Lansley: I am grateful to my hon. Friend for asking that question, and I will, indeed, join her—and, I am sure, the whole House—in expressing our support for those who care for their relatives. It is absolutely vital work, and we should understand and support it. As my hon. Friend will know, my right hon. Friend the Secretary of State for Work and Pensions is currently reforming welfare, and he has made it clear that although carer's allowance does not form part of universal credit, it is important for us to continue to understand how it should in future meet its aim of supporting carers.

Mr Speaker: I am grateful to the Secretary of State and all colleagues who participated.

Points of Order

4.40 pm

Mr Liam Byrne (Birmingham, Hodge Hill) (Lab): On a point of order, Mr Speaker. Both you and "Erskine May" have made it very clear that, by a resolution of this House, Ministers should be as open as possible with Parliament, refusing to provide information only when disclosure would not be in the public interest. Nineteen days ago, this House completed debate on the Welfare Reform Bill, including a measure to place a cap on benefits. During the debate, on 17 May, the hon. Member for Cardiff Central (Jenny Willott) said that she had "heard" that Department for Communities and Local Government estimates forecast a rise in homelessness of 20,000 if the measure was introduced and that the policy would cost more than it saved. The Minister of State, Department for Work and Pensions, the right hon. Member for Epsom and Ewell (Chris Grayling) replied by saying

> "I have no clear evidence that further information is available"—[*Official Report, Welfare Reform Public Bill Committee*, 17 May 2011; c. 985.]

beyond the impact assessment.

Yesterday, we learned that the DCLG had, in fact, written to the Prime Minister's office, ahead of a meeting of the Prime Minister, the Deputy Prime Minister, the Chancellor and the Chief Secretary to the Treasury, to say that, yes, the DCLG's assumptions were that homelessness would rise by 20,000 and the policy would cost more than it saved. It seems inconceivable that this cast list and the hon. Member for Cardiff Central all knew about this and the Department for Work and Pensions Ministers did not. In addition, the Secretary of State has signed an impact assessment which makes no mention of the DCLG's concerns. He said that his picture was

> "a fair and reasonable view of the expected costs, benefits and impact of the policy",

even though it does not contain the warning that was issued to the heart of government. My question is, therefore, very simple: how do we in this House bring Ministers to account for who knew what and when, and why did they not disclose crucial, material information to this House?

Several hon. Members *rose*—

Mr Speaker: Order. I am grateful to the right hon. Gentleman for his point of order and I will take other points of order in a moment. First, I would say to him that he has recourse to the Table Office and may want to avail himself of that opportunity to see how, through the Order Paper, he can pursue the matter. Secondly, he has raised, on the Floor of the House, an extremely important issue. He will appreciate that I have not had the opportunity to study in detail the force and potential significance of what he reveals, but I am happy to look into it further, reporting back to him and, if necessary, to the House. Thirdly, Ministers on the Treasury Bench will have heard what he has said, and the text of it will very soon be available to them, and it is for them to decide whether, on the back of his observations, they think it necessary to say something to the House sooner rather than later.

Jeremy Corbyn (Islington North) (Lab): On a point of order, Mr Speaker. Last Monday, the Home Secretary answered an oral question from the hon. Member for Finchley and Golders Green (Mike Freer) by giving the view that she was able to consider whether or not to grant an exclusion order against an individual—in this case, Sheikh Raed Salah. He was subsequently arrested and is now being detained in prison. Only after great difficulty are his lawyers being allowed to visit him tomorrow morning, and no other visitors have been allowed. I realise that the House cannot debate the matter today and I understand that no legal process is before any court on this matter but, at the very least, do you not agree, Mr Speaker, that the Home Secretary should, out of courtesy, come to the House to explain what she has done and take questions on the subject? She seems to find great difficulty in communicating with MPs on this issue, despite the fact that the gentleman in question was invited to this House by a number of colleagues to address a meeting here last Wednesday evening.

Mr Speaker: I am grateful to the hon. Gentleman for his point of order. Whether the Home Secretary chooses to make a statement on the matter or not is a judgment for her, and it is not something in relation to which I have any formal power. As he will be aware, I, too, was conscious of the fixture of the individual in question. He was to address a meeting in the House, which was perfectly orderly so long as he was not a person of concern, and was freely at large and legitimately so. When that situation changed, the arrangement whereby he would address the meeting also changed. All I would say is that the hon. Gentleman has raised an important point. I know that he has sought communication with the Home Office and at least an explanation of the situation. That approach seems to me to be entirely reasonable, and I hope that his legitimate curiosity on this matter will not for long remain unsatisfied.

Mr Tom Watson (West Bromwich East) (Lab): On a point of order, Mr Speaker. In the past few minutes, it has been revealed by *The Guardian* newspaper that Milly Dowler's phone was hacked by private investigators working for the *News of the World*. The company subsequently revealed the information to the Surrey police, who were investigating the matter. As well as being a despicable and evil act that will shock parents up and down the land to the very core, it also strongly suggests that Parliament was misled in the press standards inquiry held by the Select Committee on Culture, Media and Sport in 2010. Is it possible to know how we can address that matter?

Mr Speaker: My response to the hon. Gentleman is threefold. First, the first I heard of this was when he courteously sidled up to the Chair to mention it to me fewer than five minutes ago. Secondly, my initial procedural advice to the hon. Gentleman is that he might wish to take the question up with the Culture, Media and Sport Committee, which he judges to have been misled or misinformed in this matter. Thirdly, in view of the gravity of the issue he has raised, the detail of which I was not previously familiar with, I can say only that it will have been heard by Ministers on the Treasury Bench and if they judge in the circumstances that some

[Mr Speaker]

sort of public response is desirable—as they might—I hope that that response will be made on the Floor of the House of Commons before it is made anywhere else. I hope that that is helpful.

Finance (No. 3) Bill

Further consideration of Bill, as amended in the Committee and in the Public Bill Committee.

New Clause 11

HIGH COST CREDIT LENDING

'The Government shall lay before Parliament a review of all taxation measures contained in this Act that are applicable to those judged by the Financial Services Authority (or its successor body) to engage in high cost credit lending. This review shall consider the following matters—

(a) the nature of the high cost credit market and the proliferation of lending practices which are detrimental to consumers and or competition in the provision of credit to consumers;

(b) the impact that taxation could have on the provision of high cost credit in the UK which is detrimental to consumers and or competition in the provision of credit to consumers;

(c) whether changes to taxation could discourage lending in a manner which is detrimental to consumers and undermines competition in the provision of credit to consumers; and

(d) other measures relevant to the high cost credit lending sector that may prevent consumer detriment.'.—*(Chris Leslie.)*

Brought up, and read the First time.

4.47 pm

Chris Leslie (Nottingham East) (Lab/Co-op): I beg to move, That the clause be read a Second time.

We do not often find the issue of high-cost credit lending in the headlines, but it is critical for many people up and down the country. Many of our constituents would expect to see it addressed in the Finance Bill, because there is growing concern that a large number of some of the poorest people in society are becoming prone to high-charging payday lending, doorstep lending, new variants of hire purchase and illegal loan-sharking, especially as the mainstream banks restrict credit availability.

I gather that since 2007 we have seen a fourfold rise in payday lending. The high-cost credit sector is now estimated to be in the order of £8.5 billion in value. The situation is familiar to many hon. Members across the House and particularly so to my hon. Friends, who represent some of the poorest and most challenged constituencies in the country. In my constituency, Nottingham East, the citizens advice bureaux and other advice organisations, such as Advice Nottingham and the St Ann's advice centre, have recently published an anthology of modern poverty as they encounter so many stark stories of personal indebtedness daily. There are too many instances of companies—legal ones—preying on the vulnerability and desperation of stressed consumers who need to bridge their spending with short-term but, unfortunately, ultra-high-interest credit. A quarter of consumers who use high-cost credit cannot access any other form of borrowing. Apparently, 7 million people in the UK are denied credit and bank accounts that many of us would take for granted.

Mr David Blunkett (Sheffield, Brightside and Hillsborough) (Lab): May I lend my support to my hon. Friend's endeavours on this critical issue? Is it not a fact

that the pressure on debt advice in our constituencies has increased dramatically because of the economic circumstances and the tightening of the criteria for social fund and care grants, and that this situation will get worse as people get caught up in a spiral of borrowing to pay existing debt?

Chris Leslie: My right hon. Friend, who has an excellent track record in raising many of these issues, is completely correct. The vice in which many of our poorest constituents find themselves being squeezed is very much apparent. The changes to the social fund that he mentions are part of the context in which we would want to review the circumstances in which high-cost lending takes place. That is the objective of our new clause 11: we want to examine the possibility of regulatory and/or tax measures to address this problem.

Richard Fuller (Bedford) (Con): The hon. Gentleman mentioned the fourfold increase in payday loans. Would he acknowledge that a substantial amount of that increase occurred in the period 2007 to 2009, at the start of the recession, and that although the rate has subsequently increased, its growth has tapered off somewhat? Does he also agree that payday loans are but a sub-segment of the sub-prime, high-cost credit sector?

Chris Leslie: Yes, payday lending is indeed a facet of the broader problem. I am not sure about the trends and how things have been moving—the hon. Gentleman may have other statistics that it would be worth sharing if he makes a contribution to this debate—but there is no doubt about the trajectory of that growth, which has been quite marked, which I know is a concern for all Members, in all parts of the House.

Lorely Burt (Solihull) (LD): Government Members share Opposition Members' concerns about this issue, and we want to do the best that we can. However, new clause 11 asks for a report on the impact of all tax and non-tax measures on the cost of high-cost lending when we have not yet heard the response to the Government's call for evidence. I am hopeful, as are many Members, that this will address the issue and provide further help, so does the hon. Gentleman not feel that his new clause might be a little premature?

Chris Leslie: The hon. Lady makes an interesting point, because it is important that we engage with the Government properly on this agenda. We are still waiting for that report, although I hope that new clause 11 has been framed in such a way as to be pretty harmless and to command widespread support. Ultimately, all that we are looking for is a review of the circumstances; and indeed, some of the tax measures that may need to be included—although they may not—would not currently be part of the arrangements that I understand her hon. Friends are reviewing. New clause 11 is simply about ensuring the widest possible capability for those policy levers that the Government would be able to consider. There are so many measures necessary to help protect the consumer. They include not just action on payday lending or interest rates, for example, but the support needed for financial literacy education—something to which the Government have regrettably taken the axe, by terminating the £26 million financial inclusion fund. That decision is a particular regret, given that it will hit citizens advice bureaux up and down the country, along with other face-to-face advice agencies. Indeed, the financial inclusion fund was an essential bit of seedcorn funding, so I would be grateful for the Minister's clarification about its future.

The Financial Secretary to the Treasury (Mr Mark Hoban): There is no need for clarification: if the hon. Gentleman had done his research properly, he would know that the Government have extended the funding for debt advice for a further year, and it is the intention that the Money Advice Service—which is funded by the financial services industry—will take on that work.

Chris Leslie: I did indeed know of the hon. Gentleman's announcement of some time ago—not quite a full year yet. We are now into July, and the funding is due to run out next April, expiring at the beginning of the financial year 2012-13. Many advice agencies are quite anxious about what will fill the gap. It is clear that he has kicked the issue to the Money Advice Service, although we do not yet know what its approach will be. One crucial point is whether it will be interested in face-to-face advocacy and supporting such activity.

Yvonne Fovargue (Makerfield) (Lab): Does my hon. Friend agree that the Money Advice Service now constitutes an online source of advice for those who have money on where to invest it and does not address the issue of people who are in debt?

Chris Leslie: My hon. Friend makes an important point. In addition, it does not necessarily address the face-to-face advice that is given by many citizens advice bureaux and other agencies that have been reliant on the financial inclusion fund. The Minister says sotto voce that it will do face-to-face advice as well; I will be interested to see whether the £26 million of investment is maintained. No doubt he will want to clarify that when he addresses the new clause.

I pay tribute to my hon. Friend the Member for Walthamstow (Stella Creasy), whose tenacity is to be commended for the fact that this issue remains front and centre on the political agenda. The Back-Bench motion that was passed last February called on the Government to introduce measures to increase access to affordable credit and to take regulatory action to control non-competitive examples of excessive charging, but we still have not seen any action since then. That is another reason why it is important to move forward and get a sense of priority and urgency into this issue, and this Bill is a good opportunity to consider these matters.

My right hon. Friend the Member for Sheffield, Brightside and Hillsborough (Mr Blunkett) spoke earlier about why some of this action is needed now. The changes to the social fund and crisis loans that were announced in March—after the Back-Bench motion was passed in February—mean that social fund crisis loans will no longer be available to pay for basics such as cookers and beds, and the living expenses rate is being cut from 75% to 60% of the benefit rate, thereby limiting the number of loans that can be applied for. In addition, there is a backlog of unprocessed claims and the Government are planning to cut the discretionary social fund from £872 million last year to just £183 million this financial year—all under the axe of a Liberal

[Chris Leslie]

Democrat Work and Pensions Minister of State, the hon. Member for Thornbury and Yate (Steve Webb).

At the same time, thousands, if not hundreds of thousands, are being disfranchised from access to credit. After the credit crunch, as the banks recapitalise, we see withdrawal from anything vaguely "sub-prime", as it may be categorised. However, it is also known that there is money to be made from vulnerable customers. Many hon. Members will have experienced pushy sales calls, which are randomly generated, and text messages, which many people are receiving. It is about the desperate customers that I worry most and their responses to some of those apparent offers of help and assistance. It is all part of the allure of high-cost credit, which we need to regulate far more effectively.

It had been hoped that the promises of mutuality and support for the credit union movement in the coalition agreement would by now have tried to make some inroads into this problem, but despite the promise in the coalition agreement that

"detailed proposals to foster diversity in financial services, promote mutuals and create a more competitive banking industry"

would be brought forward, all we have seen from the Government so far is the Northern Rock trade sale, local authority discretionary help for credit union squeeze because of the cuts to their budgetary position and, of course, the Treasury's pre-emption of the Lloyds Banking Group disposal. The Vickers commission was looking at how to handle that particular issue, but Ministers have pressed on with the disposal of 620 branches rather than pausing and waiting for that report.

At the same time, funding for advice and financial education is falling away, as we have been discussing, as local authorities cannot pick up the tab. The basic problem is that not all customers are informed and logical when it comes to financial issues. The Money Advice Service, as my hon. Friend the Member for Makerfield (Yvonne Fovargue) mentioned, may well be there as a guide for people who have the time and space to make those decisions, but many of our constituents are not only busy but often confused about financial services. They can be distracted and stressed and in many cases they have an aversion to small print. Coupled with that, there is massive inertia in credit services.

There are some fantastic charities, such as Citizens Advice, which I have mentioned, and the Consumer Credit Counselling Service, of which I was a board trustee for five years. They pursue a number of ways to help those in most distress. Creditor-funded consolidation is a very good approach, but we need other reforms in the sector; facets include, for example, the fee-charging, customer-charging debt management plan providers. Charging customers rather than looking to the creditor to cover the administrative costs is an unacceptable business model in this day and age. The practice should be phased out and I hope the Minister agrees.

5 pm

Unfortunately, the consumer credit regulation changes the Government propose still involve too much confusion. There is still no clarity—*[Interruption.]*—as I understand it. The Minister may know because he may be able to look into what will happen in the future, but we still have no clarity about consumer credit regulation and the powers that may transfer to the financial conduct authority. It will not be a champion of the consumer in its objectives but will have regard only to the

"appropriate degree of consumer protection",

which in my view is too open to interpretation.

On the prudential regulatory changes, the Bank of England Financial Policy Committee and the Prudential Regulatory Authority have insufficient consumer focus. There will be no PRA consumer panel. There is no voice for the consumer on the Financial Policy Committee. Indeed, it was interesting that the first of the FPC's reports talked about the risks of forbearance, which may indeed be something the committee needs to deal with, but the fact that it did not even address the point that sometimes forbearance and flexibility are in the consumer's interest gave me the sense that there was not yet an adequate balance in the composition of that board. The PRA's duty to consult the financial conduct authority is too weak and, as the Minister knows, I have criticisms of the lack of parliamentary accountability of the new apparatus he is proposing. That too is an area where the consumer voice is being fettered.

I acknowledge that there is no single easy answer to the high-cost credit regulation issue and that there are different approaches to regulation. Caps on usurious interest rates—to use the biblical term—have often been suggested, but there could be consequences. Should we control things geographically, for example where there is inadequate competition? Sometimes deserts emerge, even among doorstep lenders, who have scaled back their activity in recent years, and the illegal loan shark has filled the gap voraciously.

There are cases when taxation of demerit activities might be appropriate, to discourage punitive charges and rates. We need detailed regulation to protect not just the percentage interest rate charged, but the admin fees and product fees that put such a squeeze on the unsuspecting consumer. One of the best ways to look at the regulation of high-cost consumer lending is to consider time limitations on the use of payday lending. Should we say that such lending is absolutely for emergency circumstances and it should have only short-term availability? Unfortunately, we see people go back to payday lenders month after month, and even year after year. Excessive long-term dependency on payday lending needs to be addressed.

Lorely Burt: I entirely agree. I had a meeting with Wonga the other week. The company advocates a maximum of three rollovers. It is in nobody's interest, not even the lender's, to have people in a cycle of debt, because they are less and less able to pay it off. Perhaps something like that could be included in the regulations.

Chris Leslie: The sector itself ought rapidly to produce suggestions for self-regulation. I hope the new clause will make the sector aware of the seriousness with which the House takes the issue. We have had enough of people in desperate circumstances being exploited. The House of Commons passed a motion in February. We should pass the new clause, simply to ask for a review and a report on the range of regulatory and financial powers that the Government ought to take to stamp out some of the worst practices.

Customers need a fair deal from financial services generally, but our duty is to start with the people who are most at risk—the vulnerable and the exploited. If Parliament cannot stand up today to protect those most in need, who will?

Neil Parish (Tiverton and Honiton) (Con): I rise not to support the new clause but to say to Ministers that I would like to hear exactly what they intend to do about doorstep lending. The hon. Member for Solihull (Lorely Burt) mentioned Wonga, which can charge up to 4,500% interest on its loans. Uncle Buck can charge 2,500% and PaydayUK can charge 1,200%. With a base rate of 0.5%, how can charging such inordinate interest be justified? These companies—I call them all loan sharks, to be blunt—travel around our poorest areas. I would be the first to admit that my constituency is not the most deprived in the country, but I have many poor and vulnerable constituents, and I think that Members on both sides of the House are concerned about what action we should take.

I know that Ministers are not keen on dealing with this problem through regulation, but perhaps we should consider our approach to smoking: we do not stop people smoking—although we have banned it in public places—but we put large health warnings on cigarette packets. The Financial Services Authority, or whichever body will be responsible, should at the very least take action so that there are serious health warnings for those considering taking out these loans.

Mr Jim Cunningham (Coventry South) (Lab): Does the hon. Gentleman agree that one aspect that should be looked at is television advertising?

Neil Parish: The hon. Gentleman is right that the advertising and promotion of these products is a great concern. These products can seriously damage someone's financial health, because they not only get them into huge debt, with huge interest to pay, but can often prevent them from securing mainstream credit, which can affect them enormously.

I am not greatly in favour of regulation, but I do not think that we can stand idly by and let some of the most vulnerable people in the country be exploited. They are desperate for money, and people knock on the door and offer them it. In fairness, many of them do not look at all the details or consider the fact that they will have to pay such high interest if they do not repay the loans. They do not realise that they will probably be charged even more interest if the loan is renegotiated, and that if they do not pay on time the loans company is likely to impose huge fines. That is unacceptable in this day and age and we must do something about it.

About 50% of the population in Ireland are involved in credit unions. In the US and Canada, the figure is about 40%, in Australia and New Zealand it is about 25%, but in the UK it is only 2%. I know that the Government are looking into increasing the availability of credit unions across the country, but we need to act much faster. In the meantime, we have to act against these companies, the loan sharks, because people who take out the loans sometimes have to pay back 10, 20, 30 or 100 times as much as they originally borrowed.

If the loan sharks' argument is that they lend on those terms because the people to whom they lend are a security risk, we must question whether they should lend the money in the first place, and certainly at such massive amounts of interest. They must take the view that if 25 of the 100 people to whom they lend are forced into bankruptcy they will make enough money from the other 75 to make a profit. Is that moral and right? The answer is certainly not. Regardless of one's political persuasion, that cannot be right in this day and age.

I have mixed views on the new clause, but I do not want Ministers to wring their hands and say that there is nothing they can do. In fairness to the Government, I should point out that the Opposition cannot hold their heads high, because they had 13 years in which to do something about this issue. It is right for the coalition Government to take the issue on. Instead of wringing our hands and saying we can do nothing, let us do something.

Lorely Burt: My hon. Friend is talking, almost interchangeably, about loan sharks and high-cost credit lenders regulated by the FSA. The Government have put even more money into the loan shark operation to clear them from the streets. It is important that we do not mix the two, because whatever one thinks about high-cost credit loan companies they are at least regulated and we are doing things to improve them. Loan sharks are totally unacceptable in this country.

Neil Parish: I agree with the hon. Lady to some degree, but I say to her bluntly that charging 4,500% interest, whether it is done legally or not, is theft. As a farmer, perhaps I have slightly jaundiced views about bankers, who offer an umbrella when the sun is shining and want to take it away when it starts to rain. We cannot go on letting vulnerable people be exploited—it does not matter whether it is being done legally.

David Rutley (Macclesfield) (Con): My hon. Friend makes a powerful point. The challenge is that people always say that we have to do something about this issue, but it is never clear what that thing is. For me, the vital thing is awareness. The issue is not just loan sharks but extends to organisations such as BrightHouse. Does my hon. Friend agree that people need to understand the true cost of what they are borrowing?

Neil Parish: I share that view entirely. At the start of my speech, I spoke about a financial health warning on a loan, including what the rate of interest will be. There should also be an example, perhaps showing what the principal amount would be to repay if one started with £100.

Stella Creasy (Walthamstow) (Lab/Co-op): I support the hon. Gentleman. Does he agree even when people know the rates, they have little choice because they cannot borrow from any other type of organisation? Research shows that a quarter of these companies' customers cannot get credit elsewhere, so even when they know the rates they have no option.

Neil Parish: The hon. Lady is right that parts of the population cannot borrow elsewhere, which is a problem. That is another reason for clear warnings, if not restrictions, on the rates of interest charged.

[Neil Parish]

The problem is not just that there is a population who cannot borrow from anywhere else but that many companies and loan sharks knock on people's doors. Credit is often dished out in cash, which is very tempting. Some people could, if they went to a great deal more trouble, secure money from proper lending companies at a competitive rate.

Mr Jim Cunningham: People also borrow against their wages, which puts them on a financial treadmill that is hard to get off when there are such extortionate interest rates.

Neil Parish: The hon. Gentleman refers to payday loans, which also incur huge amounts of interest.

I am not against people being able to borrow. In a capitalist system, people need to be able to do that, but we must stop companies exploiting people's vulnerability and lending at such vast rates of interest. That can be achieved either by legislation or by companies having to provide a clear statement of what a loan will cost when their representatives arrive on somebody's doorstep and try to lend them money. If someone who borrows £100 will end up paying £2,000 back, that should be absolutely clear. That is the very least I should like the Government to do.

I have made, I hope, many good points, and I hope too that the Government will not just wring their hands but do something to help vulnerable people and stop legal loan sharking companies taking money from people in a way that I believe is theft.

5.15 pm

Stella Creasy: I have come here today to speak in favour of the new clause, and to vote for it, too, which I believe will be a powerful expression of the need to act to tackle the problems caused across our country by high-cost credit companies, or so-called legal loan sharking.

I promised when the House debated the issue previously that I would congratulate those who took action to protect vulnerable consumers, and I want to do so. I welcomed the announcement of the consumer credit review and the coalition agreement promise to tackle the cost of borrowing on store cards and credits, but it worries many of us that it is already overdue. To meet the timetable, that work will have to be done within the next two weeks.

Even more worrying for the Opposition is the fact that we have had to drag the Government kicking and screaming to the table to discuss high-cost credit, because the coalition agreement made no commitment to tackle it. There is still uncertainty about whether it will be tackled in the consumer credit review.

Andrew Percy (Brigg and Goole) (Con): I am a huge supporter of what the hon. Lady is trying to do. I agree that there is concern about how quickly we are moving, but we had 13 years of her party's Government. Can we try to keep this a cross-party matter? Members of all parties are concerned about it, so let her not bash the Government, and when I speak I will not bash the Labour Government for their inaction. Let us all try to keep it positive.

Stella Creasy: I very much hope that there will be cross-party agreement, but, as I will explain, I fear that that consensus is being broken for the purpose of choreographing coalition conferences. That worries me greatly. I hope the hon. Gentleman will agree that when so many people are suffering by having to pay the high costs of credit that companies charge, any delay is unacceptable, and I hope he will vote accordingly.

I know that we are not alone in wanting action as soon as possible. The campaign has the widespread backing not just of MPs or policy makers but of debt experts, campaigners and members of the public. They are deeply concerned that doing nothing to regulate these firms is feeding a growing crisis of personal debt for families across the country, and they want action.

I fear that I am going to end up condemning the Government today, because we are debating not whether to act, or whether regulating for a cap on the cost of credit would be effective, but when to do so: debating when, not if, is unforgivable.

Neil Carmichael (Stroud) (Con): I am concerned that the action that the hon. Lady recommends might well drive people into the worse position of having to appeal to really rather unpleasant loan sharks. That must be the great worry.

Stella Creasy: The evidence on which that presumption —that myth—is based is very uncertain. I would argue that there is a strong parallel with the debates on the minimum wage and the fear that its introduction would drive companies out of business. We now know that that is simply not the case. Evidence shows that a cap on the cost of credit would lead to a fairer deal for consumers, for which we are arguing today. It is important that we get it right, given the number of people involved in the market. I ask Members to support the new clause because it proposes regulatory action now, given the consensus that there is a problem. It states that it covers

"other measures relevant to the high cost credit lending sector that may prevent consumer detriment."

By consumer detriment, we mean lending that drags people into debt.

We might all agree that there is a problem in the market, and that something needs to be done, but the coalition's choreography is getting in the way, and I fear that our constituents will lose out. In making the case for Government Members to change their mind about the political fancy footwork and instead dance with us to action now, I want to set out what the problem is, what is causing it, what could be done about it and why doing nothing, or even delaying doing anything, should not be an option.

This question is important when we are debating a Finance Bill, because we can use taxation and regulation to deal with social and economic problems. For example, we could tackle problem drinking by raising taxes on high-strength alcoholic drinks. Indeed, in Committee, the Economic Secretary to the Treasury said:

"We can see that such a measure will have a disproportionate impact on tackling problem drinking, because the change in taxation will make it less attractive for producers to make such strong products."—[*Official Report, Finance (No. 3) Public Bill Committee*, 17 May 2011; c. 166.]

By the same principle, the Treasury could tackle problem lending by penalising companies that fail to meet certain standards in their provision of consumer credit.

The problems in the lending market make the issues clear. The UK has one of the highest levels of personal debt in the world. As of April last year, Britain owed more than £1.4 billion in private debt. As the hon. Member for Tiverton and Honiton (Neil Parish) pointed out, borrowing money is sometimes essential, whether to enable someone to pay for training or a house, or to start a business. Indeed, borrowing is critical for our future economic recovery. I am therefore saying not that we want to stop people borrowing, but that we want to stop problem borrowing. However, the current signs are that personal debt is on the rise, and that is a problem.

Pat Glass (North West Durham) (Lab): Does my hon. Friend agree that the evidence suggests that this country is now becoming a haven for such companies, which are targeting this country because of the lack of regulation? Does she also agree that that is making things far worse for our constituents?

Stella Creasy: My hon. Friend is exactly right. It is not just evidence; the companies have specifically said that the lack of regulation in the UK compared with other countries makes it a target market for them.

We know that borrowing is becoming a problem for people. More than four in 10 people are worried about their current debt, and in recent months 4 million have taken on more debt than they ever have before. One third of families say that they have no emergency savings whatever. However, this debate is not about a lack of rainy-day money. The number of people who say that they are likely to exceed their overdraft limit has more than doubled in the past year, and the number of people who say that they are likely to use an unauthorised overdraft this month has nearly doubled since July last year, from 900,000 to 1.6 million.

That means that more people are getting into financial difficulties. In recent years, personal insolvency in the UK has reached a record high. On average, there are more than 160 personal insolvencies every year in each constituency, which is a dramatic increase since the start of the last decade.

New clause 11 covers not only those who are formally in financial difficulties but those who are affected by debt and who have not sought help. The proposal reflects the growing inequality in our society between those who can borrow affordably and those who cannot. Research by the Department for Business, Innovation and Skills shows that most households have a debt-to-income ratio of 10% or less, but that one in five households have debts worth more than 100% of their annual household income. There is growing evidence that such households are using multiple forms of unsecured credit—a mixture of high-cost credit and credit cards. Thirteen per cent. have four or more types of debt.

The question for many of us is this: who is borrowing? Eleven per cent. of lone parents use non-mainstream loans compared with just 3% of households overall. The Consumer Credit Counselling Service tells us that one in eight people who contacted it during the first half of 2010 were claiming jobseeker's allowance. However, one thing that might concern many hon. Members is the growing evidence that the people who are suffering in this market are not just those whose incomes have always been fragile, but many middle-class families. Experian data show that the biggest increase in insolvency is among those with suburban mindsets—people who are in work, married and have kids, and who are trying to make ends meet.

Lorely Burt: Is it a matter of regret to the hon. Lady that the previous Labour Government presided over the greatest expansion of consumer credit in the history of this country? In their 13 years, the previous Government tried to do a number of things, but rejected the proposal in new clause 11. Does she agree that this Government, one year in, should be given the opportunity to finish their consultation and make proposals of which she might approve?

Stella Creasy: I am interested in the hon. Lady's impression that consumer credit is a bad thing, because I do not agree. I would also be interested in her views on research by the Office for Budget Responsibility, which shows that as a direct consequence of the Government's Budgets an extra £10,000 of debt is being put on to households. Perhaps she would like to comment on the implications of that for family finances. No? Then I will continue.

The problem is not just the high-cost credit industry but the nature of the industry and the way in which it operates, which is causing so many problems. What most worries many Opposition Members is that so many families are struggling. Indeed, we know that 46% of families say that they do not earn enough in a month to pay all their bills. Crucially, of that 46%, 10% say that the reason they are struggling is the repayments on high-cost credit. It is those very products that are pushing them into financial difficulty.

For the avoidance of doubt, I say clearly that I am not trying to put Wonga and the other companies out of business. I do not hold with the constituent of mine who argued that we should learn a lesson from Dante and put them in the seventh circle of hell, but we can make the credit market fairer for all concerned. It is important to set out, therefore, the kind of companies we are talking about and just how quickly this industry is growing in the light of recent economic circumstances.

Many people know about payday lending—the form of credit whereby a borrower gives a creditor a cheque or an authorisation to make an automatic withdrawal from their bank account. That is used as security for a short-term loan to be repaid, supposedly on the next payday. It is a long-established form of credit in other countries, but it is relatively new to the UK—and it is growing rapidly. By 2009, the payday lending industry was worth more than £1.2 billion, and the figures I have gathered from the Department for Business, Innovation and Skills, which were released under a freedom of information request rather than being put in the public domain, show that it is now worth £1.9 billion. Indeed, in its "Keeping the Plates Spinning" report, Consumer Focus estimates that payday lenders are expected to quadruple the scale of their operations in the UK in the next few years alone.

Richard Fuller: The hon. Lady says that the payday lending market was £1.2 billion in 2009. According to the Office of Fair Trading review of the payday loan

[Richard Fuller]

market, it was £600 million. To clarify the situation, and for my education, will she explain the difference between the two numbers?

Stella Creasy: I will happily explain the difference between the two numbers. The hon. Gentleman might have heard me say that I made a freedom of information request to obtain the most up-to-date data from the Department, and it is a source of concern that Ministers did not share the information with MPs. Research shows clearly that the market has grown to £1.9 billion. If I tell the hon. Gentleman that 5% of the population have taken out a payday loan in the last year, representing 2 million, perhaps he will understand the discrepancy. Perhaps he might like to account for why the Government did not want to put that information in the public domain.

Richard Fuller: I just wish to point out to the hon. Lady that I think there is a lot of consensus, which I hope she does not destroy in her passion for this issue.

As a point of clarification, the 5% figure in the OFT's analysis came not from the payday loan market but from participation in the high-cost credit market, which includes credit unions and credit cards. Given that my source is the OFT, perhaps she will clarify that point too.

Stella Creasy: I am happy to share the figures with the hon. Gentleman, although I am afraid to say that his interpretation is incorrect. One of the things that I have done—perhaps I am getting a reputation for it in the House—is my homework on this market, and I have sought as much accurate information as possible. That was why I made the freedom of information request, and I would be happy to share the data with him. One of the challenges is that the Government have information about how quickly this market is growing, but they are timid about confirming it.

Nic Dakin (Scunthorpe) (Lab): My hon. Friend is setting out carefully and deliberately the challenges that people face. Does she agree that the exponential growth in this high-cost credit lending is the very reason the Government need to act to address this issue sooner rather than later, in line with the consensus across the House?

Stella Creasy: I absolutely agree. I am quoting research by the consultancy practice, R3. It is conducting surveys because it is worried about the mix and range of credit that people are taking out and the high-cost credit itself, which is causing people to get into debt. That is why I am passionate about tackling the problem sooner rather than later. Contrary perhaps to some of the briefings that hon. Members might have had from the payday industry, the majority of people borrowing from these companies are on comparatively low incomes. In particular, one in 10 UK payday customers has an income of less then £11,000, and 46% have incomes of less than £15,000 a year. It is evident how quickly high repayment charges eat into an already meagre wage.

5.30 pm

This debate is not just about payday lending; it is also about some of the other forms of high-cost credit equally untouched by regulation in this country, including home credit. I know that some Government Members are concerned about home credit, particularly the provision of small cash loans to be repaid by instalment to collectors who call at home. A company named Provident, with which many people in the House will be familiar, has noted that its customer base has increased by 20% since 2007. It is now lending money to nearly 1.8 million people in this country.

This debate is not just about home credit either; it is also about hire purchase agreements and other methods of buying goods by instalment but under contracts that have heavy penalties written into them. BrightHouse, which has been mentioned, is also growing at a tremendous rate. In its annual report for 2009-10, it reported having had its busiest year ever, posting 13.7% growth in what it termed "contract receivables", standing at nearly £298 million. It has opened 21 new stores in the past year, increased its customer services by 20%, and grown fourfold since 2006-07.

We know that a number of factors are driving demand for these products. I agree with those who ask what more the mainstream banks could do to service this group within our community. We need to ensure that people are lent money at affordable rates, and mainstream banks must play their part. PricewaterhouseCoopers' research notes that a growing proportion of consumers are now facing the shock of being denied credit from mainstream lenders. We know that about 5 million to 7 million people in Britain are denied credit either because they do not have a bank account or because they have no credit history. That leaves many people with only the option of unsecured lending, including from payday or doorstep lenders.

We also know that the cost of living is pushing people to borrow to make ends meet. The Institute for Fiscal Studies recently warned that households are looking at the largest fall in their disposable income since 1981. Prices are rising twice as fast as income. What does that mean on an everyday basis? It means that the cost of living is rising. Asda's income tracker shows that the average UK household is £13 a week worse off than it was a year ago, as inflation eats into what is left of wage packets. We know that price-sensitive commodities are part of that mix. Petrol accounts for 12% of the average household's budget, although that is likely to change, and I suspect that energy prices might vie with petrol prices in the costs they add to households.

We also know how vulnerable many in our community are to a change in interest rates. Some 30% of those buying a property in 2007-08 relied on 100% mortgages, so they are especially vulnerable to signs of change. A 2% rise in interest rates would lead to a £307 increase in monthly mortgage payments across the country, and already people are struggling to pay their mortgages and using high-cost credit to meet their costs.

Stephen Williams (Bristol West) (LD): The hon. Lady just made the hypothetical point that a 2% increase in interest rates would cause those costs to rise. Undoubtedly that might be true were rates to rise, but they have not risen, and one reason market interest rates have not risen is that the Government are dealing with the deficit at a time when the Labour party has not come forward with any policies to tackle the emergency.

Stella Creasy: I hope that the hon. Gentleman is not being complacent about the cost of living, its impact on people in his constituency and the fears of many about

what an interest rate rise would mean for their monthly mortgage payments. One thing that worries me is that a lot of people are borrowing just to make ends meet; they are borrowing not for investments, holidays or fancy televisions, but to pay their rent and mortgages and to put food on their families' tables. His complacency about interest rates not rising any time soon is misplaced.

David Rutley: I have heard the hon. Lady speak with passion in this debate and others, and I respect the point being made. However, some of the points being made by Government Members are important, particularly those concerning fiscal constraint and household spending constraint. The gap in her argument is that it is vital that households bear down on their spending. It is not just about the cost of financing a television or whatever else; it is about not going for it in the first place. There is a wider scope for this argument. This debate is not just about the cost of the debt, but about people avoiding it in the first place by lowering their expectations of what they need.

Stella Creasy: I would be interested to hear the hon. Gentleman's advice to the nearly 500,000 Londoners who are having to use their credit cards to pay their mortgage or their rent. Right now, people are borrowing to pay for everyday essentials, and I fear that he sounds a bit like Marie Antoinette saying that people should just eat cake. That is very misplaced, given the dire financial situation that many people are finding themselves in, certainly in my constituency and, I will wager, in his as well.

Indeed, Shelter's research shows that it is not only people in London who are using their credit cards to pay their mortgages. There are 2 million people in this country who are doing it. It is horrifying to think of the situation that those people are getting themselves into, given the interest rates that they are paying on their mortgages, let alone the rates that they are paying on their credit cards.

We also know that changes in the cost of living affect some more than others. The Resolution Foundation points out in its low earners audit that those on low to middle incomes spend a higher proportion of their incomes on the goods and services that are hard to cut back, such as their housing, their fuel, their transport to work or the food that they put on their children's plates. That is what the hon. Gentleman is talking about. Those low to middle income earners spend 40% of their spending on those everyday essentials, compared with the 26% spent by higher earners. One in five pensioners have had to cut back on essentials such as food because of the rising cost of living.

This is not just a demand-side issue; it is also about the way in which the high-cost credit market is stacked against the consumer. That is why I believe that the market merits regulation. In order to make its profits, the high-cost credit market makes use of a number of the attributes of the people who have to borrow from it and of the way in which the market is structured. As has been mentioned, a quarter of the customers of high-cost credit companies cannot access any other form of credit. Indeed, Consumer Focus's research shows that many users of payday loans are unable to access mainstream credit such as overdrafts because they have already maxed them out. That means that they have no choice; they have no power to shop around for a cheaper loan. Also, they cannot build up a credit history that would show a mainstream lender, who might lend at a lower rate, that they could be trusted to pay a loan back.

Because high-cost credit companies have fixed costs, they make their money by repeatedly lending to people. That means that their business strategy is geared towards encouraging repeat borrowing and the rolling over of loans. Friends Provident has found that 29% of payday loans are refinanced, with the refinancing rolling over on an average of two occasions. Some 15% of home credit loans are refinanced and rolled over into a new loan before the end of their term. It is worth explaining what that means for the cost of borrowing from these high-cost credit companies.

One person who got in touch with me took out a loan of £650 with Wonga, in two instalments, to be paid back within a month. When the repayment date arrived, he found that he could afford to pay only the interest that had accrued on the £650, which was £163. The original £650 loan was then rolled over for another month. At the end of that month, he paid off the loan, which cost him another £858. That was the original £650, plus interest of £208 accrued in the second month. The clock starts ticking in the first month of these interest payments, which is how 4,500% interest rates are reached. The longer a loan is rolled over, the closer it can get to the 4,500% APR that Wonga charges. The process of rolling over meant that he had paid £1,021 for borrowing £650 over two months. It is difficult to see what level of cap on the number of roll-overs would make a difference in this market, because the industry consistently refuses to release information about its business model. We can therefore only guess at the impact that the number of roll-overs has on people's debts.

Furthermore, we know that the rates charged by high-cost credit companies often do not reflect an economic rate, due to a lack of competition in the market, a lack of regulation to drive down costs, and the absence of any ceiling being set. I recognise that using APR is problematic in understanding the cost of borrowing, especially in the payday loans industry, but as a yardstick it can help us to illustrate the issue. We know that payday loans can cost 4,500% from Wonga. They can cost 2,100% from Uncle Buck, 1,200% from Payday UK, and 1,700% from KwikCash.

John Woodcock (Barrow and Furness) (Lab/Co-op): I apologise for coming in late to the debate. My hon. Friend uses the same tube line as I do. Did she notice on the way in that one company was advertising on the tube, offering a decision by text within a minute for a loan at an APR of 1,734%. That cannot be right; we have to do something to crack down on it.

Stella Creasy: I agree absolutely with my hon. Friend. There is no ceiling on this market, which means that company rates are going up, not down. We also know about the lack of competition with other sections of the market. Provident owns 6% of the market. In 2004, the Office of Fair Trading referred the doorstep lending industry to the Competition Commission and, in 2006, its report confirmed the lack of competition. As Citizens Advice argues, however, the fact that these problems are getting worse, not better shows that the measures suggested in 2006 have not worked and that it is time to strengthen the intervention we make in this market.

[Stella Creasy]

Although I am an avid supporter of the credit union movement, it cannot at this moment present any kind of alternative to this market within any relevant timetable. Credit union membership is growing by 8% a year, but the payday lending industry alone is three times as big as it was two years ago. Credit union lending therefore remains relatively small scale, equivalent to just 5.9% in value terms of the high-cost commercial sector. As a consequence, it is unlikely to exercise any real competitive restraints on the prices in the high-cost credit sector.

With all the signs that this market is growing exponentially, this new clause and the review it recommends would allow us to look at a number of issues on how to tackle it effectively. First, it could consider excess profits—

Neil Carmichael: Will the hon. Lady give way?

Stella Creasy: Briefly, as I am conscious of the time.

Neil Carmichael: I thank the hon. Lady for giving way. I think that credit unions are really important. I have promoted them in my own constituency and I will continue to do so. I have joined one myself to demonstrate that it is something that we should all think about. Surely it would be a good idea to put out a more positive message about the role credit unions can play and encourage people to start thinking about being responsible in the management of their finances through the use of credit unions.

Stella Creasy: The hon. Gentleman is being a little unfair to accuse me of not putting out a positive message about credit unions, given that I worked long and hard to set up the Waltham Forest community credit union and to secure it more than 4,000 members from my borough. My point is that when only 2% of the British public are part of a credit union, it cannot be the answer to the problems caused by these companies. The question is how to get the right mix, and I believe that regulation needs to be part of that mix. Of course extending access to affordable credit is part of the solution, but it will take decades for credit unions to provide a serious alternative to these companies from which people are borrowing and getting into debt with now.

Frank Dobson (Holborn and St Pancras) (Lab) *rose—*

Stella Creasy: I will give way very briefly.

Frank Dobson: In response to the intervention by the hon. Member for Stroud (Neil Carmichael), is it not a further problem that because of the cuts to citizens advice bureaux, welfare rights units and law centres, good advice, which might help people to steer clear of loan sharks, is less and less available? As the years go by and the cuts continue, the problem will get even worse and the inequalities will grow.

Stella Creasy: There is a real concern about the lack of advocacy services and about people's inability to get help in negotiating with their creditors. I believe that we have to make credit affordable for all; payday lenders could be part of the mix if they were properly regulated. That is all that the new clause calls for.

Let me present some figures that might tempt Treasury Ministers when they see what could be achieved in the way of tax through this review. The Competition Commission inquiry into the lack of effective price competition in doorstep or door-to-door lending estimated that companies were making an excess profit of at least £150 million a year. The commission considered that 90% of that excess profit was made by Provident Financial alone. On that basis, Provident has made £675 million in excess profit out of low-income communities since 2005—a sum greater than the total amount of credit union lending that took place in 2010.

The Competition Commission's findings showed that excess profits amounted to additional costs to the consumer of approximately £9 for every £100 lent. A cap on that basis would have allowed Provident to charge no more than £53 for every £100 lent in 2006—still a lot of money. Even allowing for inflation at about 4.5%, taxing credit lent at a rate of £63 per £100 lent in this market would save consumers some £18.80 on every £100 borrowed or about £94 on the cost of a typical £500 loan. Even if Ministers rejected looking at tax measures, they could look at how to introduce an effective cap on the cost of credit.

Let me be very clear: I do not want to see a cap on interest rates. I know that Members have been lobbied extensively on this and been given information about capping the costs of credit based on caps on interest rates. I do not believe that caps on interest rates work effectively. The European research shows that low caps in America have been problematic, but it points out that the more flexible caps in Europe have been effective in controlling the market.

There are many myths about capping the costs of credit, as there were about regulation and the minimum wage. To those who argue that capping the costs of credit would cut lending and put firms out of business, I say that they should look at Poland, France and Germany, which all have such caps. To those who fear that caps would encourage all banks to start charging 4,000% interest, I say that that clearly would not happen. The EU research shows that interest rate caps have in some cases led to less illegal lending, as consumers are better able to manage their borrowing requirements without turning to informal sources of credit.

5.45 pm

The review could also consider what happens in other countries and how they cap the costs of borrowing. It is not just America, France, Poland, Germany, Italy, Greece or Spain that have caps on the costs of credit. Fourteen European countries have some form of capping system or ceiling on charges, whether it is France with one third over the market average, or Slovenia, which has a spread of caps. Some countries, such as Ireland, cap only parts of the market. Others, such as Germany, have limits on all forms of lending.

We could also consider capping roll-overs: I agree with the hon. Member for Solihull (Lorely Burt) that that is critical. In Alabama, for example, if someone cannot repay a loan the first time they take one out, they can have it rolled over only once. In Arizona, one can have it rolled over only three times. In 2010, Consumer Focus called for limiting the number of roll-overs to five per household per year.

We could also consider capping the amount that can be lent as a percentage of income. In Montana, one

cannot be lent more than 25% of one's take-home income. The number of such loans that a person can have at any one time could also be capped. In Montana, a person cannot have more than two at any one time, and a lender cannot lend the person more than $300. Nebraska allows only one loan at a time. As my hon. Friend the Member for Nottingham East (Chris Leslie) said, we could also consider whether financial conduct authority powers are relevant to such practices. I note that there is talk about it dealing with toxic products, and I hope that Ministers will consider seriously whether it should regulate the consumer credit market. The review could consider that.

Above all, the review would be a kick start for action in a matter that is pressing on many of our constituents. We know the consequences of doing nothing: rates of borrowing from such companies are going up and up. At the time of the Competition Commission report, Provident Financial was charging £65 per £100 lent; now it is charging £82 per £100 lent. That is an increase of 26% in the cost of credit. With a 4.5% rate of inflation, and a 2% increase in earnings, it does not take a mathematical genius to work out that problems for families trying to make ends meet will only get worse. Between April and May this year, there was a 58% rise in people applying for a payday loan via MoneySupermarket.com. One in 10 people in this country now spends more than 30% of income on repayments on unsecured debt.

What are the human costs of not dealing with such levels of debt? We all know people in our communities whose lives have been torn apart by getting into debt, whose families are struggling, and who experience mental health problems as a result. Were it passed, the new clause could cover a wide range of things. The question remains: do we need it? I believe that we do, because the Opposition need to be certain that there will be action. Whether the Government will act in the best interests of the consumer, and not the coalition, is now in question.

Back in February, the Minister responsible for consumer credit asked for more time to gather evidence. Five months on, we have nothing, and no update. He will not meet us to discuss the matter. I warned then that we could see any impetus for action diluted, lost in ministerial red boxes and the cosiness of the mantra that complexity justifies the status quo. I did not realise that it would be those on the Government Benches who prevaricated rather than officials. In the words of a prominent Lib Dem activist, to reject the new clause

"merely because it is an opposition amendment risks us being portrayed as mealy mouthed opportunists—caring more about party politics than the people I know we all got into politics to speak up for, those people whose lives are constantly blighted by these ruthless money lenders".

I came to the House to improve the fortunes not of the Lib Dems, but of the public. Today, I have set out the problem in the hope that Government Members will do the decent thing and let the cat out of the bag about what they will do to give respite to those who are suffering. If not, the Government should understand that we will not let the matter rest, and we will keep holding them to account. They may want this debate to go away, but let it stand on the record that those who vote yes to the new clause today are those who see the value to our economy of ensuring affordable credit for all, who see the benefit of our communities of ensuring that they are not trapped in debt for years trying to make ends meet, who put the interests of the British people first, not second, and who know that the capping of the cost of credit should be announced now and not on the conference podium.

I ask Members not to make the public wait but to vote yes today, tell their constituents how they plan to cap the cost of credit, and then get on with doing it. The people who depend on us to fight for their interests and those of their families need and deserve nothing less.

Tracey Crouch (Chatham and Aylesford) (Con): Having listened to the lengthy speech made by the hon. Member for Walthamstow (Stella Creasy) in the Public Bill Committee, and having checked *Hansard* to find that it was almost identical to the speech that she just made, I congratulate her on raising, yet again, both her profile and the issue of unscrupulous and high-cost lending. As she knows, she has a great deal of cross-party support on the underlying problem, but I fear that her new clause has little to do with identifying a workable solution, and I found her speech today disappointingly partisan.

I have been rather bemused by the hon. Lady's recent Twitter stream, which refers to the campaign to persuade Members to vote for her Consumer Credit (Regulation and Advice) Bill. Perhaps she does not realise that we are voting today not on her Bill—although many of us may agree with its principles—but on amendments to the Finance Bill. For reasons that I shall give later, her new clause is fundamentally flawed.

The problem of vulnerable consumers being preyed on by high-cost credit lenders is not new. It did not suddenly appear following last year's general election. It is a problem about which Members in all parts of the House have felt strongly for some time. My constituency contains areas of severe deprivation, and I deal regularly with case work relating to debt. I am active locally in trying to ensure that those with debt understand that there are good people to turn to, such as local credit unions and citizens advice bureaux, and that they need not rely on high-cost credit lenders.

Through the local media I have highlighted my own earlier debt problems, incurred when I worked as a researcher here in the House of Commons in the mid-1990s. I have received messages from local people saying that it was brave and courageous of me to be so honest, but I do not think that it was anything of the sort. I saw it merely as a way of removing some of the stigma from debt, and demonstrating not only that anyone from any background can get into debt, but that there are good people out there who can help to put those in debt back on the right track.

Increasing debt is an issue that should concern Members in all parts of the House. It, too, is not a new issue. I remember talking about the nation's personal debt topping £1 trillion before I entered the House. For some time my local citizens advice bureau has been advising clients with debts totalling £1 million per week, including priority and non-priority debts, but the figure is now nearing £3 million per week. Unfortunately, Medway has a high repossession rate: on average, about 70 repossession hearings take place each week. In these worrying times, what we do not need are unscrupulous credit lending and, indeed, debt management companies taking advantage of those who are in financial trouble and at their most vulnerable.

[Tracey Crouch]

The new clause proposes taxation measures as a means of clamping down on, or even stamping out, the industry. I fear, however, that the Opposition have not thought it through in any great detail. For a start, they have not addressed its unintended consequences. It is likely that any additional tax on the companies in the industry, just six of which control about 90% of the market, would simply be passed on to the consumer in the form of even higher rates. What is being proposed as a solution to the problem could exacerbate it by increasing the cost to the consumer and creating an even larger debt.

Sheila Gilmore (Edinburgh East) (Lab): The new clause asks for a review and a report. It does not suggest that the proposed measures should be implemented immediately. I fail to see the detriment that the hon. Lady seems to have identified.

Tracey Crouch: The hon. Lady obviously did not listen to the Minister's response to a point made earlier. As he said, a review is currently taking place. The new clause proposes

"a review of all taxation measures contained in this Act".

I think that, on this occasion, the hon. Lady is wrong.

Andrew Percy: Surely any tax review is likely to come up with a suggestion for raising taxes. It is unlikely to propose that taxes should be cut. If that is on offer, however, I certainly do not intend to vote for a measure that would cut the taxes of the people whom we are discussing.

Tracey Crouch: My hon. Friend makes a good point. Whether or not the tax goes up following a review—and the hon. Member for Walthamstow will probably say that it will go up—the result will be passed on to the consumer.

Organisations such as Citizens Advice recognise that the problem of debt is not confined to the high-cost credit industry. It is also caused by other practices, such as irresponsible lending, the imposition of high contingent charges, and the mis-selling of debt management services. I am not a supporter of the high-cost credit industry, but a tax on one part of the sector would not only be anti-competitive, but would not address problems in other parts of the consumer credit market.

The simple truth is that the industry needs better, if not more, regulation. Although the House may not often hear Conservatives say that we need more regulation, a number of Government Members believe that in this context, and particularly in the context of debt management, it is the appropriate solution. We have met the Under-Secretary of State for Business, Innovation and Skills, the hon. Member for Kingston and Surbiton (Mr Davey), and have told him that.

Duncan Hames (Chippenham) (LD): The hon. Lady is right to refer to the need for regulation. What troubles her more, the profitability of high-cost lenders or the techniques that they use to entrap their customers? Does that not provide a clue to where we should focus any Government interventions?

Tracey Crouch: That is a good point. In fact, what troubles me most is the impact on consumers. As we have been told by Members in all parts of the House, these companies prey on people who are incredibly vulnerable, and we need to ensure that the industry behaves much more responsibly.

A response to the Government's call for evidence on consumer credit is due shortly, and I look forward to the findings of the review. I have always had some sympathy for the proposal of a rate cap. However, it is interesting to note that Citizens Advice does not share the hon. Lady's view, and nor does the money-saving expert Martin Lewis.

Stella Creasy: It is true that Citizens Advice opposes a cap on interest rates, but I think the hon. Lady will find that both it and Martin Lewis have been very positive about the proposal for a cap on the total cost of credit, which the new clause would allow to be investigated. I hope that the hon. Lady will correct the record accordingly.

Tracey Crouch: The total cost of credit involves more than just the high-cost lending industry, but the hon. Lady spent most of her speech talking about individual high-cost credit lending companies such as Wonga. We must find a focus, and the fact is that wider issues of consumer credit are involved. I hope that the review will come up with a solution on which we can all agree.

The Government are considering specific product regulation as part of their draft Financial Services Reform Bill. Under the proposals to establish the financial conduct authority, a new model of conduct regulation will be established that will use early and proactive intervention to ensure that consumers are protected. That is a far more pragmatic solution than the blunt instrument of taxation, which, as I noted earlier, could have the adverse and opposite effect of creating a greater problem.

Oliver Heald (North East Hertfordshire) (Con): Does my hon. Friend share my concern about the fact that it is often very convenient, and made very easy, for a person to take out a loan? A door-to-door salesman may appear and try to build a relationship with someone. Part of the battle is to provide responsible institutions such as credit unions, and to ensure that people know how to contact them. I think that there should be far more advertising and signposting so that people know how to get in touch with their local credit unions.

Tracey Crouch: I met the members of Kent savers credit union on Saturday, and look forward to meeting members of the Medway credit union in the autumn. I am a keen supporter of credit unions, and I think that all of us here are responsible for ensuring that our constituents are aware of alternatives such as lending and debt management advice. Citizens advice bureaux also offer a fantastic service. We should take it on ourselves to ensure that the message reaches our constituents.

The House should know that there is a cross-party consensus on this issue, and that the consumer credit market—particularly the high-cost credit industry—is an area of concern. In Committee, new clause 11 was billed by the hon. Member for Walthamstow as a measure in line with nudge economics. While there are some

taxes that have arguably altered behaviour, such as those on cigarettes, it is highly unlikely that a tax that could be passed directly to the consumer will halt the growth or the unscrupulous practices of the industry. It would be far better to concentrate on regulation rather than taxation, and it is for that reason that I urge Members to vote against the new clause.

6 pm

Mrs Jenny Chapman (Darlington) (Lab): I congratulate my hon. Friend the Member for Walthamstow (Stella Creasy) on initiating and devising this new clause. The UK is a long way behind other countries in its regulation of this sector. Action is being taken in the United States and elsewhere in Europe, and therefore increasing numbers of companies are seeing the UK as the ideal place to operate because they know we are behind in respect of regulation. Indeed, as they do not anticipate regulation any time soon, they also do not anticipate leaving the UK in the near future, and they consider now to be a good time to invest in the UK market. Therefore, BrightHouse says it will triple its number of high street shops here in the UK. That is not only a worry for consumers, who are, by and large, exploited by these companies; it is also a threat to our high streets, because I for one do not want my high street to have signs saying "Cash for gold" and shops such as BrightHouse; I do not want what I would call unscrupulous companies populating our high streets.

The high-cost lender lobby is lobbying within an inch of its life. It is inundating those of us who are speaking out on these issues with documents, offers to meet, conversations and phone calls about why it is right and we are wrong. However, Members who represent places such as Darlington see the effects week in, week out in our surgeries, so we know the impact that these companies are having. They are not doing what they do for the benefit of the consumer, as they would lead us to believe; they are doing it because it is a pretty good business for them. I do not have an issue with their having a good business and making money, but I do have an issue with people who are least able to make such financial decisions being exploited in this way, and that is what is happening.

I am not a big fan of Jeremy Kyle, but in the interests of research I have sat through a bit of morning television, and I was disgusted at what I saw on our screens. Such companies are deliberately targeting people who are at home during the day and who they know are on low incomes. They are making their products look affordable, easy and cheap, which they are certainly not, and, most disturbingly, they are making them look the norm. They are making these products appear to be an everyday solution of which people from all walks of life throughout the country are taking advantage. That is the single most concerning aspect of this market.

Lorely Burt: I must confess, somewhat ashamedly, that I have also seen Jeremy Kyle's show and the advertisements that accompany it. I want to pick up on the fact that Labour Members do not feel it appropriate to meet short-term loan companies. I do not tweet, but it is my understanding that the hon. Member for Walthamstow (Stella Creasy) says that Wonga has refused to meet her. That is not the case, however. *[Interruption.]* This is my understanding; I am just going on a letter from Wonga, and I do not want to get involved in the dispute. My point is that we must fully understand the situation. The hon. Lady knows it intimately; I do not deny that.

Madam Deputy Speaker (Dawn Primarolo): Order. This is supposed to be an intervention, not a speech. I call Jenny Chapman.

Mrs Chapman: I am unclear as to the point that was being made, but I recommend that the hon. Lady follows my hon. Friend the Member for Walthamstow on Twitter, as she might therefore become more familiar with my hon. Friend's efforts to secure meetings with senior officials at Wonga and might also understand the frustration felt by Labour Members. It is frustration not only with the high-cost lenders, but with the Government too. Five months ago, the Backbench Business Committee initiated a positive debate on this issue, but there has been no movement since then—no announcements and no indication that something is in the pipeline. That fosters a great deal of frustration and a lack of trust among Opposition Members.

Neil Carmichael: The hon. Lady is expressing her case very well, and I sympathise with everything she is saying. However, is she not impressed by the work of, for example, the Office of Fair Trading in issuing its guidelines, and does she not recognise that it has the power to withdraw licences if the guidelines are not respected? I could also draw her attention to a number of other possible actions that have been put in place to enable movement in the direction in which she rightly wishes to proceed.

Mrs Chapman: All those steps are very welcome, but they do not go very far at all in addressing the fundamental issue. The Competition Commission says that what the OFT wants to do is nothing like enough. I understand the hon. Gentleman's intention: it is to give the Government a background against which they can decide not to support this new clause, but we are trying to force this issue to the fore and get something done about it. We are all for cross-party consensus—that is wonderful when it can be achieved—but what we actually want is something to be done. I hope the hon. Gentleman will therefore forgive Opposition Members if we are sometimes slightly intemperate in the way we express our views on this issue.

As I said when talking about my ten-minute rule Bill, for me the key issue is the advertising of these products, which is irresponsible. It might be argued that people are being given a choice, but people are not making that choice on value-for-money grounds. They are not shopping around. They are not thinking, "What's the best product for me?" They are instead thinking, "What will get me an answer to my problem as quickly as possible, and who will say yes to me? I don't want to go to the bank and be told 'No' or 'You can't have this but you can have something else and do you want to make an appointment to come back next week?'" These people have very immediate financial difficulties, and these products are deliberately targeted at them.

Damian Hinds (East Hampshire) (Con): First, may I apologise for missing some of the earlier speeches?

[Damian Hinds]

I have a great deal of sympathy with much of what the hon. Lady has said, but the fact that these companies have high costs and in particular high marketing costs, and the fact that there is no evidence that consumers are making rational choices based on which is more or less expensive, suggests that taxation is not the answer to the problem. There may well be an answer to the problem, but hiking up taxes is almost certainly not it.

Mrs Chapman: The new clause does not only address taxation. The hon. Gentleman should read it thoroughly, as it talks about other measures too. I do not think there is any one measure alone that will address this problem; there will have to be a package of measures.

There is no real competition in this market, as there are only a few companies in it. On Friday my attention was drawn to a company operating in the north-east called Provident. I was very disturbed to hear that last Christmas Provident representatives were going door to door deliberately targeting single mothers—as members of political parties, we all know that can be done. Its representatives were knocking on doors just before Christmas, saying, "We can offer you £500 and you don't have to pay it back until after Christmas." They were saying it could be paid back in a number of easy payments, thus making it seem attractive and ordinary. That is completely exploitative, and it will happen again this year unless the Government do something about it; indeed, it will happen Christmas after Christmas after Christmas. This House should neither accept nor tolerate that.

All Opposition Members are big supporters of credit unions.

Lorely Burt: So are we.

Mrs Chapman: Yes, Members on both sides of the House are, of course. The people behind the credit union movement are hard-working and honourable. I work somewhere where everybody is honourable, but these people really are hard-working and dedicated—many of them are volunteers—and they work in our communities to promote low-cost credit to people who are left out of mainstream credit. However, even with the best will in the world credit unions are not going to be able to compete with Wonga and Uncle Buck and so forth, because they lack the high street and web presence.

Mark Durkan (Foyle) (SDLP) *rose—*

Mrs Chapman: I understand that the experience is different in Northern Ireland, and I shall give way to the hon. Gentleman, whom I suspect will explain that further.

Mark Durkan: The low membership of credit unions in Great Britain has been mentioned. Credit unions in Northern Ireland have a high membership; well over a quarter of the population—in some constituencies the figure is more than 50%—are members of the very well-developed and well-funded credit unions. The credit union movement in Northern Ireland has made it very clear that it expects Parliament to take action against the predatory credit sector. The movement does not expect Parliament just to wave to credit unions; it says, "Tackle the sharks, don't wave to the dolphins."

Mrs Chapman: I am very grateful to my hon. Friend for that intervention, as he put it extremely well. I was aware that credit unions in Northern Ireland were incredibly advanced. I have found that although the fledgling credit unions in my constituency are doing a marvellous job, they are unable to do the very thing that he says is unable to be done in Northern Ireland. That strengthens the argument for accepting this new clause.

Stella Creasy: I wonder whether my hon. Friend would like to comment on the irony that credit unions have a cap on what they can charge, yet these legal loan sharks do not.

Mrs Chapman: That is an excellent point, with which I shall finish my remarks. I am aware that many colleagues would like to contribute and, having heard my hon. Friend's comprehensive speech, I will allow others to do so.

Justin Tomlinson (North Swindon) (Con): I welcome the opportunity to debate this new clause. I have worked with the hon. Member for Walthamstow (Stella Creasy) on a number of occasions to highlight the need to protect the most vulnerable people in society, and we have been supported by hon. Members from both sides of the House. Let us be clear that a consensus is essential, as has been said by the hon. Member for Scunthorpe (Nic Dakin) and my hon. Friend the Member for Macclesfield (David Rutley). This is an extremely complex and challenging issue, and although we all agree that action must be taken, we need to be careful not to make the situation worse. I will set out a number of reasons why that could happen.

The new clause would require the Government to review how taxation could be used to penalise high-cost credit that is detrimental to consumers and competition. However, the current consumer credit review is examining all the options through which we can hope to secure a measured and effective response. I first wish to highlight the need to use credit reference companies, because it is unacceptable that so many of these loan companies do not even simply check whether the person borrowing the money can actually service the debt. We would all agree that we are not against people borrowing money if that is what they wish to do, but they should have the opportunity to be able to service that debt. Secondly, we need to limit the number of customer extensions and roll-overs, as a number of hon. Members have said. It is unacceptable that people can be trapped into a cycle of increasingly expensive debt. Thirdly, there needs to be a cut-off point, when fees and the interest stop being accumulated. Too often we have seen people borrow a relatively small sum that has built up over many years. Many horror stories have been related in previous debates.

Mr Robert Buckland (South Swindon) (Con): Does my hon. Friend agree that there has been far too much of a rush to litigation by credit companies and that a far better approach would be to seek mediation before pressing the button to go to court? Such an approach would relieve a lot of the burden and pressure on the hard-pressed consumers.

Justin Tomlinson: My hon. Friend makes a very important point, with which I absolutely agree. Help should be provided at the point where we freeze that

debt, and there should be an examination of the reasons why a consumer was unable to service the debt before that debt gets even further out of control.

Another crucial element is to make sure that those who can pay early are not penalised for doing so. That would mean that if circumstances change to benefit them, they would be able to break away from high-cost lending. A number of hon. Members have mentioned the need for there to be greater access to credit unions, and I know that my hon. Friend the Member for East Hampshire (Damian Hinds) has highlighted the issue on a number of occasions. Interestingly, and aptly, the hon. Member for Darlington (Mrs Chapman) made the point that we should be encouraging those organisations that will lend with the consumer's interest at heart.

The particular issue I wish to discuss, which was mentioned by my hon. Friend the Member for Chippenham (Duncan Hames), is the need to examine the techniques that are being used. In previous debates, I have directed the majority of my anger at doorstep lenders and their nudge-nudge sales techniques. They build up personal relationships, face to face, in the homes of vulnerable consumers, suggesting ways in which people can borrow money. For example, in the run-up to Christmas the lender will ask people whether they have organised the Christmas presents for their children, the consumer will say that they are not sure whether they can afford them, and the lender then says, "It's lucky I'm here. Just add another £3 a week and you can get the presents that your children want." These lenders continuously build up people's dependency on high-cost lending, so we really have to look at these techniques.

6.15 pm

A number of hon. Members have picked on particular organisations—Wonga has been mentioned because it is always advertising on the television and the tube, as hon. Members will have seen—but we need to be wary of attacking what may not necessarily be so and we have to be careful not to chase cheap headlines. For example, although we often consider just the annual percentage rate, very few people can actually make calculations using the APR. When I tested this on a treasury manager the other day, they got it spectacularly wrong, as did everybody else. Let us suppose that someone needed to borrow £100 to tide them over until pay day. They have a choice between paying an APR of 4,400% plus a £5.50 product fee or, as happens at a typical high-street bank they go overdrawn, paying a flat, easy-to-understand fee of £10 a day plus £2.50 for having used their debit card without the authority to do so. Most people would snatch the hands off the person offering them the flat fee—the £22.50 to borrow that £100 for two days—but the APR of 4,400%, which many hon. Members have mentioned, works out at £1 a day and so that loan would cost £7.50, which is £15 cheaper than opting for the unauthorised overdraft at the bank. I am not defending that 4,400% rate, but we have to compare the like-for-like cost of loans and consider the crucial element, which is that most people cannot understand APR.

That brings me on to my next point, which is that we need transparency so that consumers can examine the clear costs of a loan. Let us have none of these different product fees or annual percentage rates, which people do not understand; when people want to borrow X, they need to be told that it will cost Y. That would allow them to shop around and completely understand things. If someone borrows £200 for 20 days at one of the high-street banks, they will be paying an APR of 46,500,000 million. Again, that sounds staggering, and I would not advocate anybody doing that, but we have to compare things on a like-for-like basis. We have to make everything clear.

Stella Creasy: Is the hon. Gentleman saying that it is not acceptable for banks to do what he just described? What does he make of the evidence suggesting that one of the challenges in this market is the fact that a quarter of their customers cannot borrow from banks, so even if they wished to use unauthorised overdrafts, they could not actually do so and the only source of credit available to them are predatory lenders such as Wonga?

Justin Tomlinson: Absolutely, and that highlights my first point about using credit reference checks. These people should not be getting money from high-cost lenders. Many of the more reputable high-cost lenders will not lend to them, but many of them do and prey on these people—that is particularly true of the doorstep lenders. We have to try to ensure that more people have access to the affordable banking arrangements—the credit union arrangements—but we must not fall into the trap of thinking that the banks always get things right because, as in the example I just gave, they can prove a lot more expensive—

Stella Creasy *indicated dissent.*

Justin Tomlinson: The hon. Lady may shake her head, but my interest lies in ensuring that people get the clearest information and the cheapest possible price. I will not defend any organisation that is going to exploit the most vulnerable people.

Unsurprisingly, the final item on my tick-list is the need for financial education. I chair the all-party group on financial education for young people, and I thank the 224 Members who are now signed up to the group. People do not understand APR and, as I have argued, it needs to be removed and replaced by a transparent approach. In addition, we need consumers to be able to understand the implications of what they are signing up for, its true cost, how to source alternatives and the best way to address the situation if they get into difficulties.

I am conscious of the time so I will conclude. We are all agreed that action is needed—nobody, from either side of the House, disputes that. I welcome the consumer credit review, but we must not fall into the trap of a quick fix to chase political headlines which simply makes matters worse. We need a measured and wide-ranging response that puts the vulnerable consumer first. Let us not chase a fix that makes things a hell of a lot worse for the most vulnerable people.

Jon Ashworth (Leicester South) (Lab): May I commend my hon. Friend the Member for Walthamstow (Stella Creasy) for her tenacity in pursing this issue and say that her speech was a tour de force? Equally, I commend her for getting this issue discussed on Twitter, as this must be the first new clause on a Finance Bill to have generated this much interest on that site.

[Jon Ashworth]

I wish to make only a few brief remarks, because a lot of what I wanted to say has been covered by my hon. Friend the Member for Darlington (Mrs Chapman), in particular, and by some Members on the Government Benches. Early on, I want to pick up on one point made by my hon. Friend the Member for Walthamstow in her speech and at business questions last week, which is the suggestion that some funny business is going on and that the Government are deliberately delaying making a decision to help the Deputy Prime Minister at the party conference—[HON. MEMBERS: "Rubbish!] Some hon. Members are shouting from a sedentary position, so I would be grateful if the Financial Secretary, who will, I presume, respond to the debate, could guarantee that the Deputy Prime Minister will not make an announcement on this matter in his conference speech. That would help Opposition Members—*[Interruption.]* I invite the Financial Secretary to make a few remarks on that point in his closing speech.

There is some consensus on this issue on both sides of the House. I was not a Member of Parliament when it was debated in February, although I have read many of the speeches. Many Members, on both sides of the House, take the issue very seriously—and rightly so. Before the general election campaign, the then Leader of the Opposition took it very seriously. When he was rebranding the Conservative party, he did not only hug hoodies and huskies. The party launched a campaign about resisting—I hope this is not unparliamentary language—your "inner tosser", which encouraged people not to fall into the trap of personal debt that we have discussed. At the time, the current Prime Minister said that—and I paraphrase—although the campaign was provocative, we needed to do something about personal debt. The Opposition agree.

Today I visited a money advice centre in my constituency to talk about some of the issues faced by many of my constituents who are getting themselves into trouble. I was told stories about how Wonga and quickquid.com target many vulnerable people in my constituency. Members might not be aware that my constituency contains some of the most deprived estates in the country and we have had many examples of such companies targeting people such as single mothers, as in the cases mentioned by my hon. Friend the Member for Darlington, when they have no choice but to sign up to such deals. Such people end up in great difficulty.

Another issue mentioned at the centre, although it does not fall within the narrow confines of the new clause, was illegal loan sharking. The problem is that many people who find themselves in deep trouble through legal loan sharking feel that they have no alternative but to turn to illegal loan sharks. I hope we will be able to debate that in future. I was told many tragic stories about people who have fallen foul of illegal loan sharking. Such people might be in work—it is not always a matter of gangs preying on vulnerable out-of-work people on estates. One example involved somebody who took out a loan from an illegal loan shark for £7,000, which soon became £70,000.

Lorely Burt: I agree with the hon. Gentleman about illegal loan sharking, which is a scourge of this country. Does he welcome the fact that despite the cuts the Government have made in other areas, we have increased the amount of money we are using to fight illegal loan sharks?

Jon Ashworth: My hon. Friend the Member for Nottingham East (Chris Leslie) tells me that the Government have cut the financial inclusion grant. I always welcome action to tackle illegal loan sharking, so I would be very disappointed if the money going into those funds was cut.

This is an important issue, which particularly affects my constituents. As my hon. Friend the Member for Walthamstow said, it is not just the constituents we would traditionally think of as the most vulnerable in society who are being hurt. Increasingly, the money advice centre I visited today is finding examples of people from lower and more middle income-backgrounds getting themselves into trouble and falling prey to such organisations.

Alison Seabeck (Plymouth, Moor View) (Lab): Does my hon. Friend accept that that income group—some of whom claim housing benefit and will be hit by the housing benefit changes and will have to find a lot of additional money to pay their rent out of their own pockets—could well fall victim to both official and unofficial loan sharks simply to meet their rent?

Jon Ashworth: I know that my hon. Friend has a good track record in raising such issues, particularly those to do with homelessness, and she is right to bring that matter to the attention of the House.

I want to focus on the point made by my hon. Friend the Member for Walthamstow about lower and more middle-income people being hit. Increasingly, such people are turning up at the money advice centres in my constituency in a way that they had not in recent years. That might reflect our economic climate, with inflation running at twice the rate of earnings and with the cost of living, food and utilities putting a great strain on the budgets of many people in my constituency. Those issues came up time and again in my by-election campaign and the Asda income tracker, which my hon. Friend mentioned, shows that families are some £165 a month worse off than they were a few years ago.

The final point raised with me today concerned credit unions. Labour Members have always been huge supporters of credit unions—the co-operative values on which they are based are values that we share—and I concede that Government Members support them, too. If we simply say, however, that credit unions can step up and fill the gap, we are somewhat mistaken. They do not have the capacity to compete with organisations such as wonga.com and quickquid.com. I would welcome it if more resources went into credit unions so that they could compete, but realistically they cannot carry out the door-to-door activity that wonga.com and so on can. Although we are great supporters of credit unions, I do not think they are the answer, although they are part of it.

In conclusion, I would welcome it if the Government could give us some indication of what is happening with the review, if they will not support the new clause. We need some regulatory reform of the sector. People in my constituency, in particular, are being hit. The situation is getting worse and unless the Government take action, I am worried about the future.

Andrew Percy: I was not sure when I came into the debate whether I was going to speak—*[Interruption.]* Well, I can never resist the temptation to hear the sound of my own voice. I have found this an interesting and fascinating debate with some very good speeches from Members on both sides. Some speeches have been a little political at times and it is best that we brush over that, because the issue should not be political. The hon. Member for Walthamstow (Stella Creasy) is, I know, passionate about this matter and I agreed entirely with a great deal of her speech. She has been in a Twitter conversation with a constituent of mine in Snaith. Very sound people live in Snaith—very sound people, because they re-elected their Conservative councillor with a massively increased majority in May, but we will gloss over that.

The issue has sparked an interest across the whole country. The letters and tweets we are getting from our constituents reflect the fact that a lot of people are interested in this matter. This has been a good debate and the hon. Member for Darlington (Mrs Chapman) made a particularly good speech, I thought, which was very consensual. I look forward to hearing the hon. Member for Makerfield (Yvonne Fovargue). I always listen to her on such matters because of her vast experience. I know that my hon. Friend the Member for North Swindon (Justin Tomlinson) has a huge interest in the subject, as does my hon. Friend the Member for Chatham and Aylesford (Tracey Crouch), who used to work with me at McDonald's in Hull when I first started to get into debt. Although I have never personally had to borrow from a high-cost credit company, I certainly understand having debts to the tune of tens of thousands of pounds.

In my case, it was credit card debt, and I am not alone in that. It started at university and I went down the line of paying off one credit card by transferring it to another on 0% for a year or a number of months before conveniently forgetting that and maxing out the one that I had just cleared. I now pay about £600 a month to clear all my credit cards, which I have had to roll into a loan since my election. I understand what debt is like and I know how once someone is on the conveyer belt, it is difficult to get off, and that is just with credit card debt. That conveyer belt moves faster for those on the high-cost credit side of things—I guess that is the only difference.

A lot of my constituents come to me with debt issues, which is why, following the lead of my hon. Friend the Member for North Swindon, I am getting the staff in my constituency office trained in the debt management side of things—not so that we can issue particular advice, but so that we can point people towards the most appropriate advice.

6.30 pm

We cannot look at just one side of this debate, such as regulation, education or the behaviour of people in the market; we have to look at them all together. That is why I am genuinely interested in the Government's response to the consumer credit review. I look forward to hearing what the Minister has to say. Access to advice is one side of the issue, which is why I was delighted to hear about the financial inclusion funding. As the hon. Member for Makerfield will attest, I took part in the debates on that at the time, because it is something on which my constituents rely heavily. I am pleased that the financial inclusion funding has been preserved for the year and that we seem to be moving towards an alternative that will maintain face-to-face advice—that has certainly been hinted at, and I hope that that happens—although I look forward to hearing more. Indeed, I am talking to one of my councils in north Lincolnshire about how we can better support citizens advice bureaux, which my neighbour, the hon. Member for Scunthorpe (Nic Dakin), is a huge supporter of.

We have to look at all the issues in this debate together, although I have to say to the hon. Member for Walthamstow that some of her speech got into the politics of the issue. I understand that she feels passionately about it, and she is quite right to criticise the Government if she feels that they have not responded quickly enough. Also, if she feels that anything has been set up for party political reasons, she is right quite to highlight that too, because I would not want to be a part of that—I hope that that is not the agenda in this debate. However, as Government Members have said, we are not talking about a section of the high-cost credit market that suddenly appeared on 7 May last year; we are talking about something that has exploded over the past couple of decades, and which no Government have dealt with properly. Indeed, her Government could be held just as responsible for the current position, so let us move on from the party politics of this debate.

The hon. Lady put her points across passionately, but she is asking Government Members to vote in support of a new clause and against their own party. That is not something that bothers me—I have no desire ever to be a Minister, and I will vote whichever way I think is best—but I would question whether some of those promoting the new clause have the same record on voting against their own side when they feel strongly about an issue. Therefore, please let us not criticise Government Members who perhaps do not support the new clause this evening; what is important is the message that goes out from all parts of the House. As the hon. Member for Scunthorpe said in an intervention, we must ensure that we retain cross-party consensus on the issue.

Education is key to this debate. The all-party group on financial education for young people, which the hon. Member for Walthamstow and my hon. Friend the Member for North Swindon have a part in, is driving this agenda forward. It is my privilege to be chairing the cross-party inquiry—on which the hon. Member for Darlington serves with distinction—into how we can get proper financial education on to the primary and secondary school curricula.

We also need to look at regulation. Let me say to Ministers that, as other Government Members have said, regulation is not something that generally comes naturally to me as a Conservative. I prefer to have as little regulation as possible; however, we are dealing with some of our most vulnerable constituents. Any Member who has had somebody come to their surgery with such problems will know that it is not school teachers or local doctors who turn up; generally, it is vulnerable people from a particular socio-economic group who are not very financially literate—although plenty of educated people are not financially literate either. Indeed, I can almost predict from where in my constituency people with such problems will come, because

they will have been targeted, because they have not had access to proper advice or, as has been said, because they have not had access to alternative sources of credit.

It is therefore time that we looked at some form of regulation in this area. Indeed, the international experience that the hon. Member for Walthamstow spoke of sounded very interesting. We looked at some examples in a previous debate, and I note the example of Alabama in particular. It has come to something when we are looking to Alabama for examples of regulation, given that the southern US states are not exactly known for their love of regulation. I look forward to the Minister's response to this debate. I said that I would approach it with an open mind, and I take on board the excellent speech that my hon. Friend the Member for Chatham and Aylesford made about taxation measures. Personally, I cannot see how taxation measures would have a great impact, although I note that sub-paragraph (d) in new clause 11 talks about looking at basically everything, so it will be interesting to see how the Minister responds to that.

Mrs Chapman: I have found myself wondering who the hon. Gentleman disagrees with in this debate.

Andrew Percy: I am feeling the love in the Chamber today, which is a good thing—there must have been something in the water in Goole this morning. However, the serious point is that that hopefully proves that although there are concerns, and although lots of Members who will vote differently from each other this evening have made incredibly passionate speeches, they clearly all want to see the same thing. We might disagree on how to get to there, but the fact that I am agreeing with so many people is perhaps a sign that there is consensus on this issue, which is a good thing.

Stella Creasy: At the risk of increasing the love in the Chamber, does the hon. Gentleman agree that the new clause would put beyond doubt—along with other measures that could be taken to tackle the problems that we all agree exist—tackling the question of regulation and acting on it by the Government? At the moment, we have no guarantee that that will happen in the consumer credit review; rather, we have only vague assertions that they are thinking about it. The review proposed by new clause 11 would guarantee that that would happen, which is why we want action now.

Andrew Percy: Of course that is what we all want to see, but we await the response of the Minister. At one point, some Opposition Members seemed to be saying that the Government were going to announce something at the Liberal Democrat conference, suggesting that it would no doubt be a well attended—I will not be going—and joyous occasion. Indeed, the hon. Member for Walthamstow seemed to suggest that the Government already had a solution that they were about to announce in October, so we all look forward to hearing what they have to say.

To end where I began, this is a hugely important issue for a lot of my constituents, as it is for constituents up and down the country, and it is time that we did something about it. It is appalling that people end up on a conveyor belt and seem unable to get off it. I therefore look forward to the Minister's response, and I genuinely hope that we have some action soon, in the interests of all our constituents.

Yvonne Fovargue: At any one time there are 5 million to 7 million people in this country who are unbanked or who do not have a credit history. In the main, they are the people who turn to high-cost lenders, because they do not have a credit history and they have nowhere else to go. Personal debt is rising, with 46% struggling until pay day, up 8% this year. Again, they are the people turning to the payday lenders.

I take issue with the claim that the rate has grown in the last decade. When I started in the advice field 20 years ago, there was one high-cost lender, Provident, which targeted a specific market. Provident went round the estates, using neighbours and talking to people. The company would go in—here I also take issue with the claim that people use the money on luxuries—and find people who needed to replace their broken cooker. The neighbour would come in, look at the cooker and say, "Oh yes, I can lend you that money." When the loan was nearly repaid, Provident would come back and say, "Tell you what, your sofa's looking a bit shabby. It won't cost you much more to get a sofa," and people would get trapped in a cycle of debt. However, in one respect, Provident was reasonably easy to deal with, because there was one company with a specific target group. It was possible to go round and talk to individuals, target schools and visit the residents groups that the people concerned attended. It is much more difficult now. The explosion of advertising and the normalisation of the process have made it so much more difficult to control the market and tell people what the dangers are.

I had a constituent come to me in February, as soon as he realised my interest in the subject. He could not quite manage to the end of the month—I think his car tax was due—and he had taken out a payday loan. The company immediately took the payment and the interest out of his bank account the next month. He realised that he could not get to the end of that month either, so he took out another payday loan. That carried on and in the end he had 10 payday loans and all his salary was being taken from his bank account. That was a man who was working. Such companies are supposed to check that people can afford to pay the money back and that they do not have other credit, but that did not happen in this case. For such companies, self-regulation absolutely is not working. That company was not an illegal loan shark: it was a legal company and it did not threaten to break the man's legs, but it left him in a cycle of stress and depression that he found very hard to get out of.

I am also concerned about the double whammy that these companies are operating, as many of the companies that put people into debt are opening debt-management arms to get people out of debt as well. When the financial inclusion fund was finishing last year, those companies were circling like sharks. I cannot tell hon. Members how many companies contacted me basically gloating and saying, "There will be no, or very limited, free debt advice, so people will have to turn to us and you will have to deal with us now."

I welcome the Money Advice Service because any advice on budgeting is welcome, but that service does not replace face-to-face debt advice. There is a need for

that kind of service to be available—and more freely available than it is now. People have what I call behind-the-clock syndrome. They get into debt and cannot face opening the letter about their debt so they put it behind the clock. When they get the next letter, that also goes behind the clock. I cannot tell hon. Members the number of people who used to come into the bureau with a carrier bag whom I would look at and think, "They are in debt". They would have a carrier bag full of letters that they could not face opening. People are not going to deal with a telephone or online service if they cannot even open a letter. There is a need for free, impartial, face-to-face debt advice and for regulation of debt management companies. Self-regulation is not working. It did not work in America, and when America regulated, those companies started coming over here because they like what they see.

Damian Hinds: Does the hon. Lady agree that while the availability and accessibility of free debt advice are important, visibility is also important? When people do get around to opening letters and starting to seek help, if they search on internet search engines for debt advice, Citizens Advice and the Consumer Credit Counselling Service ought to come at the top of the list even though they cannot afford to compete with debt management companies on pay-per-click rates. Should we not exhort Google and others to make sure that those services are duly highlighted?

Yvonne Fovargue: I think that is an excellent suggestion, but there also have to be appointments available when people need them. It is no use searching for citizens advice bureaux if appointments are not available for six to eight weeks because funding to provide the very specialist advice that is needed has dried up. We have to make sure, first, that people get information about where they can go, and, secondly, that appointments are available.

Regulation of debt management companies is needed. They come at the top of Google and other search engines on the basis that they will be going out of business in two years' time anyway, so they might as well make as much money as possible by charging up-front fees and charging as much as they can. If they do go bust, as two have recently, it does not really matter to them. I had a client come to me who had been paying £40 a month to a debt management agency for 18 months, at the end of which he owed his creditors more than when he had started. Those companies need to be regulated.

The new clause is one of the range of measures we need. We have to keep this issue high on the agenda because the longer we leave it, the more people will go to high-cost lenders and debt management companies and the more people will get themselves into a spiral of unaffordable debt. We have to act now. It is no use leaving this for another five or six months—how many thousands more will have got themselves into debt in that time?

6.45 pm

Oliver Heald: In the circumstances, I shall not trespass on the House's good will for too long.

I want to start where the hon. Member for Makerfield (Yvonne Fovargue) did by making the point that if a child of people on low incomes or on benefits needs a pair of trainers or some piece of equipment is broken, it is often a disaster and the money is needed right away. That is the background to this issue. The social fund does a good deal. *[Interruption.]* I think the hon. Member for Makerfield would acknowledge that 400,000 people a year make more than three claims on the social fund, so they are obviously finding it useful. It is important that a credit facility is available, and it is excellent that in Northern Ireland mutuals and credit unions are so well established. We need to do more in this country to develop that idea; otherwise, we will be in the hands of the high-cost operators we have been hearing about.

Yvonne Fovargue: Does the hon. Gentleman agree that many people do not realise that some credit unions offer loans to people who have not saved with them? The growth fund has been very useful in that regard, but many credit unions do not have access to the growth fund with which people have to save before they can get a loan. That makes the situation impossible for many people.

Oliver Heald: The hon. Lady makes an important point, which I imagine will be considered by the consumer credit review. I am a member of a credit union, and I think that all MPs should be because it is a good way of illustrating—

Chris Ruane (Vale of Clwyd) (Lab): I'm in two.

Oliver Heald: I am a member of one, and membership is a good way of trying to convey knowledge about credit unions. I pay tribute to the all-party group on credit unions, chaired by my hon. Friend the Member for East Hampshire (Damian Hinds). We need to do more to increase the amount of credit that is available on reasonable terms.

I am a member of the all-party group on financial education for young people, chaired by my hon. Friend the Member for North Swindon (Justin Tomlinson). The move to teach children the basics of budgeting from quite an early age is long overdue. In households that are chaotic and at the bottom of the economic pile there is very little understanding of basic budgeting, which we must resolve.

Finally, I want to support the point about advice. In the past, I have given free legal advice and dealt with welfare rights. I have experience of the people the hon. Member for Makerfield described, who come to see us carrying bags of documents from companies and unpaid invoices. The people who sit down with them, go through everything carefully and present their case to creditors do a marvellous job. The other day, I went to the Shelter facility in Hatfield, which offers debt advice in that part of Hertfordshire. Someone there had been working on debt advice for 29 years and she had lots of letters on the wall from people saying how grateful they were to her for trying to sort things out for them. We must certainly support debt advice, but we need to do other things in relation to education and credit unions. I would like more regulation in this field and, possibly, a cap.

Sheila Gilmore: Unfortunately, it seems that debates on this subject are beginning to follow a pattern: we all agree that high-cost lending is terrible and a scourge of many of our communities and that we would like something

[Sheila Gilmore]

to be done about it, but the problem arises in agreeing to act. In February's Back-Bench debate, the teeth were drawn from the motion proposed by my hon. Friend the Member for Walthamstow (Stella Creasy). The amendment agreed by the majority of Members of the two Government parties removed any impetus for immediate action or any agreement that the regulator should consider doing something. I see exactly the same pattern beginning to emerge. We are told that we all agree that high-cost lending is bad, but when Opposition Members want something to be done about it we are accused of breaching the consensus. In the words of the hon. Member for Brigg and Goole (Andrew Percy), we are the ones who are being political.

Andrew Percy: That is not quite what I said. I said that if we were to be political, we could bandy about the suggestion that all Governments had done nothing. I argued that we should await the Government's response to the consumer credit review. We can condemn them if they do not do what we want, but until then we should at least try to pretend to be on the same side.

Sheila Gilmore: I am afraid I do not share the hon. Gentleman's confidence that the review will indeed cover the issues, although something might be pending. The hon. Member for Solihull (Lorely Burt) is no longer in the Chamber, but I was interested to hear her say that "we" would all be happy to see the regulations "we" would be bringing forward. I do not know who "we" were, but it suggests that the Government's plans are quite well advanced and that the hon. Lady is privy to their thinking, as we are not. At the end of the debate, I hope we shall hear what the regulations are and what will happen.

Warm words are not enough. Some of the organisations involved have tremendous resources behind them, yet there is so little control of their operations. Their services can seem attractive because they "solve" people's immediate problems. Regrettably, at this stage credit unions cannot compete. Castle credit union in my constituency had to give up its shop-front premises in the main street because it did not have the resources to continue to pay the rent. It has moved into an office in a community building and is still functioning, but it has much less presence than it would have if it were still on the high street, where people would be able see it from the bus and pop in when they were doing their shopping. Now that it is tucked away in the community office, people might not know where it is. The situation is not helped by the fact that the local community newspaper, which used to advertise such facilities, has had to shut up shop owing to cuts in its funding. That will make it even harder for people to find the credit union.

Stephen Williams: I agree that sometimes it might be hard to find a credit union, although the one in my constituency is based on Cheltenham road, a main road. Perhaps credit unions need to go out and find customers; for instance, Bristol credit union had a stall at St Paul's carnival this weekend.

Sheila Gilmore: Indeed. On Saturday, I was at just such a festival in my constituency. It was a beautiful day—the first sunny Saturday for some time. Volunteers from Castle credit union, who help to keep it going, were there for exactly the reasons the hon. Gentleman suggests. However, if, unlike credit unions, high-cost lenders have a high street presence—extremely attractive, brightly lit and hardly missable—it is much easier for people to find them.

Regrettably, only 2% of people in the UK are members of a credit union. We can all work harder to increase that number, but one thing that would clearly help would be real resources to build the movement. Experience in my city is that real resources, far from being put in, are declining, and there are even fewer members. Despite the efforts of the volunteers who man stalls at local fairs and festivals, credit unions are not providing the competition we want with high-cost lenders. I should dearly like people to use credit unions instead of those institutions.

I understand that this is politics, but when Opposition Members make proposals we meet the accusation that Labour should have done things over the past 13 years, and it is suggested that the fact we did not debars our making proposals and expecting them to be listened to. I am sure that if my hon. Friend the Member for Walthamstow had been a Member during our period in government, she would have been harrying Ministers in exactly the same way as she has harried the Government over the past year. She would not have been afraid to speak.

We should not accept too lightly the suggestion that the previous Government did not look seriously at financial inclusion. The present Government say that they are interested in it too, but they do not put in the means to make it happen. It is not good enough to say they are interested. In my Westminster Hall debate, I referred to our manifesto proposal to oblige banks to provide basic bank accounts. The Minister's response was, "Oh, we don't really want that sort of regulation. We want it to be voluntary and we want to work with banks." That is all too often the Government's response. They say they want the ends, but they are not prepared to put in the means.

The previous Government did a lot of work on financial inclusion, but no one thing is enough: credit unions will not do it; basic bank accounts will not do it; and taking action against high-cost lenders alone will not do it. We need a range of measures.

Some of the steps that would help have been positively stopped by the Government. The growth fund, which helped to boost credit unions and other community-based financial institutions, has not been renewed or extended.

Damian Hinds: Is the hon. Lady aware of the modernisation fund of up to £73 million?

Sheila Gilmore: I might be wrong, but I understand that the fund is not a substitute for the money that was available through the growth fund. When it was introduced, it was hoped that banks would lend to community-based lending organisations; they have not done so, yet high-cost lenders can get finance to expand their businesses to make them attractive.

Stella Creasy: Does my hon. Friend agree that it is a cause of concern that the Wellcome Trust, which is supposed to advance charitable endeavours, has lent

£73 million to Wonga so that it can expand its operations in the UK? Such companies can easily access credit; indeed, that sum is the entire amount left from the growth fund for credit unions across the UK.

Sheila Gilmore: I thank my hon. Friend for that helpful intervention. If we are to put the money where our mouth is, it is extremely important that we do not just sit in the House constantly agreeing about how bad something is; we need to take action. On that basis, I urge Members, and perhaps even the Government, to accept the new clause.

Steve Rotheram (Liverpool, Walton) (Lab): I thank the House for its indulgence. I was at a meeting of the Select Committee on Communities and Local Government so I missed the beginning of the debate. I shall try to be as brief as possible, because I am sure that Government Members will have heard the compelling case made by my hon. Friend the Member for Walthamstow (Stella Creasy) and my colleagues and will have been won over by the powerful arguments they articulated.

Those outside the Westminster bubble sometimes question what we as Members of Parliament do in this place. I am sure that there are moments when even we wonder what it is all about and why we parliamentarians put ourselves through the rigorous demands of elected office. I realise just how privileged I am to be here and to represent not only the people of my community, for whom I have the highest regard, but a great city such as Liverpool, and then I have the opportunity, such as the one put forward tonight, to change the lives of ordinary people and realise that my time here is anything but wasted.

7 pm

High-cost credit is exactly the sort of issue that I got involved in politics for in the first place. The issue is totemic, as it represents the sort of fight that I hear politicians talk about all the time in this House. The word "fairness" is bandied around the Chamber like confetti. Even the Prime Minister claims that coalition policies are about fairness. Although I point to the juxtaposition between the reality and the rhetoric, today is an opportunity for Government Members to put their money where their mouth is, because this really is about fairness.

Oliver Heald: There is of course wide acceptance across the House that some regulation is needed in this area, but why should it be about taxation? A Finance Bill obviously provides an opportunity to raise the issue, but does the hon. Gentleman not agree that there is a risk—*[Interruption.]* He should at least let me ask the question before learning the answer from the hon. Member for Walthamstow (Stella Creasy). Does he not agree that there is a risk, through the law of unintended consequences, of high-cost companies simply passing on the costs of higher taxation to the poor people in Liverpool he is worried about?

Steve Rotheram: I always listen to my hon. Friend the Member for Walthamstow, as she is much more of an expert on these matters than I am. I hope that the hon. Gentleman's intervention is not indicative of the thinking of all Government Members.

I have a particular reason for wanting to see a cap on the cost of credit. I come from a family of eight kids, and unfortunately my beloved mum was often a victim of door-to-door credit. She took it not to pay for luxury goods, but so that she could afford to buy us things like school blazers and winter coats. She would get a Provident or Sterlers cheque and pay it back on the "never-never", as it was known colloquially. This meant paying back hundreds of per cent. of the original loan in interest charges, but like millions of others she did not really understand the rudimentary economics and looked only at how much she could afford to pay back each and every week, rather than the interest rate or the cumulative payment total. Unfortunately, she was not unique in this respect and, even four decades on, far too many people are still caught in this poverty trap.

The high cost of credit has not improved much for families at the wrong end of the socio-economic ladder. Home credit lenders often charge astronomical annual percentage rates of up to 3,000% or 4,000%. I had to check those figures, because the current bank base rate is only 0.5%, but I found that interest charges of thousands of per cent. are not uncommon. In fact, the UK's poorest pay the highest price for credit in Europe. This is an obscene state of affairs and the Government must act. Before we hear the same old mantra from Government Members, I admit that we in the Opposition did not do enough to tackle the issue head-on when we were in power. However, as my hon. Friend the Member for Makerfield (Yvonne Fovargue) rightly pointed out, this is an escalating problem that needs to be tackled immediately.

I urge Members on both sides of the House to support what my hon. Friend the Member for Walthamstow is trying to do to stop this most socially iniquitous of practices. Even Boris supposedly supports measures to protect the financially vulnerable, and if he can do it, there should be nothing stopping Government Members doing the same.

Members on both sides of the House have highlighted the problem and provided examples of the unfairness, but it is worth reiterating that credit lenders can charge, in real terms, £82 in interest and collection charges for every £100 lent. A gentleman came to my constituency advice surgery only last Friday and told me that his wife was suicidal because of the level of debt that they had got themselves into. I highlighted last week in a Westminster Hall debate the fact that the banks are failing to meet the Project Merlin targets for lending and the adverse effect that this is having on the construction sector. The banks are also failing ordinary families as they are refused credit from high street lenders, which often results in them taking the only option left: high-cost lending through payday and doorstep loans and hire purchase.

The rising cost of credit traps those least able to cope with the pressures of economic stagnation as they struggle to make ends meet, and believe me, the VAT increase has not helped those families. Some payday lenders are rubbing their hands at the expansion in their "target audience", as one put it, 70% of whom have a household income below £25,000. I know that we will never completely stop this most lucrative of immoral trades, but we can certainly put a cap on lending to regulate the total amount that can be charged for supplying credit.

This is one of the occasions on which I do not understand how a proposal could not receive unequivocal support from both sides of the House. I have listened to

[Steve Rotheram]

some of arguments against taking action, such as the suggestion that it might make things worse or restrict credit to those who need it, but that is an absolute cop-out with no basis in evidence. Therefore, I ask Government Members to support the new clause to ensure that consumers are protected and simply pay a fair price for credit.

The Financial Secretary to the Treasury (Mr Mark Hoban): I think that the debate has demonstrated the potential for cross-party support for the analysis underpinning the discussion we have had this afternoon, but I gently point out to Opposition Members who seek to turn this into a partisan political issue that their Government had the opportunity over 13 years to tackle this. In fact, we had a debate on it while the Financial Services Act 2010 was going through Parliament, not long before the general election, during which my opposite number at the time ruled out acting on interest rate caps because of the impact of depriving the most vulnerable of credit services. It is not a new issue, or one that is fresh to this Parliament. Ministers in the previous Government were opposed to the idea of caps because, as the hon. Member for Liverpool, Walton (Steve Rotheram) indicated, it could restrict the supply of credit, forcing those who need it into the hands of illegal moneylenders, an outcome that Members on both sides would not want to see.

Let us be clear that credit can be a good and positive force that enables people to meet needs when there is a sudden shock, such as an unexpected expense or a cut in income, but it must be used sensibly and sustainably. When people decide to borrow, they must be mindful of what that means for them and realistic about their ability to repay the loan. That is true whether the loan is over 10 years, five years or a matter of days, as is the case with some instant or payday loans. However, all lenders have a responsibility in this regard. Lending more than borrowers can afford to repay does not benefit anyone. Under the recently introduced consumer credit directive, all lenders, including high-cost credit lenders, must ensure that when they decide to advance a loan they do so after making a thorough assessment of the lender's ability to repay.

We know that consumer debt grew significantly under the previous Government, more than doubling from £620 billion in 2000 to more than £1.4 trillion by May 2010. Some of this debt is now being repaid as consumers begin to come to terms with their borrowing, with the amount of unsecured debt reducing in the past two years. Although much of this debt will be repaid without any problems, some borrowers get into difficulty. Lenders have a responsibility to help customers and treat them fairly when they get into difficulties with loans, not push them further into debt. Continuing to add excessive arrears and default charges is a lose-lose situation; the debt increases out of all proportion to the amount borrowed, the lender is less likely to be repaid and the borrower may have difficulty borrowing again. Lenders should work with borrowers, not against them.

We should all be concerned about people borrowing at high rates of interest. However, the high-cost credit market, whatever its faults, provides a service for those who cannot get credit from any other source. We should be careful about describing high-cost credit providers as legal loan sharks. We all recognise from our own communities that real loan sharks are far worse, resorting to violence and intimidation to recover their debts. High-cost lenders are licensed and operate within a regulatory framework, which provides some recourse when things go wrong.

We should be clear that action has been taken over the past year to improve consumer protection in this area. First, under the consumer credit directive, which came into force earlier this year, consumers now have a right to withdraw from any credit agreement within 14 days. If they do so, they have to pay back only the money lent and the interest accrued over that time. Secondly, consumers have a right to repay a loan early at any time, in part or in full. Thirdly, lenders now have to provide information in a standard format so that borrowers can easily compare the costs of different loans. Improving the transparency of information will help consumers. Fourthly, lenders must conduct a full credit assessment before advancing any loan. Lenders will also have to explain the key features of the credit agreement.

In addition, the Office of Fair Trading has recently published its guidance on irresponsible lending, which clearly sets out that deceitful, oppressive or otherwise unfair lending practices are not acceptable. The OFT, which is responsible for the regulation of credit—something that whoever tabled the new clause seemed to forget—has the power to remove the licence of those who breach the irresponsible lending guidance.

Much good work is going on, including the excellent work of credit unions, which many of my hon. Friends have mentioned. It is a shame that the hon. Member for Edinburgh East (Sheila Gilmore) is not in her place. My hon. Friend the Member for East Hampshire (Damian Hinds) is right that there is £73 million to help to expand and modernise credit unions. The money that the previous Government put into credit unions is diminishing, because the money that credit unions were able to earn on the debt was lower than the default rate on the loans given. I therefore welcome the money that the Department for Work and Pensions has found to strengthen credit unions.

As a number of hon. Members have said, we are reviewing the wider consumer credit landscape. At the end of last year, the Treasury and the Department for Business, Innovation and Skills published a joint call for evidence on the consumer credit and personal insolvency review, which covers all aspects of the consumer credit life cycle, including what happens when things go wrong. This is an opportunity to ensure that the regulatory framework is fair to consumers and the industry. Part of that review focuses on the high-cost credit market. Following an OFT review that took place under the previous Government, we have asked for evidence on five of its recommendations.

Stella Creasy: Will the Minister give way?

Mr Hoban: Let me just finish the recommendations, and then I will give way.

The first recommendation was to provide information on high-cost credit loans to consumers through price comparison websites. The second was to introduce a "wealth warning" on high-cost credit products. The

third was to collect essential information on the high-cost credit sector so that the OFT can track developments. The fourth was for the Government and industry to develop a code of practice. The final recommendation was to work with credit reference agencies to explore ways in which payday lenders could provide suitable information about the payment performance of their customers. That would help those who use high-cost credit to build up a credit history that they can use to access more mainstream lenders.

Stella Creasy: I wonder whether the Minister can deal with an anomaly that has driven the new clause. I received a letter on 25 May, which set out that the high-cost credit market was not specifically included in the consumer credit review. Is the Treasury taking the lead on this and does BIS need to follow? Will the Minister clarify this matter, because the letter from the Under-Secretary of State for Business, Innovation and Skills, the hon. Member for Kingston and Surbiton (Mr Davey) said that BIS was not looking at this area per se?

7.15 pm

Mr Hoban: Her Majesty's Treasury and BIS have joint responsibility for this matter, which is why we issued a joint call for evidence. As I said, the consultation includes gathering further thoughts on the five areas from the OFT review.

The Government will respond to the review in the coming weeks and we are still assessing the evidence that has been provided. I can tell the House that a number of responses have been received on introducing a cap on interest rates, including from Members of this House. This is clearly an area that we will consider properly and carefully. We have been clear that we are not afraid to take action where there is evidence of consumer detriment.

I turn to the new clause that was tabled by the shadow Chancellor and a number of hon. Members. It asks the Government to review the impact of all taxation measures on lenders who are seen to engage in high-cost lending. I appreciate that this may be a probing new clause. I pointed out in Committee that the new clause as then drafted would lead to the perverse outcome of forcing up the cost of credit. The new clause before us has similar defects and unintended consequences.

I will point out the defects first. It is the Office of Fair Trading that regulates consumer credit, not the FSA. I would have thought that a Member who is so proud of her reputation for doing the homework would have got that right. It is well known that the OFT regulates high-cost credit.

Secondly, unlike the new clause tabled in Committee, which focused on the bank levy, this new clause looks at tax measures that are applicable to high-cost credit lenders. It would require each tax measure in the Budget to be assessed to see whether it is applicable. I listened carefully to the speeches of the hon. Members for Nottingham East and for Walthamstow—she is probably tweeting about this as we speak—to find out what tax measures they had in mind. I did not hear a single tax proposal being put forward by Opposition Members. *[Interruption.]* The hon. Gentleman says that we should propose the measures. I have been listening carefully for any sensible tax proposals from Opposition Members, but I am yet to hear one.

My concern is that there is a degree of price elasticity for those who use high-cost credit. Such people pay for high rates on their borrowing. If we increased taxes on high-cost credit, the costs would be borne by the borrowers through higher charges and the benefit would be gained by the Exchequer. That would run counter to the interests of those who use high-cost credit.

Chris Leslie *rose—*

Stella Creasy *rose—*

Mr Hoban: This is an embarrassment of riches. I will go for the hon. Gentleman, who I think is in charge of this new clause.

Chris Leslie: If taxes and levies are invariably passed on to the consumer, will the Minister elaborate on the banking levy? Presumably he feels that that, too, will be passed straight through to the consumer. Are there not other tax measures that disincentivise or demerit activities?

Mr Hoban: There are a number of taxes that disincentivise certain activities. We could be here all day identifying them. The challenge is to what extent an increase in tax is passed on to the consumer and to what extent it is borne by the shareholders. There is a lot of evidence that in areas where borrowers are relatively insensitive to price, such as payday lending, the additional costs of tax measures would be passed on to the consumer. I am yet to be persuaded that that would not be the case. It might help if the Opposition had some concrete proposals on tax that could be assessed, but so far they have not. Perhaps the hon. Member for Walthamstow has a proposal.

Stella Creasy: I am saddened that the Minister did not feel that any proposals were made in the debate. I thought I had caught his eye when I talked about whetting his appetite with the excess profits that companies make. I made a specific proposal on that, which I will repeat for his benefit. Provident has taken £675 million in excess profit out of low-income communities since 2005-06, according to the Competition Commission's investigations. Perhaps he could look at taxing the excess profits that these companies are making. Does he agree with that proposal?

Mr Hoban: I listened carefully to that point, and the hon. Lady again demonstrated the problem that she is long on analysis, but short on solutions. She talked about excess profits, but of course there is a range of solutions for that, one of which is to increase competition in the market to force prices down. I am not sure that a windfall tax, which I think is what she is proposing, would have the impact that she expects.

Mark Durkan: The Financial Secretary suggests that taxation would inevitably be passed on to consumers, but Ministers insisted not so long ago that the North sea tax would not be passed on to consumers. The Chancellor himself was very clear that it would not, and that he had means and measures to ensure that it could not be. Many Government Members said that they were happy that consumers would not pay the VAT increase,

[Mark Durkan]

because hard-pressed businesses would just have to absorb it. Why are the Government protecting the predatory credit sector?

Mr Hoban: The hon. Gentleman needs to look carefully at the impact of tax in different sectors. Just because one rule applies to one sector does not mean that it applies to others. We know that there is real concern, for example, that if we forced excise duty up too high, people would resort to smuggling to evade it. The impact varies from tax to tax and from area to area, and we need to consider which measures will be effective.

There are broader concerns about how the Opposition want to use tax. As I said, tax is used to change behaviour from time to time, but it is a blunt instrument, and if it is not properly thought through it can lead to perverse outcomes. An increased rate of tax on lenders would not have any obviously positive impact on how consumers are treated. Studies from other areas show that lenders will find ways to circumnavigate regulations and pass costs on to borrowers. A different tax rate for those businesses would be detrimental to consumers and would raise the cost of providing credit to those who may be unable to access mainstream credit.

Members have a responsibility to take seriously the potential for such measures to drive lending underground. I am sure that no one in the House would like to see a rise in illegal loan sharking, which can so devastate lives. The risks to individuals' financial and personal well-being would be increased by loan sharks, who do not follow regulations or take legal action when debts remain unpaid. They use whatever means they can to recover their money, often forcing borrowers into more debt, or much worse. The provision of short-term credit can prevent financial exclusion, and it has allowed more consumers to access credit in a regulated market.

A number of comments have been made about an interest rate cap. There were three separate reviews under the previous Administration that considered, among other things, price controls in the high-cost credit market in the UK. They all came to a similar conclusion—that introducing price controls may lead to unintended consequences that would not be beneficial to consumers. The OFT review found that

"introducing price controls would not be an appropriate solution to the particular concerns we have identified in this market",

and that

"developing a system to enforce and monitor price controls or interest rate caps in the UK would be complex, expensive and difficult to administer".

In Committee, the hon. Member for Walthamstow mentioned a recent European Commission study published at the start of this year, but it found that restrictions on interest rates could deny people access to small amounts of credit, do not reduce overall average interest rates and lead to increased fees and charges being imposed by lenders. The idea of a cap on the total cost of credit sounds appealing at first, but it would have its consequences.

Oliver Heald: Does my hon. Friend agree that two initiatives that were described earlier are valuable? One is credit unions—my hon. Friend the Member for East Hampshire (Damian Hinds) chairs the all-party group that is promoting their work—and the other is financial education for young people, which my hon. Friend the Member for North Swindon (Justin Tomlinson) and his all-party group are pursuing vigorously. Are those not two positive things that the House can get behind?

Mr Hoban: Yes, my hon. Friend is absolutely right. The provision of better education, information and guidance to help people manage their money is extremely valuable. That is why we have been very supportive of the Money Advice Service in its work to help improve financial capability and capacity.

Sustainable solutions to the issues raised by the Opposition are not simple or obvious. As my hon. Friend the Member for North Swindon (Justin Tomlinson) said, an individual making the minimum repayment on their credit card could be subject to a higher total cost of credit than someone using payday lenders. The vast majority of people who borrow from payday lenders and then re-borrow pay off the amount that they borrowed by the third time. That shows that careful and considered thought needs to be given to the impact on consumers of a cap on the total cost of credit, and how it would be implemented in practice. The majority of available research focuses on interest rate restrictions rather than such a cap, but some of the same challenges apply.

We need to gather evidence before we introduce new rules, or else risk unintended consequences. That was why we launched the consumer credit and personal insolvency review, and we are considering carefully the evidence that has been provided. The Government will announce the next stage shortly, and are committed to taking action when we can be sure that it will be effective. The Under-Secretary of State for Business, Innovation and Skills, my hon. Friend the Member for Kingston and Surbiton (Mr Davey), and I will continue to engage in the matter, along with the hon. Member for Walthamstow. However, I am afraid the new clause is not the right way to take things forward. It is flawed in both detail and effect. We need sensible, well-thought-through interventions to improve the functioning of high-cost credit markets and get better outcomes for consumers. The new clause would not achieve that, and I ask the Opposition to withdraw it.

I know that it cannot be easy for the Opposition to work with the Government on this issue and appear to concede on the new clause. It could seem like a climbdown for them to accept that more work is needed before action is taken, but that is the sensible, responsible approach.

Chris Leslie: I am sorry that the Financial Secretary has taken that attitude to the new clause, which is pretty innocuous in calling for a review. We have not put specific proposals in it, because we thought that in the spirit of cross-party working it would be useful to set up provisions to allow the Treasury and the OFT, working together in harmony, to work through the options and possible policy devices. Asking for a review on an extremely serious issue such as this is a bit like motherhood and apple pie; it really should not be objected to.

Tracey Crouch *rose—*

Chris Leslie: I am sure the hon. Lady will not object to a review.

Tracey Crouch: Will the hon. Gentleman acknowledge that a review is already under way, and that all these issues are being considered as we speak? The new clause would serve only to delay the outcome of that review.

Chris Leslie: I must correct the hon. Lady. I know that there is a review of sorts going on, but it relates to credit card lending and high bank charges on lending. The letter that my hon. Friend the Member for Walthamstow (Stella Creasy) received in May from the Under-Secretary said that the high-cost credit market

"was not specifically included in the call for evidence"

for the current review. That was what the letter of 25 May said—from the same Minister, incidentally, who refused to meet my hon. Friend.

The Financial Secretary is far too relaxed about this issue, and the Government are not exercised enough about it.

Andrew Percy *rose—*

Chris Leslie: Members of all parties, including the hon. Gentleman, to whom I may give way in a moment, have made the point that there is great concern among our constituents in our surgeries about the real suffering and punitive charges that they sometimes face. The organisations in question admittedly engage in legal lending, but their activity feels immoral to many of us.

My hon. Friend the Member for Makerfield (Yvonne Fovargue) said that help from the financial inclusion fund ought to be there for our constituents. The Minister tried to explain that that fund will remain for another nine months, but as my hon. Friend said, it will end, and for those who struggle even to open the envelopes containing the bills as they stack up, there is no substitute for such face-to-face advice. The Government need to do better to ensure that face-to-face advice services remain and do not fall away when the cuts to them are compounded by local authority cuts.

7.30 pm

The Minister said, "Oh well, the previous Administration ruled out interest rate caps," and castigated them for that. The point is that we are talking not about one route or policy solution today. We need a thorough review that deals specifically with high-cost credit markets. The current joint OFT and Treasury review does not do that. His reasons for resisting the new clause are the typical civil service ones—pointing out that the proposal refers to the Financial Services Authority rather than to the OFT is pretty pedantic. He also said that the proposal does not list specific policy elements. He rules out tax as a lever, but I do not say that a tax measure is absolutely necessary in this case; I am saying that it could be. We want him to lead a review to find out.

The Minister's complacency is not good enough. Vulnerable people in this society are suffering because of the high punitive charges that they unfairly face. Some of the very poorest in our society are suffering. We need action now, and we have tried our best to offer the Minister a device that would allow him to get on with reviewing the levers that could make a difference. He refuses to do that and throws the proposal back in our face. For that reason, surely, we ought to press the new clause to a Division.

Question put, That the clause be read a Second time.

The House divided: Ayes 228, Noes 273.

Division No. 312] **[7.31 pm**

AYES

Abbott, Ms Diane
Abrahams, Debbie
Ainsworth, rh Mr Bob
Alexander, rh Mr Douglas
Alexander, Heidi
Ali, Rushanara
Allen, Mr Graham
Ashworth, Jon
Austin, Ian
Bailey, Mr Adrian
Bain, Mr William
Balls, rh Ed
Banks, Gordon
Barron, rh Mr Kevin
Beckett, rh Margaret
Begg, Dame Anne
Bell, Sir Stuart
Benn, rh Hilary
Benton, Mr Joe
Berger, Luciana
Betts, Mr Clive
Blears, rh Hazel
Blenkinsop, Tom
Blunkett, rh Mr David
Bradshaw, rh Mr Ben
Brennan, Kevin
Brown, rh Mr Gordon
Brown, Lyn
Brown, rh Mr Nicholas
Brown, Mr Russell
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burnham, rh Andy
Byrne, rh Mr Liam
Campbell, Mr Alan
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clark, Katy
Clarke, rh Mr Tom
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Connarty, Michael
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Crausby, Mr David
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cryer, John
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Curran, Margaret
Dakin, Nic
Danczuk, Simon
Darling, rh Mr Alistair
Davidson, Mr Ian
Davies, Geraint
De Piero, Gloria
Denham, rh Mr John
Docherty, Thomas
Donohoe, Mr Brian H.
Doran, Mr Frank
Doyle, Gemma
Dromey, Jack
Dugher, Michael
Durkan, Mark
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Engel, Natascha
Esterson, Bill
Farrelly, Paul
Field, rh Mr Frank
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Francis, Dr Hywel
Gapes, Mike
Gardiner, Barry
Gilmore, Sheila
Glass, Pat
Glindon, Mrs Mary
Godsiff, Mr Roger
Goggins, rh Paul
Goodman, Helen
Greatrex, Tom
Green, Kate
Greenwood, Lilian
Griffith, Nia
Gwynne, Andrew
Hain, rh Mr Peter
Hamilton, Mr David
Hamilton, Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Healey, rh John
Hendrick, Mark
Hepburn, Mr Stephen
Heyes, David
Hillier, Meg
Hilling, Julie
Hodge, rh Margaret
Hodgson, Mrs Sharon
Hopkins, Kelvin
Howarth, rh Mr George
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs Siân C.
Jamieson, Cathy
Jarvis, Dan
Johnson, rh Alan
Johnson, Diana
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Joyce, Eric
Kaufman, rh Sir Gerald
Keeley, Barbara
Kendall, Liz
Khan, rh Sadiq
Lammy, rh Mr David
Lavery, Ian

Lazarowicz, Mark
Leslie, Chris
Lewis, Mr Ivan
Lloyd, Tony
Llwyd, rh Mr Elfyn
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
MacNeil, Mr Angus Brendan
Mactaggart, Fiona
Mahmood, Shabana
Marsden, Mr Gordon
McCabe, Steve
McCann, Mr Michael
McCarthy, Kerry
McClymont, Gregg
McDonnell, John
McFadden, rh Mr Pat
McGovern, Alison
McGovern, Jim
McGuire, rh Mrs Anne
McKechin, Ann
McKinnell, Catherine
Meacher, rh Mr Michael
Meale, Sir Alan
Mearns, Ian
Miliband, rh David
Miller, Andrew
Mitchell, Austin
Morden, Jessica
Morrice, Graeme *(Livingston)*
Morris, Grahame M. *(Easington)*
Mudie, Mr George
Munn, Meg
Murphy, rh Paul
Murray, Ian
Nandy, Lisa
Nash, Pamela
O'Donnell, Fiona
Onwurah, Chi
Osborne, Sandra
Owen, Albert
Pearce, Teresa
Perkins, Toby
Pound, Stephen
Raynsford, rh Mr Nick
Reed, Mr Jamie
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Riordan, Mrs Linda
Robinson, Mr Geoffrey
Rotheram, Steve
Roy, Mr Frank
Roy, Lindsay
Ruane, Chris
Sanders, Mr Adrian
Sarwar, Anas
Seabeck, Alison
Sharma, Mr Virendra
Sheridan, Jim
Shuker, Gavin
Simpson, David
Skinner, Mr Dennis
Slaughter, Mr Andy
Smith, rh Mr Andrew
Smith, Angela
Smith, Owen
Spellar, rh Mr John
Straw, rh Mr Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Thomas, Mr Gareth
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turner, Karl
Twigg, Stephen
Umunna, Mr Chuka
Vaz, rh Keith
Vaz, Valerie
Watts, Mr Dave
Weir, Mr Mike
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Wicks, rh Malcolm
Williams, Hywel
Williamson, Chris
Winnick, Mr David
Winterton, rh Ms Rosie
Wishart, Pete
Woodcock, John
Woodward, rh Mr Shaun
Wright, David
Wright, Mr Iain

Tellers for the Ayes:
Mark Tami and Phil Wilson

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Amess, Mr David
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barker, Gregory
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Beith, rh Sir Alan
Bellingham, Mr Henry
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bottomley, Sir Peter
Bradley, Karen
Brady, Mr Graham
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, rh Mr Simon
Burrowes, Mr David
Burt, Lorely
Byles, Dan
Cable, rh Vince
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, rh Mr Alistair
Carmichael, Neil
Carswell, Mr Douglas
Cash, Mr William
Chishti, Rehman
Clappison, Mr James
Clark, rh Greg
Clarke, rh Mr Kenneth
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crabb, Stephen
Crockart, Mike
Crouch, Tracey
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
de Bois, Nick
Djanogly, Mr Jonathan
Doyle-Price, Jackie
Drax, Richard
Duddridge, James
Duncan Smith, rh Mr Iain
Ellis, Michael
Ellison, Jane
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Featherstone, Lynne
Field, Mr Mark
Foster, rh Mr Don
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mr Edward
Garnier, Mark
Gauke, Mr David
Gibb, Mr Nick
Gilbert, Stephen
Goodwill, Mr Robert
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Greening, Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gyimah, Mr Sam
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Mr Mike
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Horwood, Martin
Howell, John
Hughes, rh Simon
Huhne, rh Chris
Huppert, Dr Julian
Hurd, Mr Nick
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kirby, Simon
Laing, Mrs Eleanor
Lancaster, Mark
Lansley, rh Mr Andrew
Latham, Pauline
Laws, rh Mr David
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Mr Edward
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, Dr Julian
Liddell-Grainger, Mr Ian
Lilley, rh Mr Peter
Lopresti, Jack
Loughton, Tim
Luff, Peter
Lumley, Karen
Main, Mrs Anne
Maude, rh Mr Francis
McCartney, Jason
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Mensch, Louise
Menzies, Mark
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Mulholland, Greg

Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newton, Sarah
Nokes, Caroline
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Ottaway, Richard
Paice, rh Mr James
Parish, Neil
Patel, Priti
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Raab, Mr Dominic
Randall, rh Mr John
Redwood, rh Mr John
Rees-Mogg, Jacob
Reevell, Simon
Reid, Mr Alan
Robathan, rh Mr Andrew
Robertson, Mr Laurence
Rogerson, Dan
Rudd, Amber
Russell, Bob
Rutley, David
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Shapps, rh Grant
Sharma, Alok
Shepherd, Mr Richard
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soames, Nicholas
Soubry, Anna
Spelman, rh Mrs Caroline
Spencer, Mr Mark
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stunell, Andrew
Sturdy, Julian
Swayne, Mr Desmond
Swinson, Jo
Syms, Mr Robert
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Ward, Mr David
Watkinson, Angela
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Willetts, rh Mr David
Williams, Mr Mark
Williams, Roger
Williams, Stephen
Williamson, Gavin
Willott, Jenny
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Jeremy
Wright, Simon
Zahawi, Nadhim

Tellers for the Noes:
Norman Lamb and
Mr Philip Dunne

Question accordingly negatived.

New Clause 12

REPORT ON CAPITAL ALLOWANCES

'The Chancellor shall direct the Office of Tax Simplification to report by 31 March 2012 on the options for simplifying or replacing the capital allowances regime with a view to ensuring businesses obtain tax relief for capital assets over a period more closely matched to the useful life of those assets.'—*(Nigel Mills.)*

Brought up, and read the First time.

7.45 pm

Nigel Mills (Amber Valley) (Con): I beg to move, That the clause be read a Second time.

Madam Deputy Speaker (Dawn Primarolo): With this it will be convenient to discuss the following:

New clause 14—*Group filing for corporation tax*—

'The Chancellor shall direct the Office of Tax Simplification to report by 31 March 2012 on the potential for the introduction of a consolidated corporation tax filing for UK-resident companies meeting the current definition of a group for corporation tax purposes, to include an assessment of the potential cost savings for companies and HMRC, and the potential for reducing tax avoidance.'.

Amendment 15, in clause 4, page 2, line 16, leave out 'is treated as having come into force on 1 April 2011' and insert

'shall come into effect when legislation shall have been enacted requiring that all public limited companies registered in the United Kingdom shall be required to submit the arrangements for the payment of salaries and bonuses of their directors to a binding vote of approval by their shareholders at an Annual General Meeting.'.

Amendment 20, page 2, line 16, leave out 'is treated as having come into force on 1 April 2011' and insert

'shall come into effect when legislation shall have been enacted requiring all public limited companies registered in the United Kingdom to publish the current salaries and bonuses of their directors.'.

Amendment 51, in clause 7, page 4, line 6, at end insert—

'(10A) The Chancellor shall produce, before 30 August 2011, a report on the Government's discussions with the industry on the implementation of the increased charge'.

Amendment 17, in clause 42, page 27, line 4, after 'appoint', insert

'after a Report has been submitted to the House of Commons detailing the number of EIS schemes previously approved, their total cost in terms of tax relief, the number of jobs created by the companies enjoying such relief and the number of companies that failed subsequent to relief being granted allowing for an estimate to be made of the cost of each job created under the terms of this scheme when compared to the cost of tax relief given.'.

Amendment 9, in clause 43, page 27, line 35, at end insert—

'(11A) In section 1052 in subsection (2) after paragraph (a) insert—

"(e) incurred on premises costs

(f) incurred on design costs

(g) incurred on patent, trade mark, registered design, copyright, design right or plant breeder's right (see section 1139)".

(11B) After section 1142 add—

"1142A Premises costs

(1) In this part "premises costs" means rents and business rates costs of the studio where R&D is undertaken.

1142B Design costs

'(1) In this Part "design costs" means—

(a) user interface costs,

(b) user testing costs,

(c) aesthetic costs,

(d) new business model costs.

(2) In subsection (1)(a) "user interface costs" means—

(a) costs occurred from designing the visual and functional appearance of the application,

(b) costs occurred from designing the code that reacts to user inputs.

(3) In subsection (1)(b) "user testing costs" means—

(a) costs occurred during product testing.

(4) In subsection (1)(c) "aesthetic costs" means—

(a) costs occurred from the artistic design of the product.

[Madam Deputy Speaker]

(5) In subsection (1)(d) "new business model costs" means—

(a) marketing of building a new business monetisation model,

(b) marketing of testing a new business monetisation model.'".

Nigel Mills: The aim of new clauses 12 and 14 is to encourage the Government to move a little faster in simplifying our corporation tax system, which is far too complex to meet modern needs.

On a day on which we have celebrated the 100th birthday of Ronald Reagan, it is appropriate to start with a quote from that great tax reformer. He said in 1985:

"Later in this session of Congress, we'll be presenting our proposals for tax reform that will lower tax rates, broaden the tax base and make the tax code simpler and fairer. We're looking at a top rate on personal income taxes of 35 percent, very possibly less. And we'll be sure that incentives for capital formation are maintained. And I just want to reemphasise one thing: Tax reform will not be a tax increase in disguise."

Those words are as relevant today as they were 26 years ago. To be fair, the Government have received that message. The Exchequer Secretary recently said:

"Taxation in Britain is far too complex. A clearer and more straightforward tax system will bring benefits for tax payers, tax professionals and the Government alike."

I hope that the whole House would entirely agree with those sentiments.

The Government have taken welcome steps in the right direction. We have established the Office of Tax Simplification, and I commend the work it has done. In fact I am keen to ensure that we get maximum value out of it by giving it a bit more work to do under these two new clauses. At a time when we are assessing the value of all our quangos and outside bodies, the more work we get out of them the better.

We need to hasten the work of the OTS along. We are already a year into this Parliament and we rightly have a process now whereby we consult in detail on major changes to the tax system. If we do not bring forward our proposals in the next year or so, we will struggle to get any benefit from them in this Parliament, and that is the direction in which I am encouraging the Government to go tonight.

The Exchequer Secretary has made such a great start in tax simplification that he has had the honour of being named the tax personality of the year. We could start making various jokes about accountants' personalities, but we would probably cause grave offence to all my former colleagues, so perhaps we should leave that subject. We have had a consultation on removing a few simple tax allowances, such as the reliefs for angostura bitters and black beer—if going that far gets the Minister that award, just think what garlands could be thrown at his feet if he tackled some of the real complexities of our tax system!

It was just last week that the Government announced the next areas that they want the OTS to consider, rightly including the taxation of pensioners and employment taxes. However, at a time when we need business to drive the growth that will sort out the deficit and our economy, we need to look at the taxes that encourage—or perhaps discourage—business from making the investment that we need. That is why new clause 12 would require the OTS to consider ways to simplify the capital allowance system, or to replace it if simplification is not possible. If the Minister questions why we need that provision, I draw his attention to the Bill, in which we have had to introduce various measures that tinker with the capital allowance system, because we know it is out of date and not working. It is hard to imagine that anyone would design from scratch a system in which we have to introduce a modification to ensure a different system for short-life assets and then we have to change the definition of short-life assets to eight years. I wonder how often businesses invest in assets that they expect to have a useful life of eight years, never mind any longer. That is a clear sign that the system is not working, out of date and far too complex. It needs to change.

I am sure that Members have taken a fascinating look through this country's tax code and seen how many types of capital allowances we now have. We have a basic regime—the general pool—which from next year will produce an allowance on a reducing balance basis of 18%, meaning that it will take a long time for a business to get the full economic relief for its investment. It would take well in excess of six years to get the majority of that relief. We then have the short-life asset pool for assets that a business thinks might have a life of less than eight years. That effectively means that it has to track those assets and work out when to scrap or dispose of them to get the final balance. We also have a long-life asset regime for assets that have a particularly long life, but which are not suitable for the general pool. Furthermore, we have different rules for cars and environmentally friendly assets, and completely different rules for assets on a finance lease, where effectively we allow account depreciation.

This range of reliefs for simple investments in plant and machinery beggars belief. Frankly, if I was an overseas business or someone with some cash wanting to start a business in the UK, and if I wanted to invest in a heavy manufacturing business, was investing in large numbers of plant and equipment and went to my adviser and said, "I want to invest in the UK. Can you tell me how I get relief for all this investment?" and I got the answer, "Well, it depends on whether it's a long-life asset, a short-life asset, an ordinary asset, an environmentally friendly asset, and it depends whether you lease it, hire purchase or buy it outright", I would start to wonder whether it was really worth the effort. Surely there must be a simpler and better way of doing this than having to go down all these different routes.

We know what happens. The system creates complexity for businesses having to track and make all these returns. Then the Revenue has to audit and scrutinise those returns and ensure that everything is done properly. It therefore takes work on both sides to support a system that I suspect is achieving the opposite of what we want, which is to encourage existing and new businesses to invest in new, modern and environmentally friendly equipment, and to create more jobs in the manufacturing sector that we so value in this country.

Louise Mensch (Corby) (Con): My hon. Friend is making a powerful speech, and I share his interest in this subject because, like him, I have large amounts of manufacturing industries in my constituency. Have any businesses in his constituency made representations to him about how much such a measure could save them or help them to invest?

Nigel Mills: I can think of many things on which businesses lobby their MP, but the details of the tax system are a little way down that list. We would find that businesses take a different view of whether they benefit from the current regime. However, as we continually reduce the rate, this will become of greater interest to more and more businesses. Yes, businesses come to me and say, "The general tax system is just far too complex. The corporation tax system as a whole is far too complex." The issue I have raised is just one particularly good example of where the system is now out of date.

If the Minister needs more encouragement to simplify the system, I would add that the more complex we make a system, the more attractive we make tax avoidance and the more loopholes we create for tax avoidance. Through the Finance Bill we have had to introduce anti-avoidance measures to try to stop people exploiting the system's complexities. How much more attractive would it be if we simplified the regime either by retaining capital allowances that provide the attraction of a simple fixed rate of relief, or by allowing a business to relieve the depreciation charge it makes in its accounts? In previous debates, we have heard of the risk that businesses could massage their tax results to accelerate the deduction in advance of the economic life of those assets ending. These things can be tackled, however. In effect we are allowing a business with an intangible asset to take relief for its accounts depreciation. It is strange that we allow that for intangible assets that we cannot, by definition, touch and for which there is no scientific data proving the lifespan, yet for tangible assets—the core things we want businesses to invest in—people have to go down this hugely complex route.

In reducing the allowance rate from 20% to 18%, the Government think that they will more closely align rates with the economic life of assets these days. I am not sure that businesses in my constituency are saying that that is their experience. These days, things move on so fast that the life of an asset is quite hard to predict. If someone is looking for a return on an asset over six years-plus, it is hard to be confident in the current market. There are many issues with the capital allowance system, and I suspect that each year a different aspect will become the hot topic. The Minister will be lobbied by different interest groups, as I suspect he was this year in his attempt to move—quite rightly—from four years to eight years, but when he is next lobbied and gets proposals in his Red Box to add another layer of complexity to the system, I hope he will say, "Actually, there must be a better way we can do this." This is fundamental to our corporate tax system, it is fundamental to how we encourage investment in our country, and there must be a better, simpler, fairer way that removes some of the potential for abuse. New clause 12 would get the Office of Tax Simplification to consider whether a better system could be introduced. I would strongly encourage the Government to consider carefully going down that line.

Let us step back in history to the time of President Reagan. One example of how not to simplify a tax system was his Tax Reform Act of 1986, which introduced what was called the "double-declining balance method", switching to the straight line method at a time to maximise the depreciation allowance. I raise that issue only to show that this is not as simple as saying that we need either the current system or accounts depreciation—different things could be done that might encourage investment, although I am not sure that the double-declining balance would meet my aim of simplifying, even if it might give businesses the joy of accelerated relief. I shall not ask the Minister to respond in detail on that particular method, however, as I suspect that it will not have featured in his recent studies.

New clause 14 addresses a slightly less hot topic—groups of companies. These can range from groups with two companies through to multinationals with dozens or even hundreds of UK companies. For corporation tax purposes, we currently ask groups to file a tax return for each entity. Then we ask them to file separate claims and elections for all the various inter-group transfers and allocations. They are allowed to transfer a loss from one company against the profit of another, and they are allowed various elections on the transference of assets around the group. All these things create a huge compliance headache for taxpayers and the Revenue.

It is worth considering whether there is a simpler way of getting groups to deal with their corporation tax compliance by filing a tax return covering the whole group. There are precedents: many other tax regimes under our competitors allow groups to file a single tax return for their whole group, and in fact we allow groups to make group VAT elections and effectively file single VAT calculations. I wonder how much easier it would be for a group if it had the same basis for VAT as for corporation tax. Let us consider all the potential savings for businesses and the Revenue in not having to go through dozens of individual tax returns. We should bear in mind the fact that many entities in a group will have few entries and will add very little. Under my proposal, we would no longer require all these group relief returns when businesses allocate losses from one company to another, then make a change following submission and have to change all those returns, after which one company makes a loss the next year that changes the previous year's return, meaning that they have to re-file them all. All these things add huge complexity and costs but very little value to the tax system.

I accept that they add some value to the Treasury, however, through the hope that, somewhere in a group, some losses or something else will not get relieved but will get trapped, whereas under a simplified system they would get used. I am not sure that our predecessors, when they passed these reliefs to support and encourage business, were aiming to put in place systems so complex and out of date that some relief would get denied when it ought to be given.

There are further reasons behind my proposals. We impose on UK group companies various requirements to review the pricing of transactions that take place between them. There is no tax at stake if company A sells something to company B for £100, then has to work out whether the price ought to have been £95 or £105. The only result is that one entity ends up with a slightly reduced profit, and the other with a slightly higher one. Both pay the same rate of tax, so the present arrangements simply result in a paper chase that creates compliance headaches for business and the Revenue alike. All such transactional requirements between group companies would disappear if they were allowed to file one tax return.

8 pm

If I were working in the Revenue, I would be keen to get a consolidation from large groups of what their affairs in the UK actually looked like. In that way, I

would be able to see what return they were making and whether it looked a little low or whether there were any strange entries that seemed to be reducing profits. At the moment, a group filing 65 tax returns could have all manner of strange things going on, and it could be hard to see both sides of the matter. Something could be shown in one entity, and it would be necessary to hunt for the opposite entry somewhere else.

Those arrangements create scope for tax avoidance. The Minister will be aware of the reforms that he has to introduce to tackle these complex, one-sided instances in which a tax deduction appears for a payment in one group company and the income elsewhere in the group is somehow characterised as something different that is not taxable. If we got this reform right, we could make this kind of tax abuse a lot harder to carry out. That would also remove the need to introduce more and more complexity into the tax system, year on year, to tackle all these abuses. Simplifying the tax system will reduce costs, encourage the investment that we want and tackle tax avoidance by taking away the present complexities and loopholes. I suspect that simpler taxes are more likely to be complied with.

If I have not convinced the Minister so far, let me return to the question of capital allowances. At the moment, we give pretty much no relief when a business invests in a new factory. We no longer give any relief for the building, but if we want people to invest in large-scale manufacturing plants, that is not a wise position to take. I understand why we give no relief for land or for office blocks, but the situation for factories is a strange one. It forces a business to separate out anything that it has put into the factory that could be regarded as plant and equipment. For example, it could separate out air conditioning or mezzanine floors, or anything else remotely specialist, in order to claim tax relief on it. This creates a huge amount of work for businesses and tax advisers.

In fact, a consultation is taking place at the moment on reforming the rules for businesses that are trying to track assets such as those. We get annoyed with businesses for entering into expensive and complex leases in order to get a tax deduction for their property costs when their income perhaps appears offshore and is not taxed in the UK. Might there not be a better way? My proposal would remove some of the incentive to do that, and allow businesses to get proper relief on their capital investment instead of forcing them down ever more complex, artificial and expensive routes whereby those with well-paid tax advisers can get themselves into the best tax situation. My proposal would help the innocent companies that just want to get on with running their business but instead get mired down in the complexities. I commend both my new clauses to the Government.

John McDonnell (Hayes and Harlington) (Lab): I congratulate the hon. Member for Amber Valley (Nigel Mills) on moving his new clause and on the deployment of his expertise for the benefit of the whole House. He could well be a candidate for tax personality of next year, but I would advise him that it might help his prospects if he were to lay off the Reagan quotes.

I wish to speak to the amendments tabled in my name. Amendment 15 deals with directors' salaries and payments, and proposes a binding vote by shareholders on such payments. Amendment 16 deals with the publication of information on the salaries and bonuses of directors in all public limited companies. Amendment 17 deals with a number of issues relating to enterprise investment schemes, and it would be helpful to receive certain information from the Government in order to assess those schemes in future.

I want to deal with salaries and bonuses first, as they have been a matter of contention in the House for a number of years now. Statements have been made by leading members of all political parties expressing concern, if not outrage, at the levels of increase in the pay of company directors. The Leader of the Opposition said in a recent speech that the

"danger today is that pay and performance have become detached...Over the last 12 years, chief executive pay in Britain's top companies has quadrupled, while share prices have remained flat."

The Secretary of State for Business, Innovation and Skills has called for greater disclosure on pay and bonuses and their link to company performance. He was reported as hitting out at the

"ethics of the wild east"

in the City. He described some directors' pay and bonus settlements as "ridiculous", "outrageous" and "rewards for failures". I agree wholeheartedly with the Leader of the Opposition and the Secretary of State on this matter. I believe that the Secretary of State's sentiments have been echoed by the Prime Minister himself.

My amendments seek to address the fact that the present system for the control of directors' pay and bonuses by shareholders is not working. The current system for judging and rewarding remuneration in major companies is clearly not linked to performance, and evidence for that now abounds. The Business Secretary was referring to the dramatic increase in the remuneration of directors and executives of the top 100 companies. In 1998, that remuneration was 45 times the pay of the average employee in the company. By 2010, it was 145 times the average pay, and if it continues at that rate, it is predicted to reach 214 times the average salary in the company that the director or chief executive controls.

At the moment, the chief executives of the FTSE 100 companies have total remuneration packages averaging £4.2 million a year. Last August, it was reported that the financial crisis had resulted in ordinary employees' salaries being frozen in at least one third of Britain's biggest companies, yet the average pay of the top directors increased by £500,000. Hewitt New Bridge Street has reported that the typical bonus has now increased from 90% to 120% of salary, and the total remuneration survey conducted by pay and reward consultants MM&K showed evidence of a total disconnect between rewards, actual performance and shareholder value. Performance-related pay has just gone through the roof, however, with extremely complex packages being devised. The average top award under share allocation schemes and incentive schemes in the FTSE 100 has risen from 174% to 328% of salary.

In some instances, outrageously large awards have been agreed even before the director has demonstrated any value to the company. An example is Lloyds, which gave its new chief exec, António Horta-Osório, a welcome package worth close to £13.4 million simply for joining the bank. This is a bank that we, as taxpayers, now own. Lord Oakeshott, the Liberal Democrat peer, said that taxpayers would be "appalled" at paying someone

"£5,000 a day, just for turning up at the office for the next three years".

I wholeheartedly agree with him on that. Ironically, Sir Victor Blank, the former chair of the Lloyds group, described top bankers' pay in *The Sunday Telegraph*—not a newspaper I regularly read—as "unconscionable" and warned that the widening pay gap could lead to dangerous divisions in society and more strikes. I shall quote him directly. He said:

"You can't have an ongoing widening gap between the top pay and the average pay...I think we are at a time now where you have a certain amount of unrest over pensions and other issues where if we don't start early to have a degree of moderation in the levels of pay we risk more industrial unrest than we have had."

I could not agree more.

Some shareholders have echoed those concerns. It was perhaps best expressed by a woman shareholder who was disgruntled at the Cable and Wireless annual general meeting. She complained—and it was a heartfelt plea from the floor:

"All the money and all the profit seem to be going towards the salaries of the Board, and I did not necessarily think that they were worth that amount of money."

I believe this is undermining confidence and engendering cynicism—and, of course, division and disenchantment—in the whole process.

Clearly, the billowing packages of directors' pay, bonuses and overall remuneration has to be addressed. The Government have acknowledged that, as have all parties in the House. My amendments are designed to prompt action and to make action more speedy and decisive.

If we are to tackle this issue, we need to understand why it is occurring. The Joseph Rowntree charitable trust funded an independent inquiry, the High Pay Commission, to which I believe a number of Members have submitted their views over the last year. It has looked at the drivers behind the trend of increases in directors' and executives' pay and remuneration. It provides some understanding of how the system operates to determine directors' remuneration and puts forward the reason for the excesses.

Governments have addressed the issue over the last two decades. Legislation has been there to establish the current system of corporate governance. For publicly listed companies, it is based first on the establishment of a remuneration committee on every board to advise on appropriate remuneration; secondly, on disclosure; and, thirdly, on the shareholder having a vote on the pay and remuneration of directors. All the companies with a premium listing of shares are required on the Financial Services Authority listing rules to report on how they have applied the UK corporate governance code in their annual reports and accounts. This includes explaining how the pay was arrived at and determined.

The remuneration committees that have developed since the 1990s grew up as a result of pressure from successive Governments. They aim to overcome the conflict of interest in directors setting their own salaries. The Greenbury report on corporate governance called for them to be fully independent and to comprise wholly non-executive directors. The committees agree the pay packages for top execs and produce the report that will eventually go before shareholders.

The problem identified by the High Pay Commission and others is that the non-execs that sit on the remuneration committees are often executive directors in other companies, so setting benchmarks of remuneration is important for them. There have been charges of cronyism as executives and directors appoint each other to each other's remuneration committees—a relationship of incestuous self-interest—while the non-execs sit alongside executive directors supporting them and unwilling to challenge them on pay. In recent years, we have seen the emergence of remuneration consultants who advise the remuneration committees on the setting of pay, but these are unregulated and they are often working for or are commissioned by the company directors on whose salaries they are giving advice.

On disclosure, quoted companies must publish directors' remuneration reports. These appear in the annual report and are put to shareholders for a vote. This information is required to be put to companies as an ordinary resolution for approval at the AGM. The problem, however, is the UK corporate governance code guidance, according to which:

"A significant proportion of executive directors' remuneration should be structured so as to link the rewards to corporate and individual performance. There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual directors."

8.15 pm

The Hampel report back in 1988 argued that the remuneration reports were excessively detailed and that features of the packages were

"rendered obscure to all but the expert reader."

The situation has got worse in recent years—worse than ever before. The data produced for the reports to the shareholders are often impenetrable and the remuneration packages are extremely complicated and sophisticated. There is a real fear of shareholders gaining any understanding of the package of remuneration, including the levels, and it has been argued that the reports are less about enlightening the shareholders than camouflaging pay and bonus levels within the complex schemes proposed. Publication does not cover all companies, so it is extremely difficult for shareholders to hold the directors and executives to account, simply because the information published is too complex and impenetrable.

As for the shareholder vote, international and national regulations and guidance on corporate governance place great emphasis on shareholders having the ability to express their opinions on the remuneration of directors. It is enshrined in OECD principles of corporate governance. In the European Union, the publication of remuneration levels and performance criteria is recommended, as is investors having a vote on remuneration.

Within the UK, the UK corporate governance code sets out the standard of good practice on reporting to shareholders on remuneration and regulations also require shareholder votes on the total remuneration packages of company executives and directors. The vote itself, however, is purely advisory and the failure to pass the remuneration report does not invalidate the payments made. In fact, the FSA reforms of the banking sector have gone further on the basis of EU principles and those of the Basel Committee on Banking Supervision. Further help is provided on disclosure, but there is still no authoritative binding vote that will determine the acceptability of pay packages.

When shareholder advisory votes were initially introduced, they had some effect. The best example is GlaxoSmithKline, as the remuneration report was defeated—but that is very rare. The average vote against the remuneration report nowadays is 5.6% on the all share index. Shareholders are limited by the amount of information available, particularly in view of diversifying portfolios that have a range of investments, making it hard to find time to study and intervene in each case.

My amendments are designed to address some of these issues, particularly the weaknesses within the current governance structure. I am trying to make the existing structure work more effectively so that shareholders can begin to control the excesses of directors' pay and remuneration that have developed in recent years.

Amendment 20 says simply that prior to the corporation tax changes taking effect, the Government should enact legislation to ensure that all public companies

"publish the...salaries and bonuses of their directors."

We have the opportunity this evening to hear the Government's future plans on publication in order to tackle the complexity of the current arrangements.

Amendment 15 goes further in an attempt to strengthen the hands of shareholders by making the advisory vote on remuneration packages binding. In this way, it will enable shareholders to take control of their own companies once again and ensure accountability. It will enable shareholders to hold not only directors but remuneration committees to account.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): Will my hon. Friend's amendments help with the sort of situation we faced with HBOS? It was driven into the buffers by its highly paid executive team, who seemed to lose nothing while the shareholders lost everything.

John McDonnell: My amendments would go some way to ensuring that the information is published, enabling the Government to look in more detail at such information, while also enabling shareholders to have at least some opportunity to hold the directors to account. As I said, the advisory vote system worked initially, but it certainly has not worked in recent years, as the HBOS example demonstrates. Having a binding vote will give the shareholders some authority. The amendments are an attempt to redress the current imbalance of power between the shareholder and the board. It will not solve all the problems of directors being unaccountable on pay or bonus awards, but it would put another weapon in shareholders' hands to tackle the issue.

Amendment 17 relates to enterprise investment schemes and accountability. Just as shareholders need information to hold company boards to account, the House should ensure that taxpayer's money and tax concessions are allocated wisely to groups in society and that value for money is achieved. The amendment would invite the Government to justify in more detail future enterprise investment schemes on the basis of past performance of previously approved schemes. The amendment would seek information from the Minister on the total cost of tax relief with regard to the tax income forgone, the number of jobs created by the companies that have gained tax relief under the schemes, and the number of companies that have failed after the tax relief has been given—calculating the cost of each job created compared with the cost of the tax relief given. The information provided in the paperwork in relation to the Budget and the Finance Bill is not clear. The Treasury briefing on enterprise investment schemes and venture capital trusts sets out the proposals but provides no analysis of past measures and their performance. The Treasury Committee, in its comments on tax relief for EIS under the Finance Bill , suggested:

"The measure also needs to be viewed alongside the other proposals for EIS and whether the existing EIS conditions encourage investment in growth businesses."

The Treasury Committee, therefore, points us in the direction of undertaking a proper value for money exercise on the proposals.

The amendment would enable the Minister to respond to that. Before we venture into such schemes, particularly EIS, we must ensure that their objectives are achieved with value for money, and the information is not currently available for us to make that judgment.

Malcolm Bruce (Gordon) (LD): I shall speak briefly to amendment 51. Since the Government announced the additional corporation tax on oil companies in the Budget, I have been urging and, I hope, taking a constructive part in getting the companies and the Government to talk through how field allowances can be used to ensure that projects reviewed as a result of the tax changes can still go ahead. The purpose of the amendment is to get feedback from the Government on the progress of such negotiations, which I hope will have a positive outcome. Immediately after the Budget, Statoil made the most controversial, and certainly the most high-profile, announcement: that it was putting on hold the Mariner and Bressay fields. I imagine that those fields involve up to £6 billion of investment, with 600,000 barrels of oil recoverable and the possibility of a headquarters building being located in Aberdeen. I hope that the Government will find a way to ensure that the project goes ahead.

Next week, my hon. Friend the Member for West Aberdeenshire and Kincardine (Sir Robert Smith) and I are taking a number of oil companies that are members of Oil & Gas UK to meet the Secretary of State for Energy and Climate Change to discuss in detail the implications of the tax. The difficulty is that the tax changes impact differently on every field and on every company and its planned investments. I hope that active negotiations will lead to a recognition that allowances can be adjusted for particular types of field or circumstances, and that as a net result we will not lose too many of the investments that were originally at risk. I also hope that engagement over time will lead to both parties agreeing that a simplification of the tax system might be desirable. When prices are high, the industry might reasonably be expected to make a contribution; equally, we should recognise its need to know with some certainly the return that it is likely to get on significant investments.

The hon. Member for Hayes and Harlington (John McDonnell) made a powerful and persuasive case regarding rewards for work not done or risk not taken, but it is easy to look at the oil companies as rich fat cats, which is how the public and the House often view them. However, developing oil from under the North sea involves huge risks in relation to technology, geology, exchange rates, markets and weather. Many people engaged in the industry use their technical knowledge and expertise to make a substantial return for their companies and for the UK economy, and although they

have good, well-paid jobs, the payments and returns they receive are not in the same league as those received by people in financial services.

The Government have acknowledged that they do not want to lose the production from marginal and mature fields, and they are prepared to use field allowances. According to conversations I have had, negotiating in detail over a project for a field is incredibly complicated, requiring an enormous amount of civil service time, expertise and engagement, as well as executive management time, so I hope that the system will be simplified. Perhaps everybody is prepared to devote such time to significant projects, but the Department has a limited capacity to engage in too many of those negotiations, and companies sometimes have a limited capacity and willingness to engage, to the extent they might say that investigating or investing in other projects is more worth while.

I want to be encouraged by the knowledge that constructive engagement is taking place. I get good feedback from the industry about talks that it hopes and believes will lead to agreements that ensure that investments go ahead. In the long run, I hope that we will have a system in which there is trust and understanding and the Government get the revenue from high oil prices to which they are entitled, but the country gets the investment in the expertise, people and resources that will maximise production of oil and gas in the North sea, maximise jobs in the UK, and maximise and sustain the export industry, which is growing substantially. I hope that the Government will give a positive response in due course.

Mr Frank Doran (Aberdeen North) (Lab): I support amendment 51, tabled by the right hon. Member for Gordon (Malcolm Bruce). As neighbours, we share the same interest in the oil and gas industry and know full well its importance not just to the north-east of Scotland but to the whole United Kingdom. One of our disappointments about the imposition of the tax is that the Government seemed not fully to understand the industry and its importance, which I hope they understand now.

Like the right hon. Gentleman, I am pleased to hear from my contact with the industry that discussions are under way, with the possibility of improvements to field allowances. If the Government had thought the tax through properly, they would have already prepared the ground for field allowances to mitigate the damage done to the industry. It is not possible to overstate that damage. A huge blow was dealt to confidence, not just because the industry had been involved in regular discussions with the previous Labour Government and the current Government about a review of the tax system to deal with a host of areas that had been remained untouched over the years, but because of how that was done. It seems from all the available information that the politicians had no contact or discussions even with tax experts in the Treasury. This was a purely political decision that did not arise from the review, from consultation, or from any wider consideration than the need to raise money.

8.30 pm

It is clear that the industry will prosper for the next couple of years, certainly in the North sea, because the investment for the two years has already been committed. We are concerned about what will happen from 2013 onwards, when owners and shareholders and those at the companies' headquarters will be looking for investment. As I am sure the Minister knows, investment decisions are made not locally but in places such as Dallas, Houston, San Diego, Paris and Madrid, and the people who run our industry have to pitch for that investment.

There is huge uncertainty because of the damage caused by the initial tax imposition and the tax system proposed in the Bill, but discussions about what is to happen in 2013-14 are taking place now. The sooner the Government can give us an indication of what they intend to offer in field allowances the better it will be, not just for the individual companies involved but for the country, because investment from abroad is desperately needed.

Steve Baker (Wycombe) (Con): As I listened to the hon. Member for Hayes and Harlington (John McDonnell) speak to amendment 15, I thought that my ears were deceiving me because I felt so much sympathy for what he was saying. Indeed, he put me in mind of a book by a reformed Trotskyite, James Burnham, who predicted in "The Managerial Revolution" the system of capitalism—the set of structures—that we now recognise in publicly listed companies. My discomfort evaporated, however, when I realised that the hon. Gentleman was defending the interests of the owners of capital.

John McDonnell: Some of us are not completely reformed.

Steve Baker: In that case, I am delighted that we are on opposite sides of the Chamber.

It is strange that capitalism has come to this: that, nowadays, the owners of capital need to be defended by the House from their own directors. If I have understood the amendment correctly, it would mean that the change in the main rate for 2011 would not come into force until legislation had provided arrangements for shareholders to approve their directors' remuneration. It is almost incredible that such an arrangement does not already exist.

We must reunite ownership control and the risk taken with capital, and I believe that the amendment goes to the heart of one of the problems of our capitalist system. I am not sure that it would achieve the aim that the hon. Gentleman has set out because it might not affect the rate for 2011, and I therefore cannot support it. Nevertheless, I think it is an extremely good idea, and I urge the Government to consider it.

Sir Robert Smith (West Aberdeenshire and Kincardine) (LD): I support amendment 51, tabled by my right hon. Friend the Member for Gordon (Malcolm Bruce). I remind the House of my entry in the Register of Members' Financial Interests as a shareholder in Shell and a vice-chair of the British offshore oil and gas industry all-party parliamentary group.

The key aim of the amendment is to introduce damage limitation and to rebuild the confidence and trust among investors that the country needs if we are to maximise the benefits of our own oil and gas. The oil and gas under the ground does not provide us with any jobs, tax or security of supply. Those are produced only when it comes out of the ground, and, although it belongs to the nation, we can get it out of the ground only through the expertise and skill of people from my constituency

[Sir Robert Smith]

and throughout the country. They apply their knowledge by way of the investment provided by risk capital, and the investors must know, as far as possible, in what climate they are operating and what returns they will obtain. The kind of risk that we rely on their taking is illustrated by a field in the North sea where the geology suggested that three platforms would be enough to sustain production and provide all the necessary equipment. Only when they started extracting the oil did they discover that there was much more sulphur in some parts of the field than in others and that they needed to build a fourth platform at a cost of £1 billion. Such extra risk taken by investors—not by the Government or the taxpayer—must be recognised as being of great importance to our country's success in this regard.

Last week, we held a reception in Parliament for Subsea UK to highlight an industry that has developed into a jewel in the crown of this country, yielding £6 billion in production from under the sea through engineering skill, half of which is exported from this country. The United Kingdom is responsible for one third of the world's subsea engineering; we therefore have something very important to nurture and build on.

The field allowance discussions are an important means of trying to unlock some of the fields that will be negatively affected by what has been proposed. The hon. Member for Aberdeen North (Mr Doran) and my right hon. Friend the Member for Gordon emphasised a longer term risk that needs to be addressed: the risk not to the projects that are unwinding now and in the next two years, which already had the momentum of contracts signed and delivered before the tax was changed, but to those that will be decided in the culture and investment climate prevailing in the aftermath of the tax. That is why these talks are so important in rebuilding trust and a constructive engagement.

I welcome the fact that industry and Government appear to be addressing the need for constructive engagement, and any updates from Ministers as to how we are progressing in rebuilding trust will be very important. We must remember that the reputations of the country managers—the people in this country who work for the multinational companies and the investors abroad—has been damaged by what happened. They have been encouraging their investors to invest in this country in one set of circumstances, only for the goalposts to be shifted. They need trust and confidence in them to be restored if they are going to persuade their investors abroad—in Calgary and elsewhere—to invest again in our country so we can build on the potential that exists.

Stewart Hosie (Dundee East) (SNP): I agree with everything that has been said by the hon. Gentleman, his party colleague, the right hon. Member for Gordon (Malcolm Bruce) and the hon. Member for Aberdeen North (Mr Doran). We have heard about contracts and work that is in place already unwinding, with the likelihood of a gap after 2013 when one set of investment decisions has already been made but others have not yet been taken. I ask the hon. Member for West Aberdeenshire and Kincardine (Sir Robert Smith) to carry on the good work he is doing with his own Government on speeding up this review, so we can avoid that investment gap and the real dangers we will face in a couple of years' time.

Sir Robert Smith: The purpose of the amendment is to keep the spotlight on this issue by ensuring we get updates from the Government, and that the Government can give a signal on the investment climate showing that they understand the concerns and are willing to take them on board so we can build a long-term future.

There is another gap apart from the time gap as these contracts unravel. We are a mature province so we must ensure that the infrastructure to get the next investments off the ground is still in place in years to come. That infrastructure must not be decommissioned prematurely, and so the investment must not be withdrawn. The owners of the infrastructure need to know that there is a long-term future for investment as more production will be brought in through those platforms. That is another reason why these constructive talks are so important.

I encourage the Government to do all they can to restore confidence and the positive investor climate that will unlock the full potential that exists in this country, build on the skills we already have, and maximise the benefit to the taxpayer in the long run and to our security of supply.

Mr David Hanson (Delyn) (Lab): I am grateful to the hon. Member for Amber Valley (Nigel Mills) for kicking off this wide-ranging discussion on a number of important tax issues. He certainly enlightened me when he revealed that the Minister is tax personality of the year. I missed that; despite all my "Gauke" Google alerts, I missed the fact that he was tax personality of the year. May I offer the official Opposition's wholehearted congratulations to him on that?

The hon. Member for Amber Valley gave a number of Ronald Reagan quotes and he said today was the 100th anniversary of Ronald Reagan's birth. That was on 6 February, in fact, but this is the 100th year since Ronald Reagan's birth. As you will know, Mr Deputy Speaker, today is the day on which we shrank the UK tax base by giving away America 200-odd years ago, and I hope that, as part of his plans for simplification, the hon. Gentleman will recall that.

New clauses 12 and 14 were proposed by the hon. Gentleman and he may be surprised to learn that I am not averse to his suggestion in new clause 14, because there are grounds for discussing the simplification of UK corporation tax returns for multinationals. It is worth while considering the review that he suggests, provided that it examines whether such a simplification will decrease, rather than increase, tax evasion—an increase is always the worry with such a simplification. New clause 14 potentially has merit and although I do not expect the hon. Gentleman to push it to a vote, I hope that the Minister will consider the issue.

New clause 12 proposes to review, or possibly even remove, capital allowances and asks the Office of Tax Simplification to report on replacing them with a different form of relief. The hon. Member for Amber Valley will know that Labour Members had substantial concerns about reducing capital allowances for firms, which explains why I cannot support the new clause. My hon. Friends and I tabled a number of amendments in Committee to oppose the reduction in the capital allowances. I realise that the reduction was tied up strongly with the decision to cut corporation tax to 24% by 2014-15—shortly thereafter it was decided to cut it to 23%— which was one of the flagship growth measures in the June Budget.

However, that was paid for by slashing investment and capital allowances, which encourage businesses to take a long-term view by providing tax relief on the purchase of equipment and machinery. The view that I expressed in Committee has not changed, although I know that it will cause disagreement: companies that invest, particularly in manufacturing—car industries in my own area of north Wales, advanced manufacturing, wind turbine manufacturing, plane makers and so on—will benefit from capital allowances, whereas the tax cuts are, unfortunately, aimed at financial services.

At the time of the June 2010 Budget, manufacturers expressed concern at what this approach will mean for industry. More recently, the engineering manufacturers association warned that the Government risk moving to a tax system that contains "a bias" against big manufacturers. Members on both sides of the House are trying to encourage manufacturing growth, and I believe that the review that the hon. Gentleman seeks in the new clause could be damaging to the growth of capital investment and, therefore, to the growth of manufacturing industry.

Nigel Mills: I wish to clarify something. My aim in new clause 12 was not to do what the right hon. Gentleman fears will happen, but to do the opposite. I was aiming to ask the OTS to consider simplifying or replacing the capital allowances regime with one that would match the tax relief more closely to the life of the assets being invested in. My concern was that an 18% reducing balance was giving tax relief over a far longer period than the actual useful life of those assets. I felt that having a simpler system, where a shorter "life" meant that the tax relief would be obtained much faster, would incentivise investment, not discourage it.

Mr Hanson: That is an interesting argument, and I bow to the hon. Gentleman's detailed knowledge of these matters, which goes back to his professional experience before entering the House. My worry has been placed on the record on Second Reading, in Committee and on several other occasions. For the moment, it is best that we keep our arguments to the effectiveness of capital allowances, and I will, thus, still be unable to support the new clause.

My hon. Friend the Member for Hayes and Harlington (John McDonnell) tabled amendments 15, 20 and 17. I suspect that he was even more surprised than me to hear the hon. Member for Wycombe (Steve Baker) offer his unflinching support for my hon. Friend's suggestions on this matter. I thank him for tabling his amendments because they make an extremely important contribution to the debate. We face a real issue in how we collectively address what is now a cross-party concern and shed light on the remuneration of executives, who are ultimately paid by the companies for which they work and by us as consumers of those goods in our society at large.

John McDonnell: I had better correct the record. As someone who still sees the relevance of Trotsky's transitional programme, I am attempting not to salvage capitalism but to expose its weaknesses.

8.45 pm

Mr Hanson: Far be it from me to engage with my hon. Friend on the benefits or otherwise of Trotsky's theory, because I am sure that he would win that discussion hands down.

The key point is that we all seek transparency in remuneration. My hon. Friend the Member for Hayes and Harlington will be aware that there is already legislation on the statute book that means that banks must have transparency in their remuneration. The Government should enact that legislation and should also push for a wider European agreement on transparency, an act of faith that they have so far failed to push for.

The previous Government, in our Financial Services Act 2010, allowed the Treasury to issue regulations that forced banks to disclose in bands the number of staff earning more than £1 million a year. That legislation has so far not been pursued with any vigour by the Government. The Act, which gained Royal Assent in April 2010—just before the general election—gave the Treasury the power to regulate on this issue. It is an issue that my hon. Friend the Member for Hayes and Harlington has raised and for which the Government must account today. The Opposition will continue to consider it in the future. Indeed, my right hon. Friend the Leader of the Opposition made a clear speech to the Coin street neighbourhood centre on Monday 13 June in which he committed the Opposition to ensuring that we had such transparency and that chief executives were accountable not just to their shareholders but to the wider community.

Kate Green (Stretford and Urmston) (Lab): Does my right hon. Friend agree that an important feature of exposing those very high bonuses to public scrutiny was to make it clear that other lower paid workers in the banking sector receive some bonus payments? It is very important that we distinguish between the excessive bonuses at the top and the bonuses that top up relatively modest wages for the bank clerks, who are feeling quite attacked personally when the banking crisis was none of their making.

Mr Hanson: My hon. Friend makes a valuable point. She will know that the legislation passed by my right hon. Friend the Member for Edinburgh South West (Mr Darling) in the last Parliament allowed salaries of more than £1 million to be open to scrutiny, which would address the issue she mentions.

There is some merit in bringing this issue to the attention of the House, and I am grateful to my hon. Friend the Member for Hayes and Harlington for doing so. He will know that there are some issues to do with his amendment delaying corporation tax cuts, but I am grateful that he has addressed the issue and I hope the Minister will respond in due course.

Amendment 17 is about the enterprise investment scheme, which we support. In Committee, we asked the Minister whether he had state aid approval for the EIS and I would welcome an update on whether he has since made progress on that.

I have some sympathy with amendment 51, tabled by the right hon. Member for Gordon (Malcolm Bruce). On Second Reading and in the Committee of the whole House, we tabled amendments that mirrored his amendment in many ways, asking the Chancellor to produce before the end of September an assessment of the impact of taxation on ring-fenced profits, business investment and growth, including an assessment of the long-term sustainability of oil and gas exploration in the North sea. For the reasons mentioned by my hon. Friend the

[Mr Hanson]

Member for Aberdeen North (Mr Doran), the way that the proposal was brought forward contained elements of surprise for the industry. There was a lack of consultation and there have been consequences. The right hon. Member for Gordon and the hon. Member for West Aberdeenshire and Kincardine (Sir Robert Smith) both mentioned Statoil and the great impact that the decision has had on that company's potential $10 billion—or £6.1 billion—investment in the North sea.

It is important that the Economic Secretary has had discussions—some potentially very exciting and energetic—with oil companies on these matters as part of her initiation into her role in government. I hope that she will ensure that she reports back. I also hope that the Minister will accept amendment 51, or at least accept an amendment in principle for the future.

Finally, although my hon. Friend the Member for West Bromwich East (Mr Watson) is not present today because of other matters, I very much welcome his amendment 9, which is part of this group. We raised the issue of video games tax relief in debates on the Finance (No. 2) Bill. However, we need to look at the issue again in detail, if only because the hon. Member for Wantage (Mr Vaizey) said when in opposition:

> "We are committed to a tax break along the lines of the video games tax credit. We have been calling for tax breaks for the video game industry for the last three years."

He said that during the general election, on 13 April 2010. He is now the Under-Secretary of State for Culture, Olympics, Media and Sport, yet he has been sat on by the Chancellor of the Exchequer, who said in his Budget statement last June:

> "In the current climate, with the deficit the size...all those reductions in tax must be more than paid for by other changes to business taxation, so we will not go ahead with the poorly targeted tax relief for the video games industry."—[*Official Report*, 22 June 2010; Vol. 512, c. 175.]

My hon. Friend's amendment 9 asks the Government to look again at the issue. I simply put on record the fact that, yet again, those in government said one thing during the election and something else afterwards. We need to encourage the video games industry so that we can compete on a global scale.

In summary, there are some useful amendments in this group. I cannot accept everything that the hon. Member for Amber Valley said, but the other amendments before us have some merit. I look forward to hearing what the Minister has to say.

The Exchequer Secretary to the Treasury (Mr David Gauke): We have had an interesting and wide-ranging debate on this group of amendments, which propose a number of changes to the taxation of business. Let me start by reiterating our position on business tax. The first step in the Government's plan for growth is a competitive UK tax system. In fact, the Government's aim is to create the most competitive corporate tax regime in the G20, and we have been clear about how we intend to achieve that. Last November we published our corporate tax road map, setting out our plans for reform over the next five years and the principles underpinning those reforms. I am quite clear that if we are to provide business with the certainty that it needs to invest in the UK, tax reforms need to maintain stability, avoid complexity and ensure a level playing field for taxpayers.

Let me deal first with the amendments tabled by the hon. Member for Hayes and Harlington (John McDonnell), and in particular amendment 15, which deals with directors' pay, and on which we saw an unlikely alliance between him and my hon. Friend the Member for Wycombe (Steve Baker) in defence of the interests of capital versus workers—if I can phrase it in a way that will please my hon. Friend but not the hon. Gentleman—albeit the highest paid workers. It is worth noting that both hon. Members have made many declarations of independence, and today was no exception. As I have said, a competitive tax regime is the foundation of our plan for growth, and the consequence of amendment 15 would be to delay the reduction in corporation tax.

The Government take the essence of the hon. Gentleman's concern—directors' remuneration—seriously; indeed, my right hon. Friend the Secretary of State for Business, Innovation and Skills raised it on 22 June in a speech to the Association of British Insurers, asking how we can ensure that directors' remuneration is effectively linked to company performance. To help answer that question, the Government already have plans to consult in two relevant areas. In July, the Department for Business, Innovation and Skills will look at the narrative aspects of reporting directors' remuneration, examining the provisions dealing with the disclosure of directors' remuneration and making the link to company performance much clearer. In the autumn, the Department will explore other policy options related to the role of remuneration committees and company accountability to shareholders.

Turning directly to the proposals made by the hon. Member for Hayes and Harlington, let me first remind him that UK-quoted companies are already required to publish a directors' remuneration report. That includes full individual details of each director's pay, including salary and bonuses, share schemes and all other forms of remuneration. His proposal to make the remuneration vote binding in nature would raise difficulties, as such a vote would inevitably cut across contractual arrangements already entered into between the company and the director. That is why the vote is currently advisory in nature.

John McDonnell: Is this issue to be part of the consultation in the autumn? Will it be addressed at all?

Mr Gauke: As I have said, the consultations I have announced will focus on the narrative provisions, the role of remuneration committees and company accountability to shareholders. I am sure that representations could be made to the latter consultation. However, there remains a difficulty with cutting across contractual arrangements and I dare say that there might be issues with the Human Rights Act 1998 were that to happen.

John McDonnell: First, I think it would be greatly reassuring to the House overall if the issue of the binding vote was within the scope of those consultations. Secondly, the issue of contractual commitments has always been the red herring brought up on any future reform. The way around it is simply to make future contracts subject to that binding vote of shareholders.

Mr Gauke: I know that my ministerial colleagues in the Department for Business, Innovation and Skills are watching this debate very closely and will have listened to the hon. Gentleman's representations. I noticed that when he referred to the House as a whole, he gestured to my hon. Friend the Member for Wycombe. Whether the hon. Gentleman and my hon. Friend necessarily represent the views of the House as a whole on all issues I am not sure, but the hon. Gentleman raises a fair point.

Steve Baker: May I say that I think the reason for this unlikely alliance is that the workers now are the capitalists through their pension funds and other investments? I remember a trade unionist explaining to me with some care the new movement for workers' capital and I think we will be missing a trick as a free-market Government, if indeed we are a free-market Government, if we do not recognise that the workers now are the owners and that we need to help them take control of what they own.

Mr Gauke: I do not know whether my hon. Friend is trying to lose the support of the hon. Member for Hayes and Harlington on this, but I fully take his point on board and I shall ensure that BIS is aware of this debate. My right hon. Friend the Business Secretary has said that shareholder accountability is an area that his Department will be looking into in the autumn.

John McDonnell: This is a serious point, and I say to the Minister that this will come back time and again, because every Government structure put in place by successive Governments on this issue has been unsuccessful in controlling remuneration. There is outrage among the general public about what has been happening, not just in recent years but today with £6 billion bonuses in the City and elsewhere. I say to him in all seriousness that any Government need to address this issue, which concerns the democratic control of what are now public companies in terms of ownership.

Mr Gauke: The hon. Gentleman makes his point forcefully. It is worth pointing out that the UK leads the way internationally on the reporting of executive pay and accountability to shareholders. I hope that he will acknowledge that, just as I acknowledge the legitimate concerns he raises. It is our intention to make sure that the framework remains fit for purpose and in line with our approach to delivering long-term returns as our economy grows out of the recession.

The hon. Gentleman's second amendment, amendment 17, would delay the introduction of clause 42 until a report on the impacts of the enterprise investment scheme had been published. In contrast with corporation tax as a whole, EIS is a focused relief with a particular purpose and is a vital component of the Government's plan for growth. The scheme encourages investment into smaller, riskier companies by offering a tax incentive to investors. For example, it benefits new start-ups in high-tech sectors such as IT bioscience. Since 1994, about £7 billion from private investors has been contributed to qualifying companies. The Government are building on the success of the scheme with changes in this Finance Bill and in the Bill next year that will increase the incentive for people to invest in smaller companies, helping them to establish and grow.

9 pm

The hon. Member for Hayes and Harlington wants a report on the impact of the scheme and the number of jobs created. Information on the cost of EIS and the number of investors claiming relief is available on the HMRC website. About 10,000 individuals invested through the scheme in 2008-09. HMRC does not collect data on the number of jobs created or the outcome for companies. Doing so would create an additional burden on the taxpayer and invested companies at a time when the Government are seeking to minimise the compliance and administrative burdens resulting from the tax system, particularly on small businesses.

John McDonnell: How do the Government assess value for money with regard to those schemes, if not in job creation?

Mr Gauke: There have been assessments of the enterprise investment scheme, which has been in place since 1994. We want to encourage greater investment, particularly in smaller companies. We recognise that sometimes there is market failure in that area, which is why tax incentives are justifiable. We have set out as much information as we can, but it is not something on which we can provide precise numbers. That is not the nature of the economy, but the scheme will encourage greater investment and that should be welcomed.

I thank my hon. Friend the Member for Amber Valley (Nigel Mills) for his remarks on my award as tax personality of the year. Some may think it a somewhat oxymoronic award, but I can tell the House that it has changed my life considerably.

My hon. Friend brings much greater expertise to these matters than I do. I welcome the fact that he seeks simplicity, which is not always the case with new clauses and amendments to Finance Bills. I want to make a couple of points that relate to both his new clauses.

First, we do not see it as our role to direct the Office of Tax Simplification. The office has done a lot of good work, but it is important that its independence is respected. Secondly, in its broad work the OTS has looked at the various allowances and reliefs in the tax system and has concluded that they are not areas where it wants to devote its efforts. None the less, I know that the OTS will closely read my hon. Friend's speech. We are always keen to look at areas where we can improve the administration of the tax system, including his proposals in new clause 14 on consolidated filing.

On new clause 12, the OTS has given initial consideration to capital allowances as part of its review of tax reliefs and its ongoing review of small business taxation. The Government have set out their approach to capital allowances in the corporate tax road map. Allowing each business asset to be written off for tax purposes in line with its own depreciation rates would not necessarily bring the benefits to businesses that the new clause anticipates. Some business assets would depreciate more slowly than they currently do under the capital allowances regime, and it should be noted that the annual investment allowance gives immediate write-off for the plant and machinery expenditure of 95% of UK businesses. There is thus a danger that the new clause could increase business tax complexity.

[Mr Gauke]

I know that my hon. Friend tabled his new clauses as probing provisions. I may not have entirely satisfied him, but he has put his case on record and the OTS will of course look carefully at what he says.

I turn finally to amendment 51, tabled by my right hon. Friend the Member for Gordon (Malcolm Bruce), who has played a constructive role on the issue in the three months since the Budget announcement on oil and gas. He made an important contribution when the House debated clause 7 in the Committee of the whole House. He has stressed the importance of working closely with the industry in the months ahead, which the Government committed to do at the time of the Budget. We announced then that we would work with the industry in three key areas: setting the right trigger price for the fair fuel stabiliser; looking at whether we can find a way to provide long-term certainty on decommissioning relief; and looking at the case for new categories of field qualifying for the field allowance. I am pleased to tell the House that we are making good progress in these discussions. My hon. Friend the Economic Secretary, who is here this evening, will update the House on progress on those discussions as soon as is appropriate. I hope and expect that she will be able to do so in the very near future. I thank my right hon. Friend for tabling his amendment. Although I have been unable to respond in full detail, I hope that the Government will be in a position to do so shortly.

In conclusion, I remind the House that it is the Government's aim to create the most competitive corporate tax regime in the G20. We have set out our plans for reform over the next five years in the corporate tax road map, which was published last November. In order to provide businesses with the certainty they need to invest in the UK, tax reforms need to maintain stability, avoid complexity and ensure a level playing field for taxpayers. Therefore, although we have had a good debate, I invite my hon. Friend the Member for Amber Valley to withdraw the motion.

Nigel Mills: My purpose in moving the new clause was to encourage the Government down the route of tax simplification, which I hope I have achieved tonight. Therefore, I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

Clause 1

CHARGE AND MAIN RATES FOR 2011-12

Mr Hanson: I beg to move amendment 10, page 1, line 9, at end insert—

'(3) By 31 March 2012 the Office of Budget Responsibility, in consultation with HMRC, will report to Parliament on the revenue of the 50 per cent. rate of income tax and its impact on the UK economy.'.

Mr Deputy Speaker (Mr Lindsay Hoyle): With this it will be convenient to discuss the following:

Amendment 14, page 1, line 9, at end insert—

'(3) A report on the impact of the current rates of income tax on inequality in the United Kingdom, also taking into consideration all other direct and indirect taxes including duties and excises, council taxes and mandatory charges for the use of cars and televisions and making specific reference to the overall tax rate of taxpayers grouped by decile in the United Kingdom and by each individual constituent country shall be prepared by HM Treasury and laid before the House of Commons not later than 1 December 2011.'.

Amendment 30, page 1, line 9, at end insert—

'(3) All public sector employees whose earned income does not exceed £21,000 shall be entitled to a £250 reduction in tax liability for the tax year 2011-12.'.

Mr Hanson: I do not intend to detain the House for long on these amendments, although they are important. I particularly welcome amendment 30, which stands in the name of my hon. Friend the Member for Hayes and Harlington (John McDonnell) and my right hon. Friend the Member for Birkenhead (Mr Field), and which I will touch on briefly. Clause 1 deals with rates of taxation and, if approved, will set the rates for the next financial year at 20%, 40% and a special rate of 50%. Amendment 10, which is simple and straightforward, has been tabled by the shadow Treasury team because we want to shed a little light on how the Government will report on their future plans for the 50% rate of tax.

We already know certain key facts. We know that the Chancellor has asked HMRC to collect tax receipts for this financial year and that he has assessed the revenue levels of the 50% rate for this year. In Committee, the Exchequer Secretary said:

"The Chancellor's Budget statement to the House on 23 March simply highlighted the fact that he has asked Her Majesty's Revenue and Customs, as part of that ongoing work, to see how much the additional rate actually raises. HMRC will look at all the available evidence about the impact of the 50% rate, including data from the 2010-11 self-assessment returns, which will become available next year."—[*Official Report, Finance (No. 3) Public Bill Committee*, 10 May 2011; c. 22.]

My concern, which I will put directly on the table, is that the Government have already prejudiced any decision on the 50p rate of tax by stating clearly that they believe it will do lasting damage to the economy. We want further explanation of the methodology that they will use to consider the 50p tax rate for future Budgets, and I think that the best organisation to do that is the Office for Budget Responsibility. The Government set up the OBR and gave it a number of key roles, one of which I have helpfully drawn from its own website. Under the heading "What we do", it states:

"We scrutinise the Treasury's costing of Budget measures: During the run-up to Budgets and other policy statements, we subject the Government's draft costings of tax and spending measures to detailed challenge and scrutiny."

All the amendment would do is formally recognise that role in relation to the Government's forthcoming review of the 50p additional rate.

The Chancellor has said to the House of Commons, the public and anyone who will listen that he sees this as a "temporary measure" and that it will do "lasting damage" to the economy. He has signalled that he will abolish the 50p rate as soon as he can, in line with Conservative thinking before the election. However, the timing remains uncertain. I believe that the Chancellor has pre-empted the review. When HMRC undertakes the review, it will do so on the assumption that at some time around 2013 the Chancellor of the Exchequer will abolish the rate on incomes above £150,000.

Charlie Elphicke (Dover) (Con): May I congratulate the Opposition on submitting the amendment on time and on its being selected? In relation to this report, I ask the right hon. Gentleman whether it is fair, right and proper that in 1978 the top 1% of earners paid 11% of all tax and that they now pay 25%.

Mr Hanson: I am grateful to the hon. Gentleman. I presume that he does not support the 50p tax rate, whether it raises revenue for the Treasury or not. We do not want HMRC to do a private report for Ministers, and for Ministers then to make political judgments about the 50p additional rate. Through the OBR's involvement, we want there to be a public report on the impact of the rate which is open to scrutiny.

The hon. Member for Dover (Charlie Elphicke) will know that about 308,000 people are affected by the 50p rate. I am not surprised that he supports its abolition and a lower rate, because he knows that it is paid less in my region in Wales, in the north-west region of my right hon. Friend the Member for Birkenhead and my hon. Friend the Member for Denton and Reddish (Andrew Gwynne) and in the north-east region of my other hon. Friends. The benefit of this tax cut, if it happens, will predominantly affect south-east and east England and the wealthier parts of London, although it will not particularly affect the constituency of my hon. Friend the Member for Vauxhall (Kate Hoey). I understand why the hon. Member for Dover wants to get rid of the rate. If he does, there will be a tax benefit for the richest people in our society and for certain parts of the United Kingdom.

All I am saying to the Minister is that we want to see the evidence on whether the additional rate raises money. If it does not raise money, we want to see it openly scrutinised. If it does raise money, we want to expose that, so that if the Minister and his hon. Friends cut the rate, it will be clear that they are doing so for political reasons and not because it is ineffective.

Charlie Elphicke: The right hon. Gentleman should know that in Dover there is a lot of deprivation. My case is not that we should get rid of the 50p tax rate tomorrow, but that we should do so at the right time. My question was simply whether it is safe and sensible for so much of the tax base to depend on so few people in this country?

Mr Hanson: I just say to the hon. Gentleman that in south-east England, which I recollect covers Dover, some 67,000 people pay the additional rate, whereas in north-east England, which is represented by some of my hon. Friends who are present, only 5,000 people pay it. Clearly, there will be a regional imbalance if this tax cut goes ahead. We will consider those issues in due course. I know that there are areas of great poverty and deprivation in Dover, where people do not pay the additional rate, but the hon. Gentleman has imposed value added tax on those people through votes in the House of Commons, and that is an unfair tax.

The simple point I make to the Minister is that we want open scrutiny of the decisions he takes on the ending or otherwise of the 50p additional rate. The leader of the Labour party has said that we would maintain that rate for the duration of this Parliament. The Minister and his colleagues have indicated that they want to do away with it. They are now trying to produce the information to show why that should be done. I believe that the Office for Budget Responsibility would provide greater scrutiny of that decision than—dare I say it?—the Minister in an in-house decision. We will test the matter tonight, and I hope that the Exchequer Secretary will accept the amendment. It relates to a core role and duty of the OBR, which is on its website, and I cannot see why he would not wish it to review the Government's decision formally.

Mr Andrew Love (Edmonton) (Lab/Co-op): Is it not important that the matter is subject to scrutiny, because the Government continue to tell us that they are looking after everyone in the community, including the less well-off? A review would show whether they have plans to reduce the burden on the highest paid.

9.15 pm

Mr Hanson: That is true. My hon. Friend will know that "We're all in this together" is one of the Government's refrains, and a review would show whether that is true. I want to know that preferably from the OBR, as suggested in the amendment, but otherwise from the Exchequer Secretary. The Government need to set out why they have decided to reduce the 50p rate in 2013, if that is their decision; what it will cost; what the forgone income will be; and who will benefit. There should not just be internal discussions—the decision should be open to public scrutiny through the OBR.

I am grateful to my right hon. Friend the Member for Birkenhead for tabling amendment 30, which highlights an extremely important issue. Again, I wish to hear the Exchequer Secretary's response today. I do not wish to steal my right hon. Friend's thunder, but he will know that the Conservatives pledged in their manifesto to freeze public sector pay, but to exclude from that 1 million of the lowest-paid workers. It stated that they would

"freeze public sector pay for one year in 2011, excluding the one million lowest paid workers,"

Through great effort, he has used parliamentary questions to uncover the fact that that is not the case, and that the Conservative Government have yet again broken a promise in their election manifesto. I believe that he will make a strong case that we need some explanation from the Government of what they are doing about the impact on low pay of the public sector pay freeze that has been put in place.

My right hon. Friend will know that there are issues to consider about the applicability of his amendment to clause 1 and its workability, and indeed its fairness. However, he has highlighted an extremely important issue, and I want the Exchequer Secretary to explain why the Conservatives' words about ensuring that low-paid workers were not disadvantaged have proved to be weasel words.

Charlie Elphicke: Is the right hon. Gentleman's position and that of the official Opposition that they support amendment 30?

Mr Hanson: I have not yet heard what my right hon. Friend the Member for Birkenhead has to say about it, but the hon. Gentleman might be interested to know that we have discussions not just in the Chamber but

[Mr Hanson]

outside it as party colleagues. My right hon. Friend will make his case in a moment, and I will listen to it and respond in due course. There are some issues that we need to consider, but it is not for me to respond to amendment 30; it is for the Exchequer Secretary to say why he has let down low-paid workers across the United Kingdom through his promises before the elections and his actions in the Budget. I look forward to hearing my right hon. Friend in short order.

My hon. Friend the Member for Hayes and Harlington has yet again tabled an amendment that has a great deal of merit. Although I do not expect it to be pushed to a vote, I want to hear what he says about it, because he has important points to make. The key point on all the amendments is that the Government need to provide clarity. We need clarity about what they are doing on the 50p tax rate and on low-paid workers, and on the points raised by my hon. Friend's amendment. I look forward to hearing my hon. Friend, my right hon. Friend the Member for Birkenhead and the Exchequer Secretary in due course.

Mr Frank Field (Birkenhead) (Lab): I shall not press amendment 30 to a Division tonight, because we will return to the subject in greater detail later in the Parliament. However, I want to address some questions to those on the Treasury Bench. I accept that there are problems with the amendment, but it was the only way that I could find to debate the matter in the House.

I wish to remind the Minister that in the Budget debate of 2010, the Chancellor said that

"the Government are asking the public sector to accept a two-year pay freeze, but we will protect the lowest paid...They will each receive a flat pay rise worth £250"—[*Official Report*, 22 June 2006; Vol. 512, c. 171.]

He said that the cut-off point would be not £18,000 but £21,000 a year, and he, not the Opposition, estimated that 1.7 million people would receive that pay increase.

A number of Opposition Members, including those who put their names to amendment 30, and many hon. Members, have constituents who believed what the Government said. They believed that they would be protected. The Chancellor's announcement was a crucial part of protecting those workers, but it was also a crucial part of selling to the wider public the pay freeze that the Government announced. However, those people have so far received no £250 pay increase.

I should therefore like to ask the Minister two questions. First, of the 1.7 million whom not I, but the Chancellor, said would be eligible, how many have received the £250 across-the-board pay increase? Next year's earnings figures show that the numbers eligible will rise to 2.2 million. Therefore, my second question for those on the Treasury Bench is this: how many of that 2.2 million will receive their £250 pay increase?

I conclude by merely trying to express, perhaps inadequately, a sense of how low-paid workers in my constituency feel. They feel that they have again been let down. The previous Labour Government did not do too well by that group, with the 10p tax rate abolition, and this Government have done not too well by them. Many are women coming up to retirement age who now learn that they must work two years more. They thought they would get £250 as a lump sum to protect them against rising prices and a general wage freeze, but many now find that no such increase is forthcoming. I would therefore be grateful if the Minister could give us answers to those two questions.

John McDonnell: May I associate myself with amendment 30, which I also signed? For my constituents, £250 means a lot. It is a lot of money in terms of paying daily bills, but it is also the difference between some children having a summer break this year and not. I hope the Minister responds positively and examines that matter, but I will give him this assurance: if we do not have positive assurances from the Government, we will be back time and again until that money is paid.

I wish to speak to amendment 14, which is in my name. The amendment simply proposes that, as we determine personal income tax rates for the coming year, we look carefully at their impact on inequality. The proposal is from various lobbies in recent months, from religious groups, churches, welfare rights groups, trade unions and other civil society organisations, which have expressed their anxiety about inequality in our society. Like them, I believe that our country is disfigured by inequality and the extremes of wealth and poverty. Consequently, I believe that we should use every legislative weapon possible to address it.

I mentioned some of the extremes of wealth and poverty in the earlier debate on executive pay—some top executives earn a salary that is 145 times the average salary of their workers. The Government's assessment of wealth distribution last year showed that the total wealth of the top 10% of the population is now 100 times that of the bottom 10%. The simple reason is that the poorest have so little wealth.

In 1986 in the UK, the richest 1% held 25% of marketable wealth. Twenty years later, that had risen to 34% of total national wealth. The poorest 50% had gone from holding 11% of the nation's wealth to holding just 1% today. That is not solely the result of economic trends or globalisation—it has been Government policy, largely in the 1980s and 1990s, to pursue the systematic redistribution of wealth from the poor to the rich, and the last Government at least held back the tide for a period.

Taxation policy has a key role to play in addressing inequality and I note that the Treasury Committee quoted Wendell Holmes' popular dictum that tax is the price we pay for a civilised society. I agree, but civilisation has a range of definitions, one of which is that we should not live in a society that is so starkly unequal—

Kate Green: I very much support the sentiments my hon. Friend is expressing. Does he agree that it is not only the income and consumption taxes that need to be encompassed in his amendment, but the wealth taxes, especially in light of the examples that he has just given us?

John McDonnell: My amendment proposes examination of the whole range of taxes, indirect and direct. It is interesting that the direct taxation system can be progressive in redistribution, but that the indirect system is so regressive in this country. It has a considerable impact on ensuring that we see these vast extremes of poverty and wealth.

It is not only the lobbyists from various organisations who have expressed their concerns about this inequality, because the general public are averse to high levels of inequality too. In recent surveys, 80% to 90% have been in favour of a more equal distribution of wealth in our society. We have had various discussions in this House about the impact of inequality, and none better than the debates around the work by Richard Wilkinson and Kate Pickett, "The Spirit Level", which was groundbreaking.

Richard Wilkinson was an adviser to my party in the early 1990s, when he did the earliest work on the impact of inequality on health. That was revisited in 2005, when he came to the House and briefed several MPs. "The Spirit Level" confirmed what he had suspected in the 1990s and started the debate. The Prime Minister and the Leader of the Opposition have both accepted that inequality is an issue that must be addressed. In 2009, the Prime Minister quoted from Richard Wilkinson's book in a major speech, demonstrating that the Conservative party at that time was keen to address some of the issues of inequality. He said that

"among the richest countries it's the more unequal ones that do worse according to almost every quality of life indicator."

In his first major speech as leader, the Leader of the Opposition said:

"I do believe that this country is too unequal and the gap between rich and poor doesn't just harm the poor, it harms us all."

That is based on the work in "The Spirit Level".

The argument in "The Spirit Level" is straightforward—that when people in the same social class, at the same level of income and education, are compared across countries, those in more equal societies do better on every measurement, be it health, mortality, obesity, teenage birth rates or mental illness. Their quality of social relations is better too. Inequality is socially divisive, increasing the rate of homicide, hostility and racism. The level of trust in unequal societies is lower than in societies that are more equal, and social capital is less—the engagement in civil society and even in political processes. That is why we need to address the issue of inequality when we consider taxes and our financial strategy.

I realise that this has been a contentious debate, and I have read the arguments made by the TaxPayers Alliance, which has tried to rebut Wilkinson and Pickett's work, but I have also read the more recent independent research studies that have simply reinforced the inequality argument. Whichever side of the argument Members fall, it is clearly an issue to be considered, and that is why I suggest that we look at taxation as a whole—

Stephen Williams: I agree with virtually everything that the hon. Gentleman has said. I have "The Spirit Level" at home and it will be part of my summer reading as I have not had time to read it yet. Does he at least acknowledge that one of the good things that the coalition Government have done is reduce the exposure to income tax of the lowest paid in society, while at the same time increasing capital gains tax? His Government did the reverse.

9.30 pm

John McDonnell: I believe that the hon. Gentleman joined the House at the last election.

Stephen Williams *indicated dissent.*

John McDonnell: No. The previous election?

Stephen Williams *indicated assent.*

John McDonnell: The hon. Gentleman clearly has not been reading my alternative Budgets that I table year after year and which address some of those issues, although he is not alone in not having read them—but there you are!

The purpose of amendment 14 is to examine the issue again and regularly. The equality assessments that we receive from the Government in the budgetary papers consist of one sentence telling us who will gain and who will lose. They do not address the issue of inequality. A wider debate is needed, however, and my amendment would ensure that that debate is revisited and kept in close focus as we determine our financial policies. There have been previous attempts at this, and various reports by various governmental bodies have partly addressed the issue, but they have not been related to specific policy decisions or policy development.

This is more of a plea. The previous Government, of which I had occasional criticisms, set up an excellent initiative in founding the national equality panel under its chair, Professor John Hills. The panel still exists within the Home Office, and it produced a major report in January 2010 entitled, "An Anatomy of Economic Inequality in the UK". It was extremely detailed and brought together the evidence on economic inequality in our society. It was enlightening and depressing but at the same time motivating. It was enlightening because it exposed not only the scale of inequality but the trend growth over time, which, as I said, was only arrested in the previous decade, not reversed. It was depressing because, as the report stated, the sheer scale of inequalities in outcome—for instance, the sheer scale of differences in wealth—was shocking. The report even implied that it might be impossible to create a cohesive society given the scale of inequality.

The report identified a backdrop of widespread ignorance of the scale of inequality and the lack of awareness in society as a whole among the rich and the poor. It was not just the poor who did not realise how unequal society was; it was also the richest. The report was motivating because it demonstrated that public policy interventions can reduce inequality, particularly interventions around tax and welfare benefits. They can narrow gaps between the rich and the poor and create a more cohesive and successful society. My plea, through this amendment, is that before we agree tax levels, we address the issue of inequality and that we bring forward a further report. I suggest that the national equality panel continues its work, assesses the taxation policies set out in the Budget and brings a report back to the House so that we can be sure that the policies we are pursuing are addressing inequality in our society.

I am obviously aware that through the Child Poverty Act 2010 the previous Government set up the Child Poverty Commission, the remit of which has now been extended to include the issue of social mobility. I am sure that the commission could play a valuable role in assessing the tax decisions in the Finance Bill and their impact on inequality.

Kate Green: Does my hon. Friend agree that it would be an important opportunity to look again at the assertion that the countries with the highest levels of inequality are also those with the least social fluidity and therefore at the role that tax could play in achieving the Government's social mobility objectives?

John McDonnell: That is particularly important given that we are in if not a recession, a period of economic inactivity in which the economy has been scraping along the bottom. We have 2.5 million unemployed, of whom nearly 1 million are young people and 1.7 million people are in enforced short or part-time working. As Richard Wilkinson demonstrated, during the '80s, the social psychological response was either fight or fright: fright meant depression, alcohol and drugs, and fight often meant violence on our streets and, unfortunately, an increase in violent crime.

We should be addressing those issues now, as we pass through this economic recession, which might last some time. It behoves us, as we discuss taxation and if taxation can play a role in addressing inequality, to examine the matter in detail. The amendment simply tries to emphasise that inequality is an important issue that has to be addressed and that all legislation needs to be reviewed and assessed in the light of its impact and effectiveness in addressing inequality. The amendment therefore calls for a report to be brought back to the House addressing that matter. In that way, we might at least acquire an understanding of the impact of taxation policies on inequality, even if we might disagree on specific taxation policies.

Mr Love: I associate myself with the speech made by my hon. Friend the Member for Hayes and Harlington (John McDonnell) and its focus on inequality. I want to pick up on that focus, and on the discussion we had a few moments ago about the Government's claim that we are all in this together. I shall subject that to scrutiny through amendment 13, which was tabled by my right hon. Friend the Member for Birkenhead (Mr Field). As my right hon. Friend said, and as has been said by those on our Front Bench, the Conservative manifesto at the 2010 general election included a commitment to

"freeze public sector pay for one year in 2011, excluding the one million lowest paid workers".

It was announced in the 2010 Budget that there would be a two-year pay freeze, except for those earning £21,000 or less, who would receive an increase of at least £250 a year. In his statement, the Chancellor went on to say that 1.7 million public servants would benefit from that and receive the £250 for two years.

In the Budget statement this year, the Chancellor had changed his tune somewhat. He said:

"I can confirm today that in the coming year all workers in the armed forces, the prison service and the NHS, and teachers and civil servants, earning £21,000 a year or less will receive a pay uplift of £250."—[*Official Report*, 23 March 2011; Vol. 508, c. 963.]

That is considerably less than the commitment given in the 2010 Budget, and it is different from—and, in a sense, considerably less than—the commitment given in the Conservative manifesto. Some work has been done that shows that if the measures include only public sector workers who are under ministerial control and subject to pay review bodies—that is in essence what the Chancellor is saying—that commitment is very considerably less. As I understand it, it equates to less than half the original number affected.

In supporting amendment 30, I want to ask the Minister directly whether he accepts that the Conservative manifesto misled the people of this country. Does he accept that, in his Budget statement in 2010, the Chancellor misled the House and the people of this country? Does he also accept that the present number of people who will benefit from the £250 uplift is considerably lower than the number originally envisaged? In those circumstances, and given the difficulties that we face in a debate of this nature on taxation, will he accept the thrust of the amendment? Will the Government recommit to doing something to address low pay for those earning less than £21,000 a year? Will the Minister also ensure that everyone earning under that amount will receive the £250, given that only some are doing so at present?

Mr Gauke: It is a pleasure to respond to the debate. Amendment 10 would require the Office for Budget Responsibility to report on the revenue raised by the additional rate of income tax. Amendment 14, meanwhile, seeks a report on the impact on inequality of all taxes, and amendment 30 seeks to provide a £250 reduction in the tax liability of all public sector workers earning less than £21,000.

I deal first with amendment 10. At the Budget, my right hon. Friend the Chancellor asked HMRC to assess the revenue raised by the additional rate. As I explained during the extensive debate on this clause in Committee, which the right hon. Member for Delyn (Mr Hanson) will well recall, HMRC will consider all the available evidence on the impact of the additional rate, including data from the 2010-11 self-assessment returns, which will become available next year. Data from tax returns are clearly essential in any assessment of the revenue raised, but of course they contain confidential taxpayer information and are best reviewed by HMRC. It already has the expertise in monitoring and evaluating tax measures and is resourced to do so in future. The Office for Budget Responsibility has a different remit in producing independent economic and fiscal forecasts, judging policy against the fiscal mandate and analysing the sustainability of the public finances.

Kate Green: I understand what the Minister says, but does that not suggest that one useful role that the Office for Budget Responsibility could fulfil would be to take a dynamic look at the effect of the 50% tax rates on, for example, the propensity of people to remain in the country and pay that tax and the longer-term impact on the economy?

Mr Gauke: I would not necessarily have put the hon. Lady down as an advocate of a more dynamic assessment of the tax measures, but perhaps I was mistaken in my understanding of her views. The purpose of the review that my right hon. Friend the Chancellor has announced will be to enable HMRC to see what has happened in the first year. It is right to say that there are long-term effects that will not necessarily be incorporated in that first year's data, and I think anyone with an understanding of these matters would acknowledge that.

It is perfectly reasonable to make the point that if the 50p rate were to become a permanent feature of our tax system, it could damage the UK's competitiveness. That

is a point that the noble Lord Mandelson appears to support and I believe that the right hon. Member for Edinburgh South West (Mr Darling), who introduced the 50p rate as Chancellor, saw it as a temporary measure, while Tony Blair has made it clear that he thinks the 50p rate is a mistaken policy—full stop. Our view, however, is that at this time, because of the sacrifices we are asking people to make, the 50p rate does play a role, but we want to analyse what revenue it brings in the short term and to gain an understanding of its long-term effects.

As the additional rate was introduced by the previous Government, I can perfectly understand why the right hon. Member for Delyn is so interested in establishing whether it was a successful policy, but when he talks about public scrutiny of Budget measures I must ask him what public scrutiny was there when the 50p rate was introduced? To what extent was the analysis published then, and to what extent was it published when the 10p rate of income tax was doubled? What information was put into the public domain at that point? As a Government, we have done much more on putting information into the public domain by publishing our analysis. Announcements in this area will be made by the Chancellor at the appropriate time. It is peculiar, however, to hear the Opposition proposing more evidence-based policy making only to reject the notion, it seems to me, that this Government should consider the evidence before making any further commitments.

I turn now to amendment 14, which deals with the impact of tax on inequality. I realise that the hon. Member for Hayes and Harlington (John McDonnell) has his own views on inequality, some of which may not necessarily be shared by his Front-Bench team. I thank him for tabling this amendment, however, as it provides me with an opportunity to highlight the significant steps that the Government have taken in 13 months to address inequality through the tax system.

First and foremost, the Government are committed to ensuring that the income tax system gives more support to those on low to middle incomes, and rewards the efforts of those who choose to work. That is why the June 2010 Budget announced a £1,000 increase in the income tax personal allowance for those aged under 65. A further £630 increase was announced in Budget 2011. That will make the personal allowance £8,105 from next year. Together, those increases will benefit 25 million individuals, and take 1.1 million low-income individuals out of income tax—an important point that my hon. Friend the Member for Bristol West (Stephen Williams) highlighted. Basic rate taxpayers will gain by £240 per year on average. That is part of our stated objective to increase the personal allowance to £10,000, with real terms steps in that direction every year.

Income tax is not the only area in which the Government are tackling inequality. All local authorities in England have voluntarily frozen or reduced their council tax in 2011-12 and as a result have qualified to receive additional Government grant equivalent to a 2.5% increase in their band D council tax. We have committed £1.9 billion to ease the burden on motorists, including the 1p cut in fuel duty as opposed to the 6p increase under the plans of the previous Government. We are supporting pensioners through the triple guarantee of state pensions being uprated by earnings, prices or 2.5%, whichever is highest. The television licence will be frozen for the next six years.

Clearly, the Government have taken great strides to tackle inequality in this country.

Kate Green: What steps have the Government taken to reduce inequality by concentrating on taxation not at the bottom of the income spectrum but at the top?

Mr Gauke: As was mentioned earlier, we have increased capital gains tax rates from those that we inherited, and our income tax decreases have been focused on the low paid. That is an example of what we are trying to do. The point is how to ensure that we have a competitive tax system so that we have the growth that the economy needs and that benefits all our constituents.

Let me turn to the report requested by the hon. Member for Hayes and Harlington.

I draw his attention to the detailed analysis that the Government have published on the impact of direct tax, indirect tax, tax credits and benefit reforms, which can be found in annexe A to "Budget 2011". The Government have gone further than any previous Government in presenting distributional analysis of how changes to taxes, tax credits and benefits affect households. We have published detailed analysis at Budget 2011, the spending review and the June Budget 2010. That analysis shows that the top decile sees the largest losses from the cumulative impact of tax, tax credit and benefit reforms introduced at Budget 2011 and previous fiscal events. In cash terms, the top decile loses more than twice as much as the ninth decile, and 10 times as much as the bottom decile. That is the case if one looks at the overall impact or in cash terms, as a percentage of net income, or across income or expenditure deciles.

John McDonnell: Will the Government publish anything with regard to the distribution of wealth—for example, the impact of such policies on the Gini co-efficient?

Mr Gauke: We will make further announcements as and when necessary, but we are publishing much more information on distributional analysis than any previous Government have. It is right to do so, and to take steps to ensure that the House and the whole country can debate such matters with as much information presented in future. A striking contrast can be drawn with regard to one policy—the doubling of the 10p rate—about which the hon. Gentleman and the right hon. Member for Birkenhead (Mr Field) had concerns. It was difficult to obtain any information on that policy's impact, although we have learned in recent weeks that much of the information about that was available to Ministers at the time.

Amendment 30 seeks to provide a one-off £250 reduction in the tax liability of all public sector employees earning less than £21,000. In the June 2010 Budget, we announced a two-year pay freeze for public sector workers earning a full-time equivalent of £21,000. That is one of the many difficult choices that we have had to make to help put the UK's public finances back on track, and it does not mean that we do not value the work done throughout the public sector. All Members know that those in the public sector work hard for the benefit of society. However, pay freezes of this sort save jobs. Given that we are having to constrain public spending and given that the fiscal deficit requires cuts, a pay freeze will help

[Mr Gauke]

to mitigate the effect of those cuts. Because we recognise that the freeze will be hardest on the lowest-paid public sector workers, it was announced in the June Budget that those earning a full-time equivalent of £21,000 or less would receive an uplift of at least £250 in both years of the freeze.

Both the Labour party's manifesto at the time of the last general election and the 2009 pre-Budget report announced a 1% increase for public sector workers across the board, apart from the armed services. No distinction was made between the low paid and the high paid. Under a Labour Government, none of those earning less than £21,000 a year—including nurses, teaching assistants, police community support officers and hospital porters—would be receiving a £250 increase.

Mr Frank Field: What we said at the last general election is not very relevant, because we lost. The other side won, and made a commitment in the Budget. The Chancellor stood at the Dispatch Box where the Minister is standing tonight, and said that 1.7 million low-paid workers in the public sector would receive an increase of £250. What we now want to know is how many are being paid the £250, and, if 1.7 million are not being paid that sum, what steps the Government will take to ensure that they are paid it.

Mr Gauke: The policy advocated by the Labour party when they were in government would have resulted in none of these public sector workers receiving £250.

We will ensure that the policy on pay increases for low-paid local government workers is applied across the civil service and to work forces with pay review bodies. That will include civil servants, NHS staff, teachers, members of the armed forces and those working in prisons. Many civil servants, nurses and prison officers, and the armed forces, have already received the £250 increase this year and can expect a further £250 increase next year, but other work forces have responsibility for negotiating their own pay deals. Decisions on the pay of local government work forces are for local government employers, rather than central Government, to negotiate. Provision was made in the local government settlement for local authorities to pay the £250 increase, but the fact remains that the decisions are made by local authorities. We gave them the opportunity to pursue the policy that we are pursuing at national level, but it is ultimately for them to decide how to pay their employees.

Mr Field: At the Dispatch Box, the Chancellor said that 1.7 million low-paid workers in the public sector would receive increases of £250 this year and next year. Will the Minister please tell the House how many of those 1.7 million have received the promised sum—promised by the Chancellor, not by me?

Mr Gauke: Where it is within the Chancellor's control because the money is paid through central Government, those low-paid public sector workers will receive the £250. For those who work in local government, which is not within the control of central Government, we have provided local authorities with the funding to be able to meet that policy objective.

Mrs Mary Glindon (North Tyneside) (Lab): My own Tory council totally ignored the Chancellor's directive to give that money, and in the debate on the budget refused to give the £250 to our low-paid workers and said it had put in place a balanced budget that was in line with the Chancellor's requests. What does the Minister think of that?

Mr Gauke: It is for local authorities to determine what they pay their employees, but we have given them the extra money to fund this, and we would like local authorities to fulfil the objective that we are achieving at national level. We do not control local authorities, but we can provide them with the funding, and we did that. Our intention was that all low-paid workers would receive the £250, but we do not—and should not—have the ability to mandate local authorities to pay their workers, and that is currently up to them.

John McDonnell: When the Chancellor made his statement, there were no caveats; it was a straightforward commitment to pay 1.7 million workers the £250. The Chancellor gave a moral commitment; it therefore behoves the Government to intervene to ensure the Chancellor's pledge is fulfilled to all 1.7 million workers, without any caveats.

Mr Gauke: As I said, where this is within our control, public sector workers earning less than £21,000 are getting the £250. Where it is not within our control, we have funded local authorities; they are funded to make this payment, but it is ultimately for them to decide.

Nic Dakin: As a former council leader, it occurs to me that Governments were for ever putting conditions on how money for local government should be spent, so surely that could be the case in this respect as well?

Mr Gauke: This Government believe in localism. I do not know whether the hon. Gentleman wants to return to the days when local authorities were highly prescribed as to how they could spend money and everything was ring-fenced, but that is not how we want to operate.

Kate Hoey (Vauxhall) (Lab): The Minister said earlier that the Government had specifically given this money to local authorities. If we are now hearing that authorities—of all political persuasions, perhaps—such as that of my hon. Friend the Member for North Tyneside (Mrs Glindon) have not been paying it as they should, will the Government take that money back?

Mr Gauke: No. The funding settlement with local authorities was made on the basis that the money would be available for them to pay to low-paid public sector workers, but it is ultimately their decision.

Returning to the amendment of the right hon. Member for Birkenhead, I understand that it is intended to help enforce the Government's policies, and I am sure he intends to be helpful. However, we do not believe that using the tax system is the right way to address this; we do not think that will be practical. It would add complexity to the tax system, and I therefore urge him to withdraw the amendment, especially as I know he will return to this subject at a later date.

Mr Frank Field *rose—*

Mr Gauke: I have given way to the right hon. Gentleman on a number of occasions, and I think it is time to conclude.

I have explained why the assessment of the additional rate of income tax requested by my right hon. Friend the Chancellor must be prepared by Her Majesty's Revenue and Customs. I have explained that the analysis the hon. Member for Hayes and Harlington seeks already exists, and I have explained why the Government's approach to assisting the lowest-paid public workers is the right one. There is no need for these amendments, so I ask for them to be withdrawn.

Mr Hanson: What is clear is that my right hon. Friend the Member for Birkenhead (Mr Field) has exposed completely the fact that the Chancellor of the Exchequer promised one thing at the election and one thing in his Budget, and has not delivered on that promise completely. I know that we will return to that issue during the next few weeks and months.

On the issue of the Office for Budget Responsibility, I wish to press amendment 10 to a Division and I urge my right hon. and hon. Friends to support me in the Lobby.

Question put, That the amendment be made.

The House divided: Ayes 229, Noes 298.

Division No. 313] **[10 pm**

AYES

Abbott, Ms Diane
Abrahams, Debbie
Ainsworth, rh Mr Bob
Alexander, rh Mr Douglas
Alexander, Heidi
Ali, Rushanara
Allen, Mr Graham
Ashworth, Jon
Austin, Ian
Bailey, Mr Adrian
Bain, Mr William
Balls, rh Ed
Banks, Gordon
Barron, rh Mr Kevin
Beckett, rh Margaret
Begg, Dame Anne
Bell, Sir Stuart
Benn, rh Hilary
Benton, Mr Joe
Berger, Luciana
Betts, Mr Clive
Blears, rh Hazel
Blenkinsop, Tom
Blunkett, rh Mr David
Bradshaw, rh Mr Ben
Brennan, Kevin
Brown, rh Mr Gordon
Brown, Lyn
Brown, rh Mr Nicholas
Brown, Mr Russell
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burnham, rh Andy
Byrne, rh Mr Liam
Campbell, Mr Alan
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clark, Katy
Clarke, rh Mr Tom
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Connarty, Michael
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Crausby, Mr David
Creagh, Mary
Creasy, Stella
Cryer, John
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Curran, Margaret
Dakin, Nic
Danczuk, Simon
Darling, rh Mr Alistair
Davidson, Mr Ian
Davies, Geraint
De Piero, Gloria
Denham, rh Mr John
Dobson, rh Frank
Docherty, Thomas
Donohoe, Mr Brian H.
Doran, Mr Frank
Dowd, Jim
Doyle, Gemma
Dromey, Jack
Dugher, Michael
Durkan, Mark
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Engel, Natascha
Esterson, Bill
Farrelly, Paul
Field, rh Mr Frank
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Francis, Dr Hywel
Gapes, Mike
Gardiner, Barry
Gilmore, Sheila
Glass, Pat
Glindon, Mrs Mary
Godsiff, Mr Roger
Goggins, rh Paul
Goodman, Helen
Greatrex, Tom
Green, Kate
Griffith, Nia
Gwynne, Andrew
Hain, rh Mr Peter
Hamilton, Mr David
Hamilton, Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Healey, rh John
Hendrick, Mark
Hepburn, Mr Stephen
Heyes, David
Hillier, Meg
Hilling, Julie
Hodge, rh Margaret
Hodgson, Mrs Sharon
Hoey, Kate
Hopkins, Kelvin
Hosie, Stewart
Howarth, rh Mr George
Irranca-Davies, Huw
James, Mrs Siân C.
Jamieson, Cathy
Jarvis, Dan
Johnson, rh Alan
Johnson, Diana
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Joyce, Eric
Kaufman, rh Sir Gerald
Keeley, Barbara
Kendall, Liz
Lammy, rh Mr David
Lavery, Ian
Leslie, Chris
Lewis, Mr Ivan
Lloyd, Tony
Llwyd, rh Mr Elfyn
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
MacNeil, Mr Angus Brendan
Mactaggart, Fiona
Marsden, Mr Gordon
McCabe, Steve
McCann, Mr Michael
McCarthy, Kerry
McClymont, Gregg
McDonnell, John
McFadden, rh Mr Pat
McGovern, Alison
McGovern, Jim
McGuire, rh Mrs Anne
McKechin, Ann
McKinnell, Catherine
Meacher, rh Mr Michael
Meale, Sir Alan
Mearns, Ian
Michael, rh Alun
Miliband, rh David
Miliband, rh Edward
Miller, Andrew
Mitchell, Austin
Morden, Jessica
Morrice, Graeme *(Livingston)*
Morris, Grahame M. *(Easington)*
Mudie, Mr George
Munn, Meg
Murphy, rh Paul
Murray, Ian
Nandy, Lisa
Nash, Pamela
O'Donnell, Fiona
Onwurah, Chi
Osborne, Sandra
Owen, Albert
Pearce, Teresa
Perkins, Toby
Pound, Stephen
Raynsford, rh Mr Nick
Reed, Mr Jamie
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Riordan, Mrs Linda
Robinson, Mr Geoffrey
Rotheram, Steve
Roy, Mr Frank
Roy, Lindsay
Ruane, Chris
Sarwar, Anas
Seabeck, Alison
Sharma, Mr Virendra
Sheerman, Mr Barry
Sheridan, Jim
Shuker, Gavin
Skinner, Mr Dennis
Slaughter, Mr Andy
Smith, rh Mr Andrew
Smith, Angela
Smith, Nick
Smith, Owen
Spellar, rh Mr John
Straw, rh Mr Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Tami, Mark
Thomas, Mr Gareth
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turner, Karl
Twigg, Stephen
Umunna, Mr Chuka
Vaz, rh Keith
Vaz, Valerie
Watts, Mr Dave
Weir, Mr Mike
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Wicks, rh Malcolm
Williams, Hywel
Williamson, Chris
Wilson, Phil
Winnick, Mr David

Winterton, rh Ms Rosie
Wishart, Pete
Woodcock, John
Woodward, rh Mr Shaun
Wright, David
Wright, Mr Iain

Tellers for the Ayes:
Graham Jones and
Lilian Greenwood

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Alexander, rh Danny
Amess, Mr David
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barker, Gregory
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Beith, rh Sir Alan
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bottomley, Sir Peter
Bradley, Karen
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, rh Mr Simon
Burrowes, Mr David
Burstow, Paul
Burt, Lorely
Byles, Dan
Cable, rh Vince
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, rh Mr Alistair
Carmichael, Neil
Carswell, Mr Douglas
Cash, Mr William
Chishti, Rehman
Clappison, Mr James
Clark, rh Greg
Clarke, rh Mr Kenneth
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crabb, Stephen
Crockart, Mike
Crouch, Tracey
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dodds, rh Mr Nigel
Dorrell, rh Mr Stephen
Doyle-Price, Jackie
Drax, Richard
Duddridge, James
Duncan Smith, rh Mr Iain
Ellis, Michael
Ellison, Jane
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Featherstone, Lynne
Field, Mr Mark
Foster, rh Mr Don
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mr Edward
Garnier, Mark
Gauke, Mr David
George, Andrew
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Goldsmith, Zac
Goodwill, Mr Robert
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Greening, Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gyimah, Mr Sam
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Mr Mike
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Horwood, Martin
Howarth, Mr Gerald
Howell, John
Huhne, rh Chris
Hunt, rh Mr Jeremy
Huppert, Dr Julian
Hurd, Mr Nick
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kennedy, rh Mr Charles
Kirby, Simon
Laing, Mrs Eleanor
Lamb, Norman
Lancaster, Mark
Lansley, rh Mr Andrew
Latham, Pauline
Laws, rh Mr David
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, Dr Julian
Liddell-Grainger, Mr Ian
Lilley, rh Mr Peter
Lloyd, Stephen
Lopresti, Jack
Loughton, Tim
Luff, Peter
Lumley, Karen
Main, Mrs Anne
McCartney, Jason
McCartney, Karl
McCrea, Dr William
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Mensch, Louise
Menzies, Mark
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Mitchell, rh Mr Andrew
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Mulholland, Greg
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Ottaway, Richard
Paice, rh Mr James
Parish, Neil
Patel, Priti
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pugh, John
Raab, Mr Dominic
Randall, rh Mr John
Redwood, rh Mr John
Rees-Mogg, Jacob
Reevell, Simon
Reid, Mr Alan
Robathan, rh Mr Andrew
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rudd, Amber
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Shapps, rh Grant
Sharma, Alok
Shepherd, Mr Richard
Simmonds, Mark
Simpson, David
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soames, Nicholas
Soubry, Anna
Spelman, rh Mrs Caroline
Spencer, Mr Mark
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Syms, Mr Robert
Teather, Sarah
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Turner, Mr Andrew
Tyrie, Mr Andrew

Uppal, Paul	Willetts, rh Mr David
Vara, Mr Shailesh	Williams, Mr Mark
Vickers, Martin	Williams, Roger
Villiers, rh Mrs Theresa	Williams, Stephen
Walker, Mr Charles	Williamson, Gavin
Walker, Mr Robin	Willott, Jenny
Wallace, Mr Ben	Wilson, Mr Rob
Ward, Mr David	Wollaston, Dr Sarah
Watkinson, Angela	Wright, Jeremy
Weatherley, Mike	Wright, Simon
Wharton, James	Yeo, Mr Tim
Wheeler, Heather	Zahawi, Nadhim
White, Chris	**Tellers for the Noes:**
Whittaker, Craig	**Bill Wiggin and**
Whittingdale, Mr John	**Mr Philip Dunne**

Question accordingly negatived.

Ordered, That further consideration be now adjourned.—*(Mr Newmark.)*

Bill to be further considered tomorrow.

Business without Debate

TREASURY

Ordered,

That Mr Chuka Umunna be discharged from the Treasury Committee and Tom Blenkinsop be added.—*(Geoffrey Clifton-Brown, on behalf of the Committee of Selection.)*

Musculoskeletal Diseases

Motion made, and Question proposed, That this House do now adjourn.—*(Mr Newmark.)*

10.16 pm

Graham Stringer (Blackley and Broughton) (Lab): The genesis of this debate was four reports into musculoskeletal disorders from about two years ago. The first was from the National Audit Office, one was the King's college report, there was another from the umbrella organisation, the Arthritis and Musculoskeletal Alliance, and the final one was the clinical advice from the National Institute for Health and Clinical Excellence. Those four reports led to an excellent debate in Westminster Hall on 19 January 2010 at column 1WH of the *Official Report*. I advise the Minister to take a look at that hour and a half debate in which many more points were made than—*[Interruption.]*

Mr Speaker: Order. I apologise for interrupting. There are Members behind the Chair making a frightful racket and it should not happen. They should leave the Chamber and show some courtesy to the Member who is developing his speech. I apologise to the hon. Gentleman who should now resume.

Graham Stringer: Thank you, Mr Speaker.

Many more points were made in that debate than it is possible to make in a half hour debate in this Chamber. What the then Government were essentially being asked was to take action to ensure better clinical outcomes for the money being spent on musculoskeletal disorders. The real ask from the community was for a clinical director or so-called tsar. In a sense, however, the most important ask is not that, but that there is an outcome strategy that improves the outcome for people suffering from musculoskeletal disorders. In many ways, in spite of those four reports and the debates that have taken place since, the situation nationally remains much the same. The statistics are worth going through in some detail. The amount of money spent on musculoskeletal disorders is large—£4.76 billion, which is the fourth-largest category spend within the NHS. That money is spent on 25% of the population as one in four people have a musculoskeletal disorder. That is 9.6 million adults and 12,000 children. Many people think that arthritis and rheumatism affect only older people, but that is not true. They can affect people of any age, as is perfectly illustrated by the fact that 12,000 children suffer from it. In terms of costs, the magnitude of the issue is that one visit in every four to a general practitioner concerns musculoskeletal disorders and 10.8 million working days are lost because of such disorders.

Those are the statistics. The problem is that there is no equality of outcome and no sense that when money is put into the system outcomes improve. About two years ago, partly in response to the reports, the previous Government put £600 million more into the system, but there was no noticeable improvement in outcomes. The NHS atlas of variation shows a threefold difference in spending in different parts of the country, but it does not relate to differences in incidence, prevalence or severity of the problem; nor does it necessarily relate to better outcomes. Although there is a threefold difference generally, the difference for rheumatoid arthritis is five

[Graham Stringer]

times, for hip replacements 14 times, cemented hips 16 times and for uncemented hips it is 30 times. Clearly something unusual is happening in that area of the service and it requires examination.

Quite simply, current services do not ensure swift treatment of arthritis, which in many cases is vital. I shall give an example from one category of disorder: rheumatoid arthritis. People think it is the same as any other arthritis but it is not; it is an auto-immune disease and few people suffer from it. Many GPs see only one new case every year or so, which is surprising but true. Because GPs do not see such cases regularly, patients often have to visit their GP about three times before they receive treatment, but early treatment is vital. The time before treatment means not only pain but also that the rheumatoid arthritis is not cured. Since a third generation of drugs—the biologics—has been developed, the disease is curable in a large number of cases if treatment is given quickly enough. Even if the disease is not curable, what matters is getting the patient to a multidisciplinary team of physiotherapists, consultant surgeons, doctors and community nurses as quickly as possible.

Nic Dakin (Scunthorpe) (Lab): My hon. Friend is setting out his stall powerfully. It is a difficult subject. Does he agree that early intervention is good not only for the patient, because they can recover faster or get to grips with the condition, but also for the economy, because the person is more likely to be able to continue active employment, and for the health service because early intervention is likely to cost less in the longer term?

Graham Stringer: Precisely. I mentioned the total number of lost days. In the vast majority of cases of rheumatoid arthritis, people stop working two years after diagnosis, but if diagnosis and treatment are earlier it is most likely that even if the person is not cured they could continue working for longer.

The Arthritis and Musculoskeletal Alliance—ARMA—is calling for a number of things, but before I put its case I note the following points. The fact that there are unsatisfactory differences in inputs and outcomes is not completely an accident. By and large, the services have not had the attention they deserve. I am not making a party political point; the situation has been going on for a number of years and unfortunately it continues. The quality and outcomes framework contains no indicator for musculoskeletal conditions. Why not? The musculoskeletal services framework of 2006 lacked leadership and was largely ignored by the centre in the NHS, GP training in musculoskeletal conditions remains poor, despite the evidence I have just given about the importance of GPs recognising precisely what form of musculoskeletal disorder a patient has, and only two of the NICE policy standards announced so far relate to musculoskeletal conditions—for hip fractures and osteoarthritis—out of the vast range of some 200 conditions covered by this generic term.

ARMA is calling for an outcomes strategy as a vital first step in addressing the current failures in provision of treatment and care for people with these disorders. What would that strategy look like? It would cover a number of areas, including outcomes, demonstrating how high-quality musculoskeletal services can deliver improvements in the outcomes measured in the NHS outcomes framework, particularly gaining independence and returning to work, as my hon. Friend the Member for Scunthorpe (Nic Dakin) pointed out.

The useful slogan, "no decision about me without me", should also be a guiding factor, enabling patient involvement and shared decision making at all points in the patient pathway and, in particular, encouraging better self-management and at the same time improving general public awareness of musculoskeletal conditions. The information revolution is also relevant for setting out and making public the key sources of data on the performance of and expenditure on musculoskeletal services and improving our understanding of outcomes beyond hip and knee replacements, which account for only 20% of expenditure. There must be co-ordinated service delivery, joining up delivery across the NHS and social care services. Commissioning should describe the measures of success that will be used to assess clinical commissioning groups and set out the support that will be provided to commissioners. Training for GPs in musculoskeletal medicine is also important. We must enhance the currently small component in training to support GPs in providing effective and timely treatment and care to patients, as well as informing their commissioning decisions.

ARMA's request of 18 months ago for a direct musculoskeletal service was reasonable. Even if there is to be no service director, ARMA's requests are quite reasonable, because surely the Minister cannot be satisfied with how services are being delivered across the country, with different inputs and massively different outputs.

I finish by quoting Professor Emery of Leeds university. He was talking about rheumatoid arthritis, but this applies to any of these conditions. He said that it is the "most common treatable disability". Essentially, it is not treated as well as it should be and the disability could be removed. I look forward to the Minister's response, and hopefully he will respond positively to what should be a reasonable way forward.

10.29 pm

The Minister of State, Department of Health (Paul Burstow): I congratulate the hon. Member for Blackley and Broughton (Graham Stringer) on securing the debate and bringing to the House's attention an important issue. He has rehearsed the statistics, but behind them are people with real lives, in some cases suffering in agony and having difficulty getting on with their lives as a consequence of musculoskeletal disease.

Let me make it clear from the outset that the Government fully recognise the impact that musculoskeletal disease has on individuals and society as a whole and that, although there are excellent services in some parts of the country, there is still far too much variation in the availability of services and the outcomes they secure for people. This debate is about how we will respond to that evidence and to the concerns that the hon. Gentleman has brought to the House tonight, and about how we will deliver the change on the ground that we all want to see as constituency Members.

The hon. Gentleman argued for a national outcomes strategy on musculoskeletal conditions. He made some important points and I will try to address directly some

of the concerns that sit behind them. The 34 organisations in the Arthritis and Musculoskeletal Alliance, which he has spoken on behalf of this evening, make some important points. They have been in discussions with the Department of Health about their concerns over how we will ensure that the differences between services around the country are addressed so that people get access to the right services at the right time.

On 19 April, officials wrote back to the alliance to confirm that we would

"ask the National Quality Board to look at this area as a potential topic for a national outcomes strategy".

By that, we mean that it will consider whether there are problems in our approach to these conditions that go wider than the NHS. It is important to understand that an outcomes strategy produced by the Department of Health looks out from the NHS to wider impacts on health and considers how those might be influenced to improve health outcomes for people. It will also look at what needs to be done about efforts that are already in hand, to ensure that the NHS is more responsive to patients' needs and that there is an uptake of good clinical practice.

I do not believe that the case has been fully made for such an outcomes strategy, and I want to explain to the hon. Gentleman, and through him to members of the alliance, why that is. A number of steps have been taken in the past 12 months that have moved us on significantly from the debate that the hon. Gentleman spoke about at the beginning of his remarks. I understand that the National Quality Board will consider its future work programme at its meeting this month. It will decide whether it is appropriate to commission the necessary work to look at the case for a Department-led outcomes strategy. I assure the hon. Gentleman that I will ensure that not only this debate but the debate that took place in 2010 are cited by the members of that board.

I will spend a little time describing what is happening now. The hon. Gentleman referred to the musculoskeletal framework that the Department published in 2006. He spoke about the impact of that strategy, and I will say more about that in a moment. The document was developed in collaboration with a wide range of patient and professional organisations. It set out a vision for services based on the concept of an integrated care pathway—exactly the sort of pathway that the hon. Gentleman talked about. The clear aim was to help the NHS to organise services so that patients could access a variety of primary and secondary care services according to their need, including physiotherapy, clinical psychology, specialist rheumatology and surgery, and have a seamless transition from one service to another.

The model proposed depended on the idea of a multidisciplinary clinical assessment and treatment service, or CATS, for musculoskeletal services. That would bring together clinicians from primary and secondary care, assess patients' needs, treat them locally where possible, and where necessary refer them on for specialist hospital care. The document recognised that different health communities would implement the framework in different ways, and that it should be possible in some circumstances to offer patients a choice of pathways.

Three years after the publication of that document, in spring 2009, the British Institute of Musculoskeletal Medicine held a symposium to review progress in implementing the framework. Today's debate echoes the frustration that was felt there. Although the symposium found that a number of excellent services had been developed, incorporating the vision of services integrated around the needs of patients, which this Government strongly endorse, interestingly it also found that those services were very different from one another. Some were still based in hospitals, some were in the community. Some were a see-and-treat type of service, but others had triage-based systems to refer people on to the most appropriate service. However, as the hon. Gentleman identified, there was still a patchiness to the provision.

The hon. Gentleman touched on the need to integrate services, which the Government are determined to drive forward in order to deliver better results for patients. We need to do that at the same time as acknowledging that people want to be able to exercise the maximum possible control and choice over their treatment. We set out our course clearly last year in the White Paper on the NHS, and just recently in the response to the NHS Future Forum we made it clear that we would be placing explicit duties on clinical commissioning groups to promote integrated services for patients. We will also further strengthen existing duties planned for the NHS commissioning board. We will amend the proposed duty of Monitor to make it clear that its core duty is to promote and protect the interests of patients, rather than to promote competition as an end in itself.

We intend those amendments, taken together, to create a strong incentive for local commissioners to take forward more integrated services, which I think all of us in the House wish to see delivered for people with musculoskeletal disorders and other patients. However, we have to go beyond just health integration and ensure that we achieve integration across health and social care. The hon. Gentleman was right about the concept of "no decision about me, without me". We need to ensure that it is hard-wired into the way the NHS works.

Nic Dakin: The Minister has spelled out the Government's position carefully. Will they publish a response to the Public Accounts Committee's report, which responded to the National Audit Office, in taking forward the matter of musculoskeletal disease?

Paul Burstow: As ever, there is a clear obligation on us to respond to reports and recommendations of the Public Accounts Committee, which we happily fulfil. I am sure that we will do that if we have not already done so, and I am grateful to the hon. Gentleman for asking.

I turn to the specific issue of outcomes. The Government believe that a focus on outcomes is key to how we can drive improvements in the NHS. It is also how we can hold the NHS to account. That was why we published the NHS outcomes framework, to which the hon. Member for Blackley and Broughton referred, in January. It has five key domains that are populated by measures that will be used to judge outcomes. They are preventing people from dying prematurely; enhancing quality of life for people with long-term conditions; helping people to recover from episodes of ill health or following injury; ensuring that people have a positive experience of care; and treating and caring for people in a safe environment and protecting them from avoidable harm.

The second domain, improving the quality of life of people with long-term conditions, is clearly the most relevant to the debate. It includes an instrument known

[Paul Burstow]

as EQ-5D, which is to measure people's quality of life in a number of respects including mobility, pain and the ability to carry out the usual activities of daily living. The inclusion of that measure was the result of feedback from the public consultations last year on the outcomes framework. It is clear from the analysis done by the Department's economists that almost half the total burden of disease, as measured by that instrument, is due to musculoskeletal disease.

In other words, the inclusion of that instrument in the NHS outcomes framework highlights clearly the importance of musculoskeletal conditions to the population, and why commissioners and clinicians need to focus their efforts on designing and delivering care pathways of the type outlined in the framework in 2006. It shows how that can have a significant impact on the aggregate score in the outcomes framework on enhanced quality of life for people with long-term conditions. It will not be possible to achieve success, as set out in the framework, without making progress in that way. There is a powerful new lever in the system as a consequence of the outcomes framework.

The hon. Gentleman talked about the atlas of variation, which is also a powerful tool for identifying outliers and allowing the appropriate challenge of commissioners and others on the decisions they have made. We intend it to be used by commissioners in that way, to drive improvements in the service.

I welcome the fact that the hon. Gentleman sees quality standards as a useful tool. NICE has already developed a quality standard for osteoarthritis, and we are looking at the scope for the development of a quality standard in pain management. We are about to see a further consultation on a range of subjects for the next batch of clinical quality standards. We have the hon. Gentleman's suggestions on a musculoskeletal condition standard in mind.

This short but timely debate has highlighted an important area of health policy in which we need significant improvements on the ground. The evidence and clinical advice to provide excellent services is there, but we need clinicians to use their leadership role in the NHS to drive change, and we need to take the opportunities of changes in clinical and commissioning leadership to drive forward those reforms. I shall certainly ensure that the debate is referred to those who need to take such decisions, and I thank the hon. Gentleman for bringing the matter to the House tonight.

Question put and agreed to.

10.41 pm

House adjourned.

House of Commons

Tuesday 5 July 2011

The House met at half-past Two o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

DEPUTY PRIME MINISTER

The Deputy Prime Minister was asked—

House of Lords Reform

1. **Penny Mordaunt** (Portsmouth North) (Con): What recent discussions he has had with constitutional historians and experts on House of Lords reform; and if he will make a statement. [63487]

4. **Laura Sandys** (South Thanet) (Con): What recent progress he has made on his plans for House of Lords reform; and if he will make a statement. [63490]

8. **Nicky Morgan** (Loughborough) (Con): What recent representations he has received on House of Lords reform. [63494]

10. **Andrew George** (St Ives) (LD): What assessment he has made of the recent debates in both Houses on his proposals for House of Lords reform. [63496]

The Deputy Prime Minister (Mr Nick Clegg): The Government have received many representations on all aspects of House of Lords reform, including from constitutional experts. We recognise that a variety of views were expressed in recent debates in both Houses, and we are sure that the Joint Committee will take account of the debates when scrutinising the draft Bill and White Paper.

Penny Mordaunt: The elegance of our unwritten constitution allows it to adapt when necessary to meet a pressing need, but change for some other reason could be regarded as constitutional vandalism. Has the Deputy Prime Minister reflected on the fact that if a pressing need is not articulated, his plans for reform of the other place might fall into the latter category?

The Deputy Prime Minister: I do not think it is a new need, and in that sense it is not a pressing need, but there is an enduring need to make decisions in this place and the other House as accountable to the British people as possible. The simple principle that those who shape the laws of the land should be held to account by people who have to obey the laws of the land is a long-standing democratic principle.

Laura Sandys (South Thanet) (Con): One matter of great concern in this Chamber is that the other place is most certainly secondary to it. Does my right hon. Friend see the opportunity to remove any ability for the other place to initiate legislation as a way to ensure the hierarchy between this place and the other place?

The Deputy Prime Minister: As we explained in our White Paper, we believe that the different mandates, electoral systems and terms of office, and of course the conventions enshrined in the Parliament Acts, will guarantee that although there will no doubt be an evolution in the relationship between the two Houses—that is bound to happen under any arrangement—the hierarchy between this place and the other place will remain intact.

Nicky Morgan (Loughborough) (Con): The Deputy Prime Minister has just referred to the different mandates of Members of the other place, if it is reformed, and of this House. Does he not think, though, that the reforms would benefit from some clarification of those different mandates, so that the essential and long-standing relationship between MPs and constituents is not eroded?

The Deputy Prime Minister: We already have a system, of course, in which politicians are elected to different assemblies and Parliaments with different mandates, and as long as those mandates are clearly differentiated, as they would be under the proposed arrangements, there is no clash between them. Let us remember that what the Government suggest in the draft Bill is that elected Members of a reformed House of Lords would represent vastly larger areas than the smaller constituencies that we in this House represent.

Andrew George (St Ives) (LD): Given that in our debates so far no one has rushed to the defence of the hereditary principle or patronage, does my right hon. Friend not agree that if we are to make haste in delivering the principles behind Lords reform, it would be best to get on with removing the hereditary principle and patronage now? No one disagrees with that.

The Deputy Prime Minister: I certainly agree that we aspire to create a reform that, although evolutionary in its implementation—it will take several years rather than happen overnight—will at least be comprehensive and create a reformed House of Lords with a far greater mandate and democratic legitimacy than is currently the case.

Mr David Hanson (Delyn) (Lab): In the Deputy Prime Minister's nirvana of 15-year terms, will he consider ruling out Members of the newly elected other place standing for this place, so that we do not have people roaming around one individual constituency trying to unseat the Member of Parliament by using their democratically elected 15-year position in the other place?

The Deputy Prime Minister: The right hon. Gentleman may have noticed that in the White Paper we suggest precisely that. We suggest that there should be a cooling-off period of at least one term, so that those who leave the other place cannot instantly stand for this place. That is precisely to avoid the clash that he rightly identifies.

Sheila Gilmore (Edinburgh East) (Lab): Does the Deputy Prime Minister have a view on Lord Steel's suggestion that a payment of £30,000 should be made to enable Lords to retire?

The Deputy Prime Minister: We are not in favour of that, but we are in favour of many provisions of Lord Steel's private Member's Bill and look forward to incorporating many of its transitional arrangements and so on into the Government Bill.

Steve Rotheram (Liverpool, Walton) (Lab): Does the Deputy Prime Minister not understand that even those of us who support Lords reform cannot help wondering whether he has masochistic tendencies in trying to win this fight with one hand tied behind his back, and with the Prime Minister simply holding his coat and egging him on from the sidelines? Does he believe that he has the overwhelming support of his coalition partners to steer the Bill through both Houses? If not, is he not just wasting—

Mr Speaker: Order. We are extremely grateful to the hon. Gentleman.

The Deputy Prime Minister: I remind the hon. Gentleman that all parties went to the country in last year's general election with a clear manifesto commitment to reform the House of Lords. As I have said, it does not strike most people as a radical suggestion that the democratic principle that operates in Parliaments around the world should gently and incrementally be applied to the other place.

Ian Lucas (Wrexham) (Lab): Do the Government's proposals for the House of Lords include excluding peers not from England on voting on matters solely related to England?

The Deputy Prime Minister: We have not addressed that in the White Paper. If people want to discuss it in the Joint Committee, they are free to do so.

Sir Alan Beith (Berwick-upon-Tweed) (LD): Has my right hon. Friend read the debates in which the argument was advanced that the House of Lords does its job, and therefore should not be changed in any way? If so, did he think he was reading the right issue of *Hansard*, or the one dated 1911, or perhaps the one dated 1832?

The Deputy Prime Minister: Whatever their views about the proposals for House of Lords reform that the Government made in the White Paper and the draft Bill, I believe that everybody accepts that the House of Lords is not immune to reform or improvement. My view is that political institutions are always susceptible to some improvement over time, and I believe that that package of carefully considered reforms, which I hope, over time, will enjoy cross-party support, will finally allow us to make progress on something that has been debated for more than a century.

Fixed-term Parliaments

2. **Nic Dakin** (Scunthorpe) (Lab): What recent representations he has received on the Government's policy on the proposed length of fixed-term parliaments. [63488]

The Parliamentary Secretary, Cabinet Office (Mr Mark Harper): The Fixed-term Parliaments Bill has been debated almost fully in both Houses. We have received representations from the public, and I feel sure that, very shortly, another will emanate from the hon. Gentleman.

Nic Dakin: Leading constitutional expert Vernon Bogdanor said:

> "If we are entering a world of hung parliaments, there is no reason for dissolutions to be made more difficult."

Is the Fixed-term Parliaments Bill designed to serve short-term, coalition political interests rather than the long-term interests of the British people?

Mr Harper: Not at all. I know the opinions of Vernon Bogdanor very well, because he was my tutor. He and I disagreed while we were at university, and we continue to do so on many matters now. The Bill is very much in the interests of Parliament, and of having a stable situation in which the Prime Minister, for the first time, has given up the power to call an election to suit his political party. That is a huge constitutional improvement.

Electoral Register

3. **Simon Kirby** (Brighton, Kemptown) (Con): What steps he is taking to increase the completeness and accuracy of the electoral register. [63489]

The Parliamentary Secretary, Cabinet Office (Mr Mark Harper): My hon. Friend will know that last Thursday the Government published their White Paper and draft legislation on individual electoral registration, to improve both the accuracy of the electoral register and its completeness.

Simon Kirby: Does the Minister agree with me and the many people in Brighton Kemptown who believe that accuracy and completeness are very important if fraud and malpractice are to be avoided?

Mr Harper: I very much agree with my hon. Friend. We made it very clear in our proposals that we are interested in reducing the vulnerability of our electoral register to fraud and in ensuring its accuracy. We are also interested in ensuring that it is as easy as possible for anyone who is eligible to vote to get on the register. To that end, we are taking part in some data-matching pilots to improve that situation.

Mr Graham Allen (Nottingham North) (Lab): Does the Minister accept that not only registration but counting the votes properly is important? Is he aware that in most constituencies there are a handful of spoilt papers, whereas in mayoral elections there are sometimes more than 1,000? On two occasions at least, the number of spoilt papers has been larger than the majority of the election winner. Will he take that up with the Electoral Commission?

Mr Harper: I am grateful to the hon. Gentleman, who chairs the Select Committee on Political and Constitutional Reform, which will look at our individual elector registration proposals and carry out pre-legislative scrutiny. He has raised that question with me before,

and I can confirm that I will ask officials to look into that matter. I will come back to him and the House in due course.

Priti Patel (Witham) (Con): Specific to the electoral register, will the Minister provide precise details on the Government's plans to extend the franchise to prisoners? Will proposed legislation on that come to the House, or will he defy Europe and uphold the will of the House?

Mr Harper: I am grateful to my hon. Friend for her question—this is a subject on which she is pursuing Ministers relentlessly both in the House and in written questions. The Prime Minister was asked a similar question at Prime Minister's questions, and I can do no better than to say that the Government do not want to enfranchise prisoners, but there has been a clear decision by a court to which we have signed up. The Prime Minister said that the Government will ensure that any legislative proposals are as close as possible to the House's decision earlier this year.

Chris Bryant (Rhondda) (Lab): On 26 October last year, I asked the Deputy Prime Minister how he was going to ensure that everyone forced to move out of central London because of the changes to housing benefit would be enfranchised and end up on the register. He pooh-poohed that at the time, saying it was not going to happen. Now we know that the Department for Communities and Local Government believes that up to 40,000 people are going to have to move. How are Ministers going to ensure that those people are enfranchised?

Mr Harper: The hon. Gentleman will know that the Department does not say that at all—it is not what is stated in the impact assessment that Ministers have signed up to. I do not believe either that that is what the article in the newspaper said. On enfranchisement, we are very clear: our proposals will make it easier for people who are entitled to be registered to be registered. He will know that we are carrying out data-matching pilots across the country, and we will take forward and roll out any lessons from that to make it easier for people who are eligible to be registered.

Political Party Funding

5. **Greg Mulholland** (Leeds North West) (LD): What recent progress he has made on the reform of party funding; and if he will make a statement. [63491]

7. **Duncan Hames** (Chippenham) (LD): What recent assessment he has made of the timetable for the reform of party funding. [63493]

The Deputy Prime Minister (Mr Nick Clegg): The Government are committed to work to reform party funding. The Committee on Standards in Public Life is conducting a review and the Government will consider its recommendations, alongside other relevant evidence before taking this forward.

Greg Mulholland: I thank my right hon. Friend for his answer. Does he agree that the unseemly spectacle last week of union leaders criticising the Labour leadership for not overtly supporting the strikes while the Labour leadership looked uncomfortably at the floor shows exactly why we need to get big money out of party funding and why we need real reform?

The Deputy Prime Minister: I agree that it cannot be healthy in a democracy if any political party is over-reliant on one source of funding to the exclusion of others. [Hon. Members: "Michael Brown!"] It is worth saying that the current situation is unsustainable and has done damage to all political parties, which is why it is something that we should look to reform on a cross-party basis.

Duncan Hames: If reforms to party funding are to have any meaningful effect they need to come into force at least 18 months before the next general election. Does the Deputy Prime Minister recognise that if his timetable cannot deliver, it might be overtaken by one that simply commands the support of a majority of the House?

The Deputy Prime Minister: We are first waiting to see the recommendations of the Committee on Standards in Public Life to consider whether they might kick-start a process of discussions between the parties, so that we can finally move beyond the shadow of the party funding scandals that have blighted all the political parties, and so that we can put the arrangements on a much more sustainable and transparent footing.

John Cryer (Leyton and Wanstead) (Lab): Does the Deputy Prime Minister recognise the difference between 1 million trade union members donating £1 each to a political party and a wealthy individual writing out a cheque for a million quid?

The Deputy Prime Minister: As I said, I think that it is unhealthy if any political party is over-reliant on particular organisations, individuals or vested interests for their financial survival, and that is why I hope that all of us—given that all political parties have been affected by this in one way or another—can work together after the Committee on Standards in Public Life has produced its recommendations so that we can find a solution.

Sadiq Khan (Tooting) (Lab): The Deputy Prime Minister is right that all three major political parties entered the election with a commitment to reform the way in which political parties are funded. Will he confirm that he will follow convention and seek cross-party agreement on the way forward? Will he also outline the timeline he has in mind? There has obviously been a delay in relation to the Committee on Standards in Public Life. When does he think we will be able to start the discussions to resolve this issue?

The Deputy Prime Minister: I agree that we should always seek to deal with this issue on a cross-party basis where possible. However, I cannot give the right hon. Gentleman a precise timetable because it is not within the gift of the Government to decide when Sir Christopher Kelly produces his committee's report. As soon as he does, I hope that we can consider the recommendations together to see whether they provide a basis for cross-party discussions.

Voter Registration

6. **Michael Connarty** (Linlithgow and East Falkirk) (Lab): What steps he is taking to increase voter registration. [63492]

The Parliamentary Secretary, Cabinet Office (Mr Mark Harper): The hon. Gentleman will know that it is the individual responsibility of electoral registration officers to improve registration rates, but the Government are committed to helping them. He will know that the local council in his area is taking part in one of our data-matching pilots. I hope that that will have a positive effect on driving up registration rates, and then we can see whether it has lessons for rolling out such a system across the country.

Michael Connarty: Although it gave me great pleasure that Iain McKenzie was elected comfortably as the Labour candidate in the Inverclyde by-election—I was doubly joyous that the Liberal Democrats lost their deposit—I was concerned by the number of people I met who did not have an electoral registration card and were somewhat confused. Will the Minister assure me that the data-matching that he mentioned will be followed up by the Government, so that the responsibility, and the blame, is not left to electoral registration officers? It is a Government responsibility, if they want equal votes of equal value, to ensure that everyone is on the register.

Mr Harper: I very much agree with the last sentiment that the hon. Gentleman expressed. My officials are working closely with all local authorities that are looking at matching electoral registers with other existing government databases, to see whether we can identify people who are eligible to vote, but not on the register, and to follow them up. The evidence from the pilots will be looked at not just by the Government but by the Electoral Commission, and if the pilots prove successful we will look at rolling them out across the country. I welcome the hon. Gentleman's support for that initiative.

Mr Gary Streeter (South West Devon) (Con): Given that a key issue in increasing voter registration is the performance of electoral registration officers in every locality, which we know can vary enormously, is it not time that the Government gave the Electoral Commission the power to direct, and not just to issue advice?

Mr Harper: My hon. Friend, who answers very ably for the Electoral Commission in this House, will know that it has made that point strongly to the Government. We will look at the analysis of the referendum this year, when the head of the Electoral Commission, as the chief counting officer, had that power of direction. We will look at how that worked in practice and then take a view on whether it makes sense to consider it for elections more widely.

Topical Questions

T1. [63502] **Penny Mordaunt** (Portsmouth North) (Con): If he will make a statement on his departmental responsibilities.

The Deputy Prime Minister (Mr Nick Clegg): As Deputy Prime Minister, I support the Prime Minister on the full range of Government policy and initiatives, taking special responsibility for this Government's programme of political and constitutional reform.

Penny Mordaunt: Which is the more pressing issue: the West Lothian question or House of Lords reform?

The Deputy Prime Minister: I do not think that it is an either/or choice. As the hon. Lady knows, there is a commitment in the coalition agreement to establish a commission to look into the West Lothian question, but I do not think that that precludes the Joint Committee looking at proposals for reform of the House of Lords at the same time.

Ms Harriet Harman (Camberwell and Peckham) (Lab): Will the Deputy Prime Minister join me in expressing heartfelt concern for the horrendous ordeal of Milly Dowler's family? There are now allegations that even as the police searched for Milly Dowler and as her parents waited and hoped, the *News of the World* was hacking into her phone. Today the Leader of the Opposition has called for a full public inquiry into illegality in the newspaper industry. Will the Deputy Prime Minister say that the Government will back that call?

The Deputy Prime Minister: I entirely agree with the right hon. and learned Lady, and I am sure that we both speak on behalf of the whole House and the rest of the country in saying that if the allegations are true such behaviour is simply beneath contempt. To hack into the phone of a missing child is grotesque, and the suggestion that that might have given false hope to Milly's parents that she might have been alive only makes it all the more heart-rending. The absolute priority now is to get to the bottom of what actually happened—what is the truth—and that requires, above and beyond everything else, a police investigation that pursues the evidence ruthlessly, wherever it leads.

Ms Harman: Of course, this time the police investigations must be thorough and rigorous, but there must also be a public inquiry. There has been widespread malpractice and criminality, and there is a stain on the whole system. We must protect people from this and clean up the British press. Is the Deputy Prime Minister going to act?

The Deputy Prime Minister: If there are wider issues that need to be looked at once the police investigation is complete, of course we can return to them. However, I am sure that the right hon. and learned Lady will agree that the key thing—this is what Milly Dowler's family and families up and down the country want to know—is: who did what when, who knew what they were doing and who will be held to account? We will be able to get to the bottom of that only when the police ruthlessly pursue the evidence, wherever it leads.

T3. [63504] **Stephen Metcalfe** (South Basildon and East Thurrock) (Con): A constituent of mine who wishes to remain nameless has contacted me because she believes that a "YES! To Fairer Votes" preaddressed postal vote form was fraudulently completed on her behalf. Can my right hon. Friend tell me what action my constituent can take to establish who might have signed the form on her behalf and what measures we can introduce to prevent this from happening again in future?

The Deputy Prime Minister: If my hon. Friend has evidence from his constituent of criminal or fraudulent behaviour, it should of course be referred to the police. I suggest that should be done as quickly as possible.

T2. [63503] **Ian Murray** (Edinburgh South) (Lab): The NSPCC has announced the closure of ChildLine in Edinburgh, which will result in the loss of 14 staff and hundreds of volunteers. The thrust of the closure is to encourage children to use the internet, but there is concern that those who are most in need of ChildLine have the least access to the internet. Will the Deputy Prime Minister meet me, the NSPCC and the many hundreds of ChildLine volunteers in Edinburgh to see whether we can get this decision reversed?

The Deputy Prime Minister: I am sure that the hon. Gentleman is right to raise his concerns about the effect of that closure, given that ChildLine exists precisely to help the most vulnerable children. I am more than happy to establish meetings for him, and I would also suggest that meetings take place in Edinburgh with the Scottish Government, whose responsibilities have a bearing on this issue—*[Interruption.]* They might be able to help.

T4. [63505] **Esther McVey** (Wirral West) (Con): Is it not about time that we introduced a British Bill of Rights to address ludicrous cases such as that of the convicted foreign killer Mohammed Ibrahim, who is avoiding deportation by claiming the right to family life, even though he killed Amy Houston, thereby denying all her relatives the right to family life?

The Deputy Prime Minister: I hear my hon. Friend's concern about these matters, and she is quite right to raise them. The Government have established a commission to look into the case for a British Bill of Rights that will incorporate and build on the existing rights that we already enjoy and extend them further where we can.

T6. [63507] **Angela Smith** (Penistone and Stocksbridge) (Lab): The right to form coalitions is very much part of our constitution. In Sheffield recently, Lib Dem councillors have co-opted a United Kingdom Independence party candidate on to one of our local town councils in order to maintain their grip on power. Does not this show that the Lib Dems will do anything, and do deals with any party, to maintain their grip on power?

The Deputy Prime Minister: I am not sure what case the hon. Lady is referring to—*[Interruption.]*

Mr Speaker: Order. First, the House must show some courtesy to the Deputy Prime Minister as he responds to questions. Secondly, I want to hear from Mr Gordon Henderson.

T5. [63506] **Gordon Henderson** (Sittingbourne and Sheppey) (Con): Does my right hon. Friend the Deputy Prime Minister understand the resentment felt by many taxpayers in my constituency when they see their taxes being used to help to provide a range of free services in Scotland that are not enjoyed by the English? When will the Government take action to bring that unfair subsidy to an end?

The Deputy Prime Minister: One of the reasons we are transferring a great deal of new fiscal freedom to the Scottish Administration through the Scotland Bill is to ensure not only that the Scottish Government enjoy greater freedom to raise and spend money but that they are held to account for it. That is exactly what we are seeking to achieve in the Scotland Bill.

T9. [63510] **Graham Stringer** (Blackley and Broughton) (Lab): The Deputy Prime Minister has said on many occasions that if the House of Lords was reformed, this House would retain its primacy over the other place. In an article last week in *The Times*, his predecessor as leader of the Lib Dems, Lord Ashdown, said that if the House of Lords was reformed, it would have the right of veto over the decision to go to war. Who is right: the Deputy Prime Minister or his predecessor?

The Deputy Prime Minister: The House of Lords will clearly enjoy greater democratic legitimacy if it is wholly or largely elected, but that does not call into question the primacy of this House. Bicameral chambers all round the world manage this relationship perfectly adequately, with two directly elected chambers that have a relationship of subservience between the one and the other. That is precisely what will continue under the reforms that we have proposed.

T7. [63508] **Peter Aldous** (Waveney) (Con): Later this week, I shall attend a meeting of Waveney youth council in my constituency. Given the declining proportion of young people voting at recent elections, I would welcome an update to pass on to the youth council on the steps that my right hon. Friend is taking to ensure the early registration of young people and their active engagement in the political process.

The Deputy Prime Minister: We hope that the process of individual electoral registration that we are pressing ahead with, and particularly the practice of comparing existing databases with the electoral register, will enable us to identify voters, old and young, who should be on the register but are not.

Chris Ruane (Vale of Clwyd) (Lab): The finest databases in the country are run by Experian. I recently had a meeting with it to discuss the 3.5 million people who are not on the electoral register. It informed me that not 3.5 million but 6.5 million people are not on the electoral register. What steps is the Deputy Prime Minister taking to use the private sector—companies such as Experian and others—to increase the number of registered voters?

The Deputy Prime Minister: It is precisely to get to the bottom of exactly how many people who are not on the register but should be that we commissioned detailed research from the Electoral Commission to establish the facts. As I said earlier, we are running these projects so that we can have access to other publicly available databases to make sure that they are consistent with the electoral register.

T8. [63509] **Mark Menzies** (Fylde) (Con): Does the Deputy Prime Minister agree that by delivering 103,000 more adult apprentices than were promised by the previous Government, this Government are delivering on their promise to rebuild the economy?

The Deputy Prime Minister: Yes, and I would add that those 103,000 apprenticeships are twice the target number that had originally been set for this year. In total, we will deliver 250,000 more apprenticeships during this Parliament than Labour would have delivered if they had been in power. We believe that apprenticeships are a tried, tested and successful way of getting people from full-time education into full-time work. That is what we are absolutely dedicated to deliver.

Kelvin Hopkins (Luton North) (Lab): The recent referendum showed an enormous majority of the British people in favour of first past the post for British elections. May I suggest to the Deputy Prime Minister that a return to first past the post for European elections would be equally popular and that the Government should legislate accordingly?

The Deputy Prime Minister: We have probably had enough referendums on electoral systems for one Parliament. I, for one, will not be rushing to return to that issue any time soon.

T10. [63511] **Paul Uppal** (Wolverhampton South West) (Con): Will the Deputy Prime Minister tell us what plans are in place to inform voters of the proposed changes to the House of Lords, particularly regarding an election in 2015—and how much will that cost?

The Deputy Prime Minister: The costs will, of course, be dependent on the final shape of the reforms—on exactly how large the House of Lords is and what proportion of its Members will be elected, and so forth. We have made suggestions on these issues, but we have been entirely open about wanting to listen to alternative suggestions with an open mind. That is why the Joint Committee process, which brings people together from both Houses to look at this in greater detail, is immensely important not only for improving the proposals but for giving the public a chance to scrutinise the proposals, as the hon. Gentleman suggests.

Mr David Winnick (Walsall North) (Lab): As police investigations into phone hacking have been going on for some considerable time, is there not now a strong case for having a public inquiry, as requested from the Front Bench by my right hon. and learned Friend the Member for Camberwell and Peckham (Ms Harman), particularly in view of the latest information about the hacking of a murdered person's phone. That is so disgraceful that a public inquiry is absolutely essential.

The Deputy Prime Minister: I totally understand the instinct for wanting something more to be done than the current police investigations. If we want the truth established, however, and if we want to turn allegations into facts and then to hold people to account and, where necessary and justified, to see prosecutions delivered, I strongly suggest to the hon. Gentleman that it is in his interest and that of all who want to see the truth properly exposed that we allow the police to get on with the investigation and ruthlessly pursue the facts and the evidence, wherever they might lead.

T11. [63512] **Mr David Amess** (Southend West) (Con): With the whole country gripped by Southend mania, in the knowledge that it is the finest seaside resort with a pier in the world and entirely deserving of city status, will the Minister tell us when local residents in Southend can expect the crowning to take place?

The Deputy Prime Minister: I recognise the enthusiasm for the Southend bid, which I know is shared by many other Members who come from other places applying for city status. This will work its way through in the normal way, and I know that the hon. Gentleman will be waiting for the results with bated breath.

Dr William McCrea (South Antrim) (DUP): What comparison has been made between the system of individual electoral registration operating in Northern Ireland and the one that operates in the rest of the United Kingdom?

The Deputy Prime Minister: We have learned all the lessons about the flaws in the electoral register here. That is exactly what we are seeking to address, not least by looking at the experience in Northern Ireland and elsewhere.

T12. [63513] **Miss Anne McIntosh** (Thirsk and Malton) (Con): I wish to place on record my admiration for the ambition shown by the Deputy Prime Minister, but does he not agree that if he sticks to his present programme and allows the first elections to the House of Lords to be held in 2015, it is over-ambitious—even according to his own test—to hold them in the same month and year as the next rural district elections and the next general election?

The Deputy Prime Minister: "Ambition" was clearly intended as faint praise, and I will take it in that spirit. I think we have shown in past elections that the problems involved in the principle of combined elections can be overcome, as long as there is a clear distinction between the mandates for the bodies that are being elected on the same day.

Mr Ben Bradshaw (Exeter) (Lab): As the Deputy Prime Minister's right hon. Friend the Business Secretary felt that there were clear grounds for a full referral of the BSkyB takeover to the competition authorities on the basis of plurality, will he tell the Prime Minister, in the light of the latest shocking developments, that it would be totally unacceptable to wave through that takeover, and that he should put a stop to the dirty deal being hatched by the Culture Secretary with News Corp?

The Deputy Prime Minister: The right hon. Gentleman will know, as he has followed events very closely, that the competition aspect was determined by the European Commission. It cleared the transaction on competition grounds. The decision will be made by the Secretary of State for Culture, Olympics, Media and Sport, acting in a quasi-judicial manner. He will not consult me, the Prime Minister or any other member of the Government while reaching his decision, and he is meticulously following the advice supplied to him by Ofcom and other regulators.

Jo Swinson (East Dunbartonshire) (LD): The coalition agreement committed the Government to setting up a fund to support people with disabilities who wish to stand for election—a move that was also recommended by the cross-party Speaker's Conference. Following the conclusion of the Government's consultation on the matter, will the Deputy Prime Minister update the House on the progress being made towards that goal?

The Deputy Prime Minister: I pay tribute to my hon. Friend, who has taken a great interest in this matter and has been remorseless in asking the Government when they will deliver on their commitments. We are determined to do so. As my hon. Friend said, the consultation ended recently, and we are keen to make progress as soon as we can.

Jack Dromey (Birmingham, Erdington) (Lab): In a leaked letter, Nico Heslop wrote:

"we are worried about the impact...to build social housing for families"

to rent, and added:

"23,000 could be lost...disproportionately impacting on families and...children."

Why was that information not shared with Parliament? What else is the Secretary of State for Communities and Local Government holding back, and why should anyone ever again believe anything that this Government say about housing and benefits?

The Deputy Prime Minister: I remind the hon. Gentleman that the manifesto on which he fought the election last year advocated a housing benefit cap. I assume that, like us, he advocated the cap because it is fair to those who do not receive benefits that those who do receive them cannot do so to the tune that would require someone in work to earn £35,000 or more. It is a fair proposal. Notwithstanding the contents of that leaked letter—which, in any case, was written six months ago; things have moved on since then—we have made it clear that when people, especially large families, need help they will be given that help, and that we will introduce transitional arrangements to provide it.

Harriett Baldwin (West Worcestershire) (Con): On 5 April the Deputy Prime Minister said there was "a need to ensure" that reform of the other place did not "overlap" with the establishment of the West Lothian commission. Given that reform of the other place may take some time, can the Deputy Prime Minister reassure us that the West Lothian commission will be in place by the time of the Report stage and Third Reading of my private Member's Bill on 9 September?

The Deputy Prime Minister: I can confirm that the commission that will look into the West Lothian question will be established this year.

Helen Goodman (Bishop Auckland) (Lab): Does the Deputy Prime Minister agree with the Secretary of State for Culture, Olympics, Media and Sport that the "fit and proper persons" test is irrelevant in the case of the merger between BSkyB and News International?

The Deputy Prime Minister: As I said earlier, the Culture Secretary is acting in a quasi-judicial role, he is doing so in line with advice that he has received from Ofcom and the Office of Fair Trading, and he is reflecting the legal position as it currently is. The hon. Lady may shake her head and wish that the law were different; she may wish that competition provisions could somehow be applied here, although the European Commission cleared the transaction on in competition grounds—but that is the legal position as we currently find it.

Mr Alan Reid (Argyll and Bute) (LD): Sex discrimination and religious discrimination should have no place in our society, so I am pleased that the Government are bringing forward measures to reform the succession to the Crown. However, the discussions with other Commonwealth Governments do seem to be dragging on for a long time. What is my right hon. Friend doing to ensure that those discussions come to a speedy and successful conclusion?

The Deputy Prime Minister: As my hon. Friend knows, both the Prime Minister and I have made it clear that we think there is a strong case for looking at the rules of the succession, as they clearly need updating in this day and age, but it is not quite as simple as that, because this is subject to consultation with all Commonwealth Governments. Discussions at official level are taking place between this Government and Commonwealth Governments. I acknowledge that that is not a very rapid process, but it is right that we should deal with this sensitive topic as collaboratively as possible with other Commonwealth Governments.

Paul Goggins (Wythenshawe and Sale East) (Lab): At the recent British-Irish Council, which I understand the Deputy Prime Minister chaired, was there any discussion of the economic impact of different levels of aviation taxes, given that for a long-haul flight from the UK that is currently levied at £85 a head, whereas from Ireland the tax is just €3?

The Deputy Prime Minister: I am aware that the Treasury is undertaking a consultation on that subject, but it did not come up in discussions at the British-Irish Council.

Mrs Eleanor Laing (Epping Forest) (Con): Pursuant to the answer that the Deputy Prime Minister has just given to the hon. Member for Argyll and Bute (Mr Reid), does the Deputy Prime Minister not understand that his constant answer that negotiations with Commonwealth countries about reforming the Act of Settlement are ongoing sounds rather like an excuse for inaction, given that no Commonwealth country has shown anything but respect, reverence and adoration for our female monarch for the past half century?

The Deputy Prime Minister: I strongly share my hon. Friend's—

Chris Bryant (Rhondda) (Lab): Well, do something about it!

The Deputy Prime Minister: We cannot just do something about it. [HON. MEMBERS: "He didn't!"] No, the hon. Gentleman did not, for 13 years.

I totally accept—I have spoken publicly about this—that it seems a little anachronistic that we have rules of succession that appear to discriminate against women, and that clearly should be looked at, but as my hon. Friend the Member for Epping Forest (Mrs Laing) rightly pointed out, this affects many other Governments as well, and it would be wrong of us to act in haste when we need to act in a way that is open and following discussions—not negotiations, but discussions—between ourselves and other Commonwealth Governments.

ATTORNEY-GENERAL

The Attorney-General was asked—

Child Trafficking

1. **Diana Johnson** (Kingston upon Hull North) (Lab): What recent discussions he has had with the Director of Public Prosecutions on prosecution rates for cases involving allegations of trafficking of children. [63517]

The Solicitor-General (Mr Edward Garnier): None recently, but I can assure the hon. Lady that the DPP, the Law Officers, the Home Office—which I believe she shadows—and the Foreign and Commonwealth Office take the crime of human trafficking extremely seriously.

Diana Johnson: Can the Solicitor-General explain to me exactly how merging the Child Exploitation and Online Protection Centre into the national crime agency, against the advice of all the specialists in the field, will improve prosecution rates and the support given to victims of trafficking?

The Solicitor-General: If Parliament permits its creation, the national crime agency will not come into operation until at least 2012-13. Meanwhile, CEOP and the other necessary agencies are working together to ensure that the crime of human trafficking, which the hon. Lady takes as seriously as we do, is properly borne down upon, and I can assure her that nothing will be done to impede the efforts of the prosecuting authorities in that regard.

Tom Brake (Carshalton and Wallington) (LD): Does the Solicitor-General agree that one way to improve prosecution rates would be to ensure that all resources are used to prosecute traffickers, rather than sometimes prosecuting the trafficked children?

The Solicitor-General: Of course I do, and it is imperative that trafficked children, who are the victims of this hideous crime, are not prosecuted but are treated as victims. Equally, it is imperative that adults under such duress, too, are not prosecuted but treated as victims. The Crown Prosecution Service recently published a public policy statement, which I am sure my hon. Friend has read, and the Home Office will shortly publish a human trafficking strategy that will deal very much with the points that he has made.

Rape Cases

2. **Miss Anne McIntosh** (Thirsk and Malton) (Con): What plans he has to review the prosecution of rape cases by the Crown Prosecution Service. [63518]

The Solicitor-General: We have no such plans at the moment, but I assure my hon. Friend that the CPS and I take the prosecution of rape very seriously indeed, and that it is constantly under review.

Miss McIntosh: Does the Solicitor-General have any idea about the level of prosecution of rape cases in Scotland compared with that in England? Will he undertake to remove all barriers to prosecution? In particular, will he facilitate the reporting of rape cases, which will speed up the prosecution rate in due course?

The Solicitor-General: I am sure that what is similar in Scotland and in this jurisdiction is not only that rape is taken extremely seriously by the prosecuting authorities and the police, but that prosecution requires evidence. It is essential that victims of rape and sexual assault are enabled to give their evidence and to withstand the hideous stress that necessarily follows from being a witness in a rape or sexual assault case. I can assure my hon. Friend that the Director of Public Prosecutions has personally overseen the drive to improve the approach of the CPS to rape prosecutions.

Fiona Mactaggart (Slough) (Lab): At present the CPS has 840 specialist rape prosecutors. Will there be the same number or more next year?

The Solicitor-General: That is a decision not only for the DPP but for the chief Crown prosecutors in the various areas throughout the jurisdiction. This will depend on business need, but I assure the hon. Lady that rape prosecutions will be pursued with the same vigour both now and in the future.

Human Trafficking

3. **Michael Connarty** (Linlithgow and East Falkirk) (Lab): What steps the Crown Prosecution Service is taking to support victims of human trafficking to participate in criminal proceedings. [63519]

4. **Susan Elan Jones** (Clwyd South) (Lab): What steps the Crown Prosecution Service is taking to support victims of human trafficking to participate in criminal proceedings. [63520]

The Solicitor-General: The CPS is taking a number of steps to encourage victims of human trafficking to support criminal proceedings, including the publication of a new public policy statement setting out its prosecution policy and how it will support victims. As I said to my hon. Friend the Member for Carshalton and Wallington (Tom Brake) a moment ago, the Home Secretary will shortly publish her Department's human trafficking strategy. The CPS is also working with non-governmental organisations to develop further measures to assist and support victims.

Michael Connarty: I am very heartened by the general replies and that specific reply from the Solicitor-General on this question, but we are aware of reported cases of magistrates saying to a 14-year-old girl who had been trafficked and found in a cannabis factory that she had clearly made a lifestyle choice. Did the Attorney-General give any evidence, or a submission, to the Home Secretary in the upcoming review? If not, why not? If so, will he place a copy of his contribution in the Library for us all to read?

The Solicitor-General: It would not be sensible for me to comment on unattributable, or unattributed, remarks by unidentified magistrates. If what the hon. Gentleman suggests was said in that case was said, it was clearly unwise. The Law Officers' Department did make a contribution to the thinking behind the Home Secretary's human trafficking strategy. The hon. Gentleman will be able to read the strategy in full when it is published next week, and it will doubtless refer to all sorts of sources.

Susan Elan Jones: The US State Department's 2011 "Trafficking in Persons Report" contains many things about the UK that hon. Members would find alarming, including the following quotation:

> "Some potential and confirmed trafficking victims, including children, were prosecuted and imprisoned for committing offenses as a direct result of being trafficked."

What does the Solicitor-General propose to do to stop that happening?

The Solicitor-General: As I said in answer to the hon. Member for Linlithgow and East Falkirk (Michael Connarty), and in connection with an earlier question, the Crown Prosecution Service public policy statement makes it clear that those who are trafficked—those who are victims of the trafficking—should not be prosecuted.

Mr Peter Bone (Wellingborough) (Con): We are having rather lovely weather at the moment, and this spring seems to be going on for a very long time. Did the Solicitor-General let it slip that spring was going to end next week, and are we actually going to see the trafficking policy next week? If so, can he confirm that an oral statement will be given, rather than a written one?

The Solicitor-General: On the latter point I cannot give a confirmation, but on the earlier point I think I can.

Gavin Shuker (Luton South) (Lab/Co-op): Paying for sex with a trafficked woman is a criminal offence under section 14 of the Policing and Crime Act 2009. What steps are the Government taking to ensure that section 14 is fully used by the police and Crown Prosecution Service? Will the Solicitor-General confirm that he is considering a pause in issuing CPS guidance, which could be a wasted opportunity at this stage?

The Solicitor-General: The Crown Prosecution Service assesses the evidence given to it by the police. If that evidence passes the evidential test and it is in the public interest to prosecute, those who commit such crimes will be prosecuted. Beyond that, I am not sure that I can usefully help the hon. Gentleman other than by repeating myself.

Domestic and Sexual Violence

5. **Mrs Siân C. James** (Swansea East) (Lab): What recent assessment he has made of the role of specialist domestic and sexual violence services in supporting prosecutions in cases involving allegations of such offences. [63521]

The Solicitor-General: The evaluations of specialist domestic violence courts conducted between 2005 and 2008 demonstrated that specialist domestic violence support services contributed to improving prosecution rates as well as to the safety of domestic violence victims. More recent analysis, conducted on behalf of the Crown Prosecution Service, has also shown a significant reduction in domestic violence against supported victims. There has been no formal assessment of sexual violence services.

Mrs Siân C. James: The Swansea sexual assault referral centre, or SARC, is one of four across Wales run by the New Pathways organisation. I have been informed that the centre receives no statutory funding for any work that it undertakes with children and young people, who often suffer the worst types of sexual abuse and violence. The majority of its referrals come from the statutory sector. Will the Solicitor-General promise me that he will look at the issue and at the gap in the funding that the centre receives?

The Solicitor-General: I can certainly promise to look into that. This Government, including my Department, value the work that such agencies perform. As the hon. Lady will know, in her part of Wales there are two SDVCs—or specialist domestic violence courts—one in Neath and one in Swansea, as well as other necessary advisory services. I appreciate that we are in a time of great economic constraint, but we will do our best with the resources that we can make available to them.

Mr Robert Buckland (South Swindon) (Con): One of the main challenges facing vulnerable complainants and their families is the sometimes lengthy time gap between the making of their complaint and their appearance in court. Does my hon. and learned Friend agree that the work of women's refuges, such as the one in my constituency, and of police family liaison officers is vital if we are to maintain the confidence we need in complainants in order for them to follow their complaints through the criminal justice process?

The Solicitor-General: I know that that is true not only in my hon. Friend's constituency but throughout the rest of the country. It is important that the advisory services and family liaison staff are there to help those affected by such crimes of violence, whether they involve sexual or non-sexual assault, so that they can bring their evidence to court and the perpetrators can be convicted.

Arrest Warrants (War Crimes)

6. **Ann Clwyd** (Cynon Valley) (Lab): Whether the Government plan to make additional resources available to the Director of Public Prosecutions to enable him to discharge the new responsibilities contained in the Police Reform and Social Responsibility Bill to consider arrest warrants in war crimes cases. [63523]

The Solicitor-General: The Crown Prosecution Service currently anticipates that any additional responsibilities will be absorbed within current resources.

Ann Clwyd: The Solicitor-General will have read the report of the Joint Committee on Human Rights on this issue, which finds that the Government have not made their case and that they should think again. I find it particularly ironic that we are prepared to change the law to protect one Israeli opposition leader when another opposition leader, the Palestinian Sheikh Salah, comes here and is put straight in jail. Where is the justice in that?

The Solicitor-General: I appreciate the right hon. Lady's interest in this aspect of public policy, and I also appreciate that she has firm opinions on the matter. She is fully entitled to those opinions. In short, the law was changed not in order to solve the problems of one individual but to deal with a public policy problem. She knows that really.

Duncan Hames (Chippenham) (LD): On 11 January, in this House, a Justice Minister assured me that allegations under universal jurisdiction offences would be accorded the highest priority. Does the Solicitor-General accept

the need for an out-of-hours response so that we can be confident that those suspected of such serious crimes will not evade arrest?

The Solicitor-General: The criminal justice system, as the hon. Gentleman knows, never rests. If someone is arrested or brought into custody, he will have available to him, or should have, not only the benefit of the attention of the police and the Crown Prosecution Service but also of his own defence lawyers.

Female Genital Mutilation

7. **Kerry McCarthy** (Bristol East) (Lab): What steps the Crown Prosecution Service is taking to bring prosecutions under the provisions of the Female Genital Mutilation Act 2003; and if he will make a statement. [63524]

The Solicitor-General: The Crown Prosecution Service is due to publish new legal guidance on female genital mutilation—FGM—later this summer as part of its commitment to the cross-Government strategy on the prevention of violence against women and girls. I know that the hon. Lady has done a good deal to draw attention to the issue of FGM in Bristol, not least through her work with the Bristol safeguarding children board, which has raised awareness of FGM among midwives and other health professionals, the police and social workers.

Kerry McCarthy: I thank the Solicitor-General for that response. He made reference to the safeguarding children board, which estimates that up to 2,000 girls in Bristol are at risk. Obviously, the summer holidays are a particular problem period. May I urge the hon. and learned Gentleman to do all he can to work with teachers in schools and through his colleagues at the Department for Education to make sure that girls at risk are identified and steps are taken to prevent FGM, rather than just prosecuting people when the offence has been committed?

The Solicitor-General: Yes, and I can tell the hon. Lady that the Home Office, the Metropolitan police and the Foreign and Commonwealth Office launched a DVD on the subject on 4 July—yesterday. It was produced by young people for young people, and seeks to raise awareness of FGM among potential victims. It will be distributed to all schools by September 2011, so I hope the hon. Lady is reassured by that.

Contempt of Court

8. **Chi Onwurah** (Newcastle upon Tyne Central) (Lab): Whether he plans to take steps to reduce the likelihood of any future prosecutions for contempt of court arising from the use of social media. [63525]

The Solicitor-General: As guardians of the public interest, the Law Officers bring contempt of court proceedings when it is appropriate to do so. I did so in the case of Fraill and Sewart in the divisional court, in which the Lord Chief Justice presided on 14 and 16 June. It is for the trial court judge to warn parties, and the public, not to publish prejudicial reports, and when appropriate to impose reporting restrictions. Juries in particular are warned repeatedly by the court not to use the internet to research cases in which they are involved.

Chi Onwurah: I do not know whether the Solicitor-General is on Twitter, but I am concerned that not only he, but UK law, appears to be on the back foot when facing what is not even new technology. Twitter is five years old next month. Is it not time we demonstrated that UK law is as at home online as on the streets?

The Solicitor-General: Let me confess: I do not tweet, nor do I have a Facebook account; perhaps the hon. Lady is not terribly surprised by that. In the relationship between social media and the law of contempt, the principle and the issues are exactly the same. The means of communicating may have evolved, but the principles we need to apply to ensure that the due administration of justice is not impeded or prejudiced remain the same for talking over the garden fence as for exchanging information through modern internet and social media.

Anna Soubry (Broxtowe) (Con): Would the Solicitor-General confirm that judges always give strict directions to juries that they must not access any form of internet or other information sources when considering their deliberations in a criminal trial?

The Solicitor-General: Yes they do, and I have done it myself when sitting as a judge. What one cannot guarantee, of course, is that members of juries will obey those instructions and directions when they get home—but we have to rely on the good sense and public duty of citizens whose public duty it is to serve on juries.

Catherine McKinnell (Newcastle upon Tyne North) (Lab): Public concern about the misuse of modern communication technology, including social media, is growing, particularly about its impact on the pursuit of justice. That was most recently highlighted by the truly sickening allegations of phone hacking in the Milly Dowler case. The CPS announced a review of hacking evidence almost six months ago. When will the public and victims receive an update? Will further criminal prosecutions be brought, and will the Solicitor-General confirm whether any criminal investigations may have been jeopardised by the behaviour of the press and the rest of the media?

The Solicitor-General: With the greatest respect, I think that if the hon. Lady had thought about it a little more, she would understand that I am not going to give a running commentary either on the police investigations or on the likely consequences of any police investigations. She may rest assured that investigations will continue, and they will continue to follow the evidence wherever it may be—and if the evidence warrants prosecutions, they will be brought. That is work that we need to do in future; it is not something that I need to make announcements about here in the absence of any direct or relevant information immediately to hand.

Legal Advice (Declaration of War)

9. **Mr Graham Allen** (Nottingham North) (Lab): What steps he is taking to ensure transparency in the arrangements for the provision of legal advice to the Cabinet on a declaration of war. [63526]

The Solicitor-General: The hon. Gentleman's Political and Constitutional Reform Committee reported in May on Parliament's role in conflict decisions, and the Government will respond to his report shortly. The Foreign Secretary told the House on 21 March in the Libya debate that the Cabinet had the Attorney-General's advice before it when the decision was made to take action in Libya. A Government note on the legal basis was placed in the Library that day, and was available to right hon. and hon. Members for that debate.

Mr Allen: The Solicitor-General knows better than most of us that there is a separation of powers, at least theoretically, in our constitution, and that the problems that we had over legal advice in relation to the Iraq war centred on the legal advice given to the Government by their own Attorney-General. Will he also take into account that Parliament has no right whatever to consult and get its own legal advice? Will he discuss with the House authorities putting that right, so that on future occasions when there is a conflict, Members can get their own advice rather than relying on trying to wheedle the Attorney-General's advice out of Government?

The Solicitor-General: It is not for me to stop Members of Parliament getting whatever advice they think it appropriate to have, but the decision that has to be considered and accounted for to Parliament is that of the Prime Minister and the Government. That can be debated here, irrespective of one's access to legal advice.

New Member

The following Member took and subscribed the Oath required by law:

Iain McKenzie, for Inverclyde.

Phone Hacking

Application for emergency debate (Standing Order No. 24)

3.33 pm

Chris Bryant (Rhondda) (Lab): I rise to propose that the House should debate a specific and important matter that should have urgent consideration: whether there should be a public inquiry into phone hacking at the *News of the World* and the related conduct of the Metropolitan Police Service between 2006 and 2011.

There cannot be a single person in the land who is not sickened by the news that a private investigator working for the *News of the World* hacked the phone of the missing teenager, Milly Dowler, and deleted some of her messages, thereby leading the family to believe that she might still be alive. That is not just a paper out of control; that is not just a paper believing it is above the law. It is a national newspaper playing God with a family's emotions. Those involved, those whose negligence allowed it to happen, and those who covered it up should be truly ashamed; and the paper cannot pretend that this comes as a massive surprise to it. The *News of the World* ran a story directly referring to one of the messages. Even more cynically, only last weekend it wrote that people should be rightly disgusted at the "courtroom torture" of Milly Dowler's family. What about the newspaper torture as well?

This is not just about one incident, as hideous as it is. It is about systematic criminality that has perverted police investigations and seriously damaged the reputation of British journalism and of the Metropolitan police. It is about a pattern of lies and half truths told to Parliament by the *News of the World*—that there was just one lone reporter; that no senior managers knew anything about all of this.

What makes it really important and urgent, however, is that this is about the behaviour of the Metropolitan police, in whom we put our trust. They had all this information in their hands in 2006, and yet they did nothing with it. Why have they lied time and time again to Parliament, saying that a full investigation had been done and that all the victims had been informed when self-evidently they have not been? In the end, the problem and the scandal is that the Metropolitan police, as the Deputy Prime Minister mentioned earlier, did not pursue the evidence and it is only because of the current campaign that a full investigation is now going on.

The only way we can get to the full truth and to the heart of the cover-up is by having a public inquiry, led by a judge, in addition to the police investigation. This is urgent. The inquiry should start now while memories are fresh and before people leave the scene or shred the evidence. We should not be spineless. Warm words will make no odds. We must have an inquiry.

Mr Speaker: The hon. Gentleman seeks leave to move a motion relating to a public inquiry into phone hacking at the *News of the World* and the conduct of the Metropolitan Police Service between 2006 and 2011. I have listened carefully and am satisfied that the matter is proper to be debated under Standing Order No. 24. Does he have the leave of the House?

Several hon. Members *rose—*

Mr Speaker: The hon. Gentleman—*[Interruption.]* Order. The hon. Gentleman has the leave of the House. Members may resume their seats. He has the leave of the House to move his motion. As required by the Standing Order, I announce—*[Interruption.]* Order. As required by the Standing Order, I announce that the debate will be held tomorrow at the commencement of public business and that it will last for up to three hours. I think that that is clear.

Points of Order

3.37 pm

Caroline Flint (Don Valley) (Lab): On a point of order, Mr Speaker. The disclosure of a letter sent by the Secretary of State for Communities and Local Government's private secretary to the Prime Minister's Office has revealed that according to the Government's own estimates the introduction of a benefits cap will lead to greater homelessness, higher costs for the taxpayer and fewer homes being built. The only answer the Deputy Prime Minister could muster this afternoon was that things have moved on. He had no answer on why this information was not made available to Parliament in the first place or why Ministers have denied that such an assessment has been made, and arrogantly dismissed out of hand questions about what else they might be hiding. I have raised the matter directly with the Secretary of State and asked him to come to the House to clarify how many families he believes will lose their homes and whether that information was shared with the Department for Work and Pensions. He has failed to reply. Will you advise me on whether you have received any indication from the Secretary of State that he intends to follow my suggestion by making a statement to the House?

Mr Speaker: I am grateful to the shadow Secretary of State for her point of order. As she will be aware, and as the House will appreciate, this matter was raised from the Opposition Front Bench yesterday. On that occasion I undertook to look into the matter, and I can assure her and the House that I am doing so. As and when there is anything further to report to the House—I recognise the premium on time—she may rest assured that I will do so without hesitation. I hope that that is clear.

Kerry McCarthy (Bristol East) (Lab): On a point of order, Mr Speaker. Earlier this year the Prime Minister said to the House:

> "I do not believe in making tax changes outside a Budget, which is the proper way we do things in this country."—[*Official Report*, 26 January 2011; Vol. 522, c. 284.]

Yet today, the Chancellor has announced a decision on North sea oil and gas taxation which will cost the taxpayer £50 million a year. He did so not only outside a Budget, but outside this Chamber, despite the Government having an opportunity during yesterday's Finance Bill debate, when the House discussed at some length an amendment on the North sea tax regime, to discuss the issue and to make the announcement then. Is it in order for the Chancellor to announce a tax decision in this way?

Mr Speaker: I am grateful to the hon. Lady for her point of order, of which on this occasion I did not have notice. She certainly raises a very serious concern that she and others feel. My initial response and advice is that she should look for other opportunities to debate the matter, possibly using the Order Paper. I do not know whether it would be in order to debate the matters within the context of consideration of the Finance Bill, because I have not looked at the groups of amendments. If that opportunity exists, I have a keen sense that the hon. Lady will be aware of it. If not, she will pursue it on other occasions. I hope that also is helpful.

BILL PRESENTED

POLICE (DETENTION AND BAIL) BILL

Presentation and First Reading (Standing Order No. 57)

Mrs Secretary Theresa May, supported by the Prime Minister, the Deputy Prime Minister, Mr Chancellor of the Exchequer, Mr Secretary Kenneth Clarke, Mr Attorney-General and Nick Herbert, presented a Bill to make provision about the calculation of certain periods of time for the purposes of Part 4 of the Police and Criminal Evidence Act 1984, and for connected purposes.

Bill read the First time; to be read a Second time tomorrow, and to be printed (Bill 216) with explanatory notes (Bill 216-EN).

Electricity Transmission (Protection of Landscape)

Motion for leave to introduce a Bill (Standing Order No. 23)

3.41 pm

Tessa Munt (Wells) (LD) *rose—[Interruption.]*

Mr Speaker: Order. Just before the hon. Lady gets under way, may I appeal to Members who are unaccountably leaving the Chamber, and not remaining to hear her, to do so quickly and quietly, so that we can afford the same courtesy to her that we would want extended to ourselves in such circumstances?

Tessa Munt: I beg to move,

That leave be given to bring in a Bill to make provision to require factors other than cost to be considered for schemes for the transmission of high voltage electricity where infrastructure would impact on the visual and other amenity of a landscape; to provide that in certain cases such infrastructure be installed by visually unobtrusive works; to require that public consultation be undertaken and inform the selection of the method and technology for the transmission infrastructures used; and for connected purposes.

The purpose of the Bill is simple. It seeks to update the Electricity Act 1989, which recognises the transmission of high-voltage electricity only on cables strung between transmission towers, which we all know as pylons. Concerns have been raised by thousands of people throughout the country, many of whom live in rural areas and do not have the protection afforded to those in urban or suburban communities, where power lines are automatically put underground.

People who live in towns and cities, however, often enjoy their leisure time and holidays in the countryside, and I draw attention particularly to the 26,000 people whose livelihoods are dependent on tourism in my constituency, just one of many that would be damaged beyond belief if new lines on 152 ft pylons were introduced. The Somerset levels were in contention to become the 17th world heritage site until the proposal was made.

There are such problems for rural communities all over the country, as new pylons are planned to bring new supplies of energy from whatever source, be it turbines, gas, coal, wind, nuclear or tidal. What happens when we want to install cable TV? Automatically, we dig up high streets and roads all over the place. What happens when we host the Olympics? Around the whole Olympic village, power cables have been put underground. We do not suspend blue water pipes or yellow gas pipes from transmission towers, so why do we do so for electricity power cables?

National Grid has drawn to my attention the fact that it is holding a competition on pylon design, but that is purely a diversion and certainly not the answer to the country's questions about transmission. The county council, district councils and parish councils are all against the proposals, but all that National Grid, our monopoly supplier, does is hear; it does not listen. There are alternatives, and they are underground and undersea.

The Bill recognises several factors, including the voice of the public and the value of consultation, which should not just be done on the nod; it should be about

listening, not just hearing. Consultation responses should inform the method and technology for the infrastructure used. This is also about being green. Losses during transmission are about 7% once one gets the power to the cables. It is clear that undergrounding or putting cables undersea would reduce those losses significantly.

There are health reasons why we should put cables underground. The Government continue to be very poorly advised on the adverse health effects associated with high-voltage overhead power lines. Extensive studies have established a clear correlation between increased risk of childhood leukaemia, adult leukaemia, adult brain tumours, motor neurone disease, miscarriage and Alzheimer's disease and the electromagnetic fields associated with such lines. The risk to children and adults easily satisfies a cost-benefit analysis in favour of burying high-voltage power lines.

The UK Health Protection Agency considers only a fraction—typically less than 10%—of the available scientific evidence. Included in major studies showing increased risk of childhood leukaemia are the 2005 study by Dr Gerald Draper of Oxford university, published in the *British Medical Journal*, and studies in Tasmania and, particularly, in Iran, where all power lines go overground. One of the many studies showing increased risks of Alzheimer's disease is the 2008 whole-population study by Dr Anke Huss of the university of Berne, which revealed particular risks in populations living near overhead power lines in Switzerland.

National Grid is not the National Gallery, the National Trust or the national health service, but it is a massive, monopoly, multinational provider with a primary aim—to seek the maximum return for its shareholders. We have no choice but to use this super-sized company to get our power from its source to the places where it can be distributed to us in our homes and businesses. In June 2009, National Grid's own chief executive officer, Steve Holliday, went on the record to say that undergrounding transmission lines was a " no-brainer". Cost is not everything.

In October 2010, Sir Michael Pitt, the chief executive of the Infrastructure Planning Commission, requested an independent and authoritative evaluation of undergrounding. The Department of Energy and Climate Change sought the assistance of the Institution of Engineering and Technology as an independent assessor of that study by a company called KEMA. The study was to be funded by none other than National Grid. None the less, it went ahead, and the results were meant to be produced on 25 January. However, nothing happened. On 3 June, the IET issued a press release stating that KEMA had not been able to issue a report with which it was satisfied owing to a lack of data from National Grid, and so the IET could not endorse its work.

It is surely time to open up this debate—to put it right into the light and demand that all these figures be provided. I am calling for openness in deciding whether power cables should be put underground or undersea instead of overground. The costs are not an issue—we all pay them through our bills. In November 2009, National Grid admitted that the cost of undersea or undergrounding would put just 1% on our electricity bills. Siemens has produced figures showing that using gas-insulated lines would reduce the whole-life costs of underground cables to under half the costs of pylons.

I pay tribute to the work of my many colleagues across the House who are interested in this subject, particularly my right hon. Friend the Member for North Somerset (Dr Fox) and my hon. Friends the Members for Weston-super-Mare (John Penrose), for South Suffolk (Mr Yeo) and for Suffolk Coastal (Dr Coffey), as well as many others. There have been objections to pylons in Wales, Scotland, the north-east, the south-west and throughout East Anglia. I understand that there is a statement on record from Carwyn Jones, the First Minister in the Welsh Assembly Government in Cardiff, who said no to pylons too.

I also recognise the work of the many pressure groups. I am grateful to some of them for information, in particular Pylon Moor Pressure, No Moor Pylons, Save Our Valley, REVOLT, Bury Not Blight, Highlands before Pylons, North East Pylon Pressure, Montgomeryshire Against Pylons and Stour Valley Underground.

It is time to consider the impact of what we are doing to our countryside, our tourism, our health and our environment. We know the cost of everything, but this matter indicates that we might not spot the value of what we have. Changing the law would at least give us the opportunity to get it right for everyone's sake. I am delighted to introduce this measure to the House.

Question put and agreed to.

Ordered,

That Tessa Munt, Martin Horwood, Roger Williams, Sir Robert Smith, Tim Farron, Mr Tim Yeo, Dr Thérèse Coffey, Glyn Davies, Natascha Engel, Dr Alan Whitehead, Mrs Anne McGuire and Caroline Lucas present the Bill.

Tessa Munt accordingly presented the Bill.

Bill read the First time; to be read a Second time on Friday 25 November, and to be printed (Bill 215).

The Parliamentary Secretary, Office of the Leader of the House of Commons (Mr David Heath): On a point of order, Mr Speaker. Earlier, you heard a point of order from the hon. Member for Bristol East (Kerry McCarthy), which suggested that the Government had not made Parliament aware of fundamental changes in tax policy by a statement in the House. I believe that that was incorrect. I think that she was referring to the ring fence expenditure supplement for the North sea fiscal regime. I am sure you will recall, Mr Speaker, that that was presaged in the March Budget. Further to that, a very detailed written ministerial statement was issued by the Treasury this morning and was available in the House of Commons Library at 10 o'clock. Indeed, had the hon. Lady taken the trouble to look at the Order Paper, she would have found it at No. 3 on the list of today's written ministerial statements. I just wanted to put the record straight.

Mr Speaker: We are grateful to the Deputy Leader of the House for doing so. The point is on the record and is very clear.

Mr David Hanson (Delyn) (Lab): Further to that point of order, Mr Speaker.

Mr Speaker: Very briefly. We are not having a general debate about taxation.

Mr Hanson: I am grateful, Mr Speaker. In defence of my hon. Friend the Member for Bristol East (Kerry McCarthy), she was referring to the fact that there was a debate on this very issue last night in the Commons and the Exchequer Secretary made no reference to the statement being due the following day.

Mr Speaker: That is noted, but procedural propriety has been observed. That is all that the Chair needs to observe.

Finance (No. 3) Bill

Further consideration of Bill, as amended in the Committee and the Public Bill Committee

Clause 73

THE BANK LEVY

3.53 pm

Chris Leslie (Nottingham East) (Lab/Co-op): I beg to move amendment 13, page 42, line 30, at end insert—

'(2) The Chancellor of the Exchequer shall review the possibility of incorporating a bank payroll tax within the bank levy and publish a report, within six months of the passing of this Act, on how the additional revenue raised would be invested to create new jobs and tackle unemployment.'.

Mr Speaker: With this it will be convenient to discuss the following:

Amendment 31, page 42, line 30, at end insert—

'(2) The Chancellor of the Exchequer shall review the possibility of incorporating a bank financial transaction tax within the bank levy, levied on trading in financial products including stocks, bonds, currencies, commodities, futures and options and publish a report within six months of the passing of this Act, on how the additional revenue raised would be invested to tackle unemployment and reduce poverty in the United Kingdom and to assist in tackling deprivation in the developing world.'.

Government amendments 32 to 50.

Chris Leslie: We now come to our general debate on taxation in respect of the Finance Bill. Clearly, one of the major omissions from the Bill is a repeat of the bank payroll levy or bonus tax that the previous Labour Administration implemented in 2009. It is not only a matter of fairness that bankers should pay some of their substantial bonuses to support people far less fortunate than them and to rebuild public trust; it makes economic sense too. I hope that our amendment 13 will persuade the Government of the merits of a review of how the bank bonus arrangement could be incorporated into the bank levy. A fair tax on bank bonuses would help to get people off the dole and into work, and it is the best way to get the deficit down and stop Britain's talent going to waste.

Youth unemployment rose sharply in the recession, as we know, but a year ago it was starting to fall steadily thanks in part to the youth jobs programme and the future jobs fund advocated by the previous Administration. One of the first things that the current Chancellor of the Exchequer did was to scrap that successful programme. Before the election the leader of the Liberal Democrats, now the Deputy Prime Minister, said:

"Parents used to worry about whether their children could get onto the housing ladder, now the concern has spread to whether they can even get a job...We must provide a lifeboat to this lost generation."

Well, he and the Prime Minister have sunk that lifeboat.

In the 1980s, youth unemployment continued to rise for four years after the recession was over, and whole communities were scarred as a result. Many of the effects can still be seen and felt in places across the country. That is why we believe we need to act urgently to prevent disastrous mistakes from being repeated. There are now 31,000 more young people unemployed than there were last summer, and one in five 16 to

24-year-olds is now out of work. Although there has been a welcome fall in unemployment in the past two months, the claimant count is still rising, vacancies are down and job creation has slowed in the six months since the spending review. Unemployment is set to be 200,000 higher over the coming years than was expected just a few months ago, and the Office for Budget Responsibility keeps revising the figure upwards, just as it keeps revising the growth figures downwards.

We believe that a repeat of the bank bonus tax could be used to create more than 100,000 jobs, build 25,000 affordable homes, rescue construction apprenticeships and of course boost investment in businesses. Putting young people on the dole is not just a waste of talent but a waste of money, and failing to get Britain back to work fast enough is helping to push the benefits bill and welfare costs up by more than £12 billion, or more than £500 a household. It is not rocket science—more young people out of work means more money spent on benefits and less money coming in through tax receipts to pay down the deficit.

Considering how the future jobs fund and the bank bonus levy worked, we believe that sufficient revenue could be raised to invest the money in creating 90,000 good jobs to get young people into work and ensure that we do not make the mistakes of the past. It could also be used to build 25,000 homes to support people as they get back to work. Our plan could generate more than 20,000 jobs in that sector and save several times more jobs in the supply chain and as many as 1,500 construction apprenticeships. That would leave sufficient resources to boost the regional growth fund by £200 million, to support companies that want to start projects that will create more jobs, meaning more help for small businesses in regions up and down our country.

Our amendment is pretty straightforward and, I hope, fairly unobjectionable. It asks the Chancellor of the Exchequer to review the possibility of incorporating a bank payroll tax within the bank levy, and to publish within six months of the passing of the Finance Bill a report on how the additional revenue would be used.

Mr Chuka Umunna (Streatham) (Lab): One of the objections that has been raised to reintroducing the bank bonus tax is that it would lead to a flight of talent abroad. We have often been told that a number of people would go from the City to Switzerland, for example. Has my hon. Friend noticed that in 2011, just under 400 of the 330,000 people working in banking and financial services in the City went to Switzerland, and that the year before the number going there fell by 7%?

Chris Leslie: An excellent statistic from my hon. Friend. We are often told that the reason we cannot take any action is that complex descriptor "regulatory arbitrage". It is a term that belies what it actually means—people fleeing the country, usually because they want to pay lower taxes. Actually, there are good reasons for the financial services sector to stay and thrive in this country, and they are not just about tax and regulation. They are not always financial reasons. We have Greenwich mean time, and we have a great rule of law that can ensure that businesses succeed and thrive. I believe that that is ample for our financial services sector to be rejuvenated and sustainable. The talk of "regulatory arbitrage" is in many cases the last refuge of the scoundrel.

The Government are letting the banks off the hook. They are taking a light-touch approach on taxing the banks by failing to repeat the banker bonus tax that the previous Labour Government levied, which brought in £3.5 billion.

David Rutley (Macclesfield) (Con): Is the hon. Gentleman not aware that this Government's banking levy raises £2.5 billion, compared with the £2.3 billion one-off net yield of the bonus tax that the previous Government levied? The bank levy is a proactive statement by this Government—action that will lead to the raising of more than £10 billion over the course of this Parliament.

Chris Leslie: The problem is that we should have not either/or, but both. The bank levy and the banker bonus tax would be a fair contribution from the banking sector—*[Interruption.]* The Minister disagrees, but that is his opinion. The OBR says that the yield of a bonus tax could be £3.5 billion, but even a conservative estimate of, say, £2 billion would mean significant money that could eat into youth unemployment.

The Financial Secretary to the Treasury (Mr Mark Hoban) *rose—*

Chris Leslie: Will the Minister say why he disagrees with the bank bonus tax?

Mr Hoban: I will make my remarks in my own time, but I remind the hon. Gentleman that he and his colleagues stood on a manifesto that rejected the bank levy. It is a bit rich for him now to talk of having both a bank levy and a bonus tax, because at the last election he and his colleagues rejected both ideas.

Chris Leslie: Let us assume that the Minister is mistaken in his understanding of the Labour manifesto; I certainly would not accuse him of twisting our hope of an international agreement on a bank levy. Many countries are adopting the bank levy idea, and it is often much higher than the one we are pursuing. The Opposition believe that the bank levy is important, and we support it as it is, but—

Mr Hoban *rose—*

Chris Leslie: The question the Minister must answer is this: why is he taking no action at all on banker bonuses, and specifically on repeating the previous Government's banker bonus? Why does he refuse to do that?

Mr Hoban: May I just remind the hon. Gentleman what the Labour party said on the bank levy when it was in government? It said that it should be

"coordinated internationally to avoid jeopardizing the UK's competitiveness".

The previous Government were not even thinking about a bank levy—they ruled it out. They said that we should not set the tone of the international debate. This Government have had the courage to do so. It is about time that the hon. Gentleman recognised our willingness to take that tough decision to raise more money from the banks than the previous Government raised from their bank payroll tax.

Chris Leslie: I am sorry that the Minister repeats the point he made earlier. Of course, if the previous Government could have got international agreement writ large on a bank levy, so much the better, but this Government have introduced their bank levy at a puny level. It is a shame that the Minister refuses to repeat the bonus tax on senior executive bankers who take home obscene amounts of money, when that revenue could be used to help to get young people off benefit and into work. It is a shame that he turns his face against that idea. He thinks that the revenue raised by the levy is adequate, but the Opposition do not. We believe that it is necessary for the banks to do more to pay their fair share.

Bill Esterson (Sefton Central) (Lab): My hon. Friend is right. Does he agree that the Government's arguments on the levy would be more credible if their corporation tax cuts did not substantially benefit the banks? It would be better if they supported amendment 13.

Chris Leslie: Indeed. Sometimes Government Members protest too much. The Opposition simply want a review of what the bank levy combined with the bonus tax could yield. My hon. Friend is right about the corporation tax cuts from which the financial sector will benefit. The sector will have a tax cut of £100 million in 2011-12, £200 million in 2012-13, £300 million in 2013-14, and £400 million in 2014-15. That is a £1 billion corporation tax cut over this Parliament. The Treasury ought to supplement its very modest bank levy plan with the bank bonus tax because it is only fair that those who played such a central role in the global economic downturn make a greater contribution to help to secure the economic recovery by supporting jobs and growth.

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): I agree with the thrust of the hon. Gentleman's argument—the bankers are getting off far too lightly—but rather than introducing a payroll tax, as he suggests in the amendment, would it not be better to increase the corporate levy? Would that not deal with the bonuses issue?

Chris Leslie: We discussed in Committee how the bank levy might be altered, and I will come in a moment to my own criticisms of how the Government have framed the bank levy. Their original plans would have brought in far more revenue, but the banks started complaining so the levy was shrunk back to a level that the banks felt was acceptable, not to a level the taxpayer felt was acceptable.

Frank Dobson (Holborn and St Pancras) (Lab): Will my hon. Friend confirm that in order to pay for the corporation tax reduction, which has greatly benefited the banks, the Government withdrew quite a bit of the special funding that had previously been provided for investment in industrial activity? So much for their claim to be promoting British manufacturing! In fact, their taxation policies continue to over-promote the banks.

Chris Leslie: Indeed, they have imposed stealth tax after stealth tax on ordinary working people and small—and larger—businesses in this country. For some reason—we know not why—they have sought to give help and support to the banks at a time when they ought to be paying their fair share.

Stephen Williams (Bristol West) (LD): I thank the hon. Gentleman for giving way three times on the same point. My recollection of the Committee stage upstairs was that he and his colleagues did not oppose the Government's reduction in corporation tax and actually thought it a good thing. Perhaps he will recall that the reason the bank levy was increased was to take account of the fact that some banks might benefit from that reduction.

Frank Dobson: They "might" benefit?

Chris Leslie: I agree with my right hon. Friend—they definitely will benefit from the reduction. I am not sure that the counteracting change—the tweak to the bank levy—goes far enough to counteract that corporation tax change. There are ways in which the bank levy could be amended further, but in general we support the principle; it is the design and the level at which it is set that we object to.

Amendment 31, tabled by my hon. Friend the Member for Hayes and Harlington (John McDonnell), relates to a financial transaction tax, for which a strong and impressive case can be made. Many of us, on both sides of the House, will have received letters and e-mails from constituents through the Robin Hood Tax campaign, which many charities have advocated. I pay tribute to the technical work that they have done on that issue. What may well be very minor changes to transaction levies could, according to many of these designs, generate significant and useful resources. Clearly, though, we need a design that does not jeopardise the rejuvenation of a stable and well-balanced financial services sector, so we would need an honest assessment of the impact of such a tax.

I am appalled that the Government have for now ruled out a financial transaction tax. It should not only stay on the table, but be actively examined and reviewed. Government Members might say that they are pursuing a financial activities tax—a slight variant in this policy area—instead, but the Chancellor, having talked about that last June, has made absolutely no progress with international jurisdictions in advocating or gaining support for it. We see no action by Ministers on what were ultimately G20 discussions about a financial transaction tax. We have not seen them explore either that possibility or a financial activities tax. The only qualm I have with my hon. Friend's amendment is whether it stresses sufficiently the need for international agreement and discussion. Nevertheless, it is certainly something that, in broad terms, we think needs to stay on the table to be examined further.

Alison McGovern (Wirral South) (Lab): That is a crucial point, because moving ahead on this suggestion will take leadership from the very top of all Governments around the world, yet that is the very thing that seems to be lacking in Britain at the moment.

Chris Leslie: It is a shame that the leadership we need—not just at the G20, but at the European level and elsewhere—on the financial transaction tax and in a number of other areas is lacking. The Chancellor of the Exchequer has not reported any progress on the financial activities tax, for example. Perhaps the Minister would care to tell us today what progress he has made with other Heads of Government and Finance Ministers on the financial activities tax.

David Rutley: Might not the Government's position have something to do with the fact that the International Monetary Fund does not endorse a financial transaction tax and that there is a stronger case for an activities tax? Should the hon. Gentleman not consider that more fully?

Chris Leslie: I know that the Government have such a close relationship with the IMF that they take their policy lead from it on almost every issue, but I am sure that they can think for themselves on this issue. Given that there was discussion at the G20 about exploring many of those things, I would have thought that the Government ought to keep the issue on the table and under review because it has potential, as most hon. Members seem to recognise.

Mr Umunna: I think the Minister was seeking to raise the IMF earlier, but the IMF has argued—I am sure that my hon. Friend knows this—that the Government should be looking to raise a lot more from the bank levy than they are currently.

Chris Leslie: Indeed, and there are ways the bank levy could be improved. It might be appropriate at this point to refer to the Government amendments 32 to 50, which are technical amendments. It would be useful if the Minister said whether the bank levy's yield will be affected by those technical changes. Generally speaking, although the bank levy is a fine idea in theory, the way the Government are implementing it in practice is inadequate. It has been designed around a fixed yield of £2.5 billion to £2.6 billion, but when the Treasury originally published its design for the bank levy last June the banks complained that it would cost them £3.9 billion. The Chancellor listened to their complaints and, as a result, watered down his original plans. Indeed, he gave the banks a £20 billion tax-free allowance before they start paying the bank levy, thus bringing the yield back down to £2.5 billion to £2.6 billion.

Mr Geoffrey Robinson (Coventry North West) (Lab): Does my hon. Friend agree that the Government's bank levy was watered down as part of an agreement in their Project Merlin to secure a wider arrangement for lending by the banks into the economy, which we desperately need? Merlin has turned out to be an absolute flop: the first quarter figures for private sector lending to small and medium-sized businesses show that they are £2 billion short already. What a deal!

Chris Leslie: It is difficult to see how the Government thought that that would be the moment of catharsis—the moment when everybody said, "Yes, aren't the banks doing their just bit? They're now completely free from their obligations to the taxpayer." Project Merlin clearly did not achieve that. The Chancellor made some tweaks to the negotiations on the Project Merlin arrangements—he did so in February, on the day of Treasury questions—and he then tweaked the rate again in the March Budget, after criticisms of the big corporation tax cut that the banks will enjoy. However, the bank levy is set at a relatively low rate, especially when we look at what is happening in France, Hungary, Portugal or Austria. Indeed, we even read in today's *Financial Times* about the quasi-bank levy arrangements pursued by the Dutch Government.

In future years, the Government should increase the bank levy to ensure that the banks continue to pay their fair share of tax and so that taxpayers are not left picking up the bill for the crisis caused by the irresponsible actions that the banks pursued. That is why in May we called for the Government to review the bank levy and to publish a report of the analysis behind the rates that they had set and the thresholds that they had chosen. They refused to do that; however, as we have seen, they are now refusing even to review the possibility of repeating the bank bonus tax.

Why has the Chancellor failed to take action on excessive executive banker bonuses? At first, the coalition agreement suggested that the Government might well do something about this. It promised to

> "bring forward detailed proposals for robust action to tackle unacceptable bonuses in the financial services sector; in developing these proposals, we will ensure they are effective in reducing risk."

That is on page 9; it is one of the first things that the coalition put into its agreement. The Business Secretary recently described the bankers' bonuses paid for this year as "offensive", yet the Government could not even promote proper transparency on bonuses and remuneration, never mind taking action to ensure that they were fair and reasonable. The most that the Government could extract voluntarily from the banks was an agreement in Project Merlin to report anonymously on the total remuneration of the five highest-paid bank senior executives outside the board. The Government are not even forcing the banks to disclose all the bonuses over £1 million, which was a key recommendation of the Walker review. That would have been easy to implement, given that it was part of Labour's own legislation. The provision is on the statute book, ready to be triggered.

4.15 pm

The Government's excuse for inaction is apparently that they are trying to get other countries to sign up to the transparency arrangements, but we have seen absolutely no evidence of any attempt to secure such an agreement. In a written parliamentary question in June, I asked the Minister

> "what meetings he has had with his EU counterparts to discuss disclosure by banks of the number of employees paid salary and bonuses of more than £1 million per year."

He replied:

> "Treasury Ministers and officials have meetings with a wide variety of organisations in the public and private sectors as part of the process of policy development and delivery."—[*Official Report*, 15 June 2011; Vol. 529, c. 801W.]

My hon. Friends will be used to getting that kind of answer to written questions. We must therefore take it that there have been no meetings whatever with the Minister's European counterparts to get agreement on transparency on bonuses—*[Interruption.]* If he has had such meetings, I would be delighted if he informed the House of the progress that has been made. It does not sound as though he has talked to a single one of his counterparts about this issue, however. Bonuses remain staggeringly high, and the Government must say why they are scared of transparency.

Bill Esterson: Does my hon. Friend remember hon. Members talking in Committee about the large-scale donations that bankers had made to the Conservative party? Has he had cause to reflect on whether that might be the reason for the Government being so reluctant to act on this matter?

Chris Leslie: I cannot answer for the motivations of Ministers. It is difficult to know what motivates them. Is this a question of omissions? Is it incompetence? Is there some other devious motivation, or malice for those who might benefit from the proceeds of these revenues? We do not know, but we look forward to hearing the Minister's justification for failing to get transparency and failing to repeat the bonus levy.

Recent figures suggest that some of the largest investment banks are actually increasing the slice of their revenues that they pay to their staff. The ratio between remuneration and revenues is known as the compensation ratio, and it is interesting to note from the detailed figures that even the Royal Bank of Scotland's global banking and markets division paid 34% of its net revenues in remuneration in the first nine months of 2010, compared with just 27% of net revenues in the full year of 2009. The amount of compensation, in the form of salaries and bonuses, is therefore going up as a proportion of revenues. That was also the case for J. P. Morgan, which paid 39% of its net revenues in the first nine months of 2010, compared with 33% in the full year of 2009. Barclays paid 43% of its net revenues compared with 38% over the same periods. Compensations are strong and still growing.

Frank Dobson: Does my hon. Friend agree that the Orwellian use of the term "compensation" in relation to working for a bank suggests an effort to increase public sympathy for some of the greediest and most stupid business people this country has ever seen?

Chris Leslie: It is very easy to find oneself tied into the lexicon used by the financial services sector. My right hon. Friend calls a spade a spade, and it is sometimes important to do just that.

The bonuses that I have described are really excessive. For example, we know from the limited disclosures that we have seen that John Varley, the former chief executive of Barclays, received a £2.2 million bonus in 2010 and that, between them, the top five earners at Barclays, excluding executive directors, received more than £38 million in salary and bonuses in 2010 alone. That amount was shared between five individuals. Bob Diamond, the chief executive of Barclays, has received £6.5 million in bonuses for 2010 since January. As many will know, Mr Diamond lost out in the bonanza compared to his two senior managers at Barclays, with Tom Kalaris receiving a cool £10.9 million in salary and bonuses, and the other top manager, Rich Ricci—my hon. Friends might remember his name—receiving a cool £10.6 million. Those two individuals earned enough money—£17 million—in 2010 to pay the wages of more than 500 qualified nurses.

Alison McGovern: My hon. Friend is pointing out some of the excesses at the top of the financial services sector, but does he agree that it is also a matter of concern to those at the bottom end of the pay scales in the financial services sector to see such inequality in the organisations they work in, just as it is to workers in other sectors?

Chris Leslie: Indeed. That is precisely why the bonus payroll levy arrangements that we advocated excluded bonuses of up to £25,000 going to those working on the front line in the banks. We thought that those working at that level should not be affected by that particular payroll tax. What we are talking about now are senior executives. Stuart Gulliver, chief executive of HSBC, gained a £5.2 million bonus while Eric Daniels, the former chief executive of Lloyds, secured £1.45 million.

Mr Robinson: Does it occur to my hon. Friend, as it does to me from time to time, to ask what sort of activity these bankers engage in that can generate such enormous profits? Anybody who has worked in any competitive commercial sector in the UK, let alone the manufacturing sector, operating in the international economy, knows that those sorts of margins and returns cannot be generated in the real world. Are we heading back to the same sort of distortions that led to the previous crash?

Chris Leslie: There are serious issues about the balance of power between management and ownership. Many shareholders are also very exercised about excessive remuneration, compensation pay or call it what we will, and I believe that the balance of power needs addressing in the longer term. It is interesting to note how banks have tried to shift their remuneration approaches according to the political and tax arrangements of the day. While the Minister will no doubt tell us that bonus payouts for the City in 2010-11 were predicted to come down by 8% in comparison with 2009-10, what he will not tell us is that that apparent fall in bonuses was largely offset by a 7% increase in salaries for senior banking executives. The roundabout continues, but some people never lose out when it comes to this particular game.

Analysis of official earning figures by pay research specialists Income Data Services showed that large payouts in the financial sector during February and March this year helped to maintain payments during the 2011 bonus season at a similarly high level to that recorded in 2010. Not enough has changed; Ministers are not exercised or angry enough about this particular scandal, and action is necessary.

The fact is that banks are now more likely to pay discretionary bonuses, which would be captured by our proposed bonus tax, instead of paying the guaranteed bonuses that they used to get away with—the multi-year contractual bonuses that looked to the rest of us like salaries but that they called bonuses, which would not be caught. If the guaranteed bonuses become the exception and not the rule, as the Chancellor says, it might provide us with an opportunity to capture more of the discretionary bonuses through our bank bonus tax. As I said, we estimate the yield to be £2 billion.

We have to resolve the sense of anger felt by UK taxpayers towards the banking institutions that they had to bail out. The public are still rightly angry about the greed and irresponsibility of some of the senior executives at our largest banks and about the size of the bonuses. There is simmering anger out there still about the bonuses that continue to be paid when austerity is biting very hard for many of our constituents. Real and visible action is needed on bonuses, not secret voluntary arrangements behind closed doors between the big banks—as with Project Merlin, which the Chancellor pursued before. As my hon. Friend the Member for Coventry North West (Mr Robinson) described it, it was little more than a damp squib.

The banks provide an important utility in our society. They are a key part of our economy, and a strong banking sector is in all our interests. However, by talking tough and acting weak the Government are fuelling public anger while doing little to address the issues. They should stop treating people like fools, and do far more to ensure that the banks and senor banking executives are paying back their fair share—a fair share that could generate money to repair some of the damage to jobs and the economy, and help tens of thousands of young people to secure a decent start in employment.

We are not asking very much. We just want a review of whether the bank levy could be augmented with a repeat of the bonus tax. We want the taxpayer to be given a fair deal in return for rescuing the banks, and we want the Government to take seriously the threat of a lost generation of young people struggling to find work. A fair tax on banker bonuses to help people off the dole and into work is the best way to get the deficit down and stop Britain's talent going to waste.

John McDonnell (Hayes and Harlington) (Lab): Amendment 31, which stands in my name, proposes a report reviewing the possibility of incorporating a financial transaction tax within the Government's proposed bank levy, which would also examine ways in which any funds raised through such a tax could be invested in tackling not just unemployment and poverty in this country, but deprivation in the developing world. Many will remember the financial transaction tax in its former life as the Tobin tax; last year it was relaunched as the Robin Hood tax, focusing largely on the campaign to tackle poverty in the developing world.

I can think of no better day on which to debate this issue, having seen the pictures shown on our television screens last night and today of the tragedy that is taking place in the horn of Africa. This morning, Radio 4 broadcast the story of a family—parents with one child—who had walked for miles to the aid station, only to find that the one-year-old child had died as a result of suffering the drought and famine. I also commend last night's "Dispatches" programme, presented by Jon Snow, which identified the activities of Rachmanite landlords in west London. Some of those landlords operate in my constituency, and the matter has been raised in the Chamber in the past. It demonstrates the poverty that still exists in this country.

On a personal note, let me say that this morning I received letters from children at Cherry Lane primary school in my constituency as part of their campaign to encourage politicians to think about how we can fund education in the developing world so that children there can go to school. That is what my proposal is all about.

When the transaction tax was relaunched last year as the Robin Hood tax, it was supported by a wide range of churches and religious organisations. I will not name them all, but let me give Members a flavour of them. They included the Trades Union Congress, Crisis, Action Aid, Article 12 in Scotland, Barnardo's, the Catholic Fund for Overseas Development, Christian Aid, Church Action on Poverty, Comic Relief, the Church of Scotland's Church and Society Council, the Christian Socialist Movement, the Disability Alliance, the Ecumenical Council for Corporate Responsibility, EveryChild, Family Action, Faith2Share, Friends of the Earth, the General Assembly of Unitarian and Free Christian Churches, Greenpeace, Oxfam, Quaker Peace and Social Witness, Save the Children, Tearfund and the Salvation Army.

That was the largest alliance of civil society organisations that we have seen in generations campaigning on a single issue, and, as you know, Mr Speaker, they came here last month. Twelve hundred people came to Parliament, and met us in Central Hall over a cup of tea. The event was organised in particular by Oxfam, Action Aid, Save the Children, Tearfund, CAFOD and Christian Aid, and their message was simple: 1 billion people have no access to clean water and 2.5 billion lack basic sanitation, and it is time for change and action.

Those organisations pointed out that—as we have seen in the horn of Africa—the situation is dramatically worsening as a result of drought and famine. They raised three issues with us: the need to ensure that all Governments commit themselves to devoting 0.7% of gross national income to aid, the need to tackle tax evasion and avoidance, and—this was their key demand—the need for a Robin Hood transaction tax on banks. The amendment does not ask the Government to make an instant decision; it simply asks them to help us move the debate on. It is an attempt at a bipartisan—or whatever the correct term is as so many parties are represented in the Chamber—or consensual approach to enable us to move forward. I am not asking for its immediate adoption, although I would like that; rather, it specifically asks for a report to be prepared so that we can be convinced about the way forward both in principle and in respect of the practical arrangements, to ensure that whatever Government introduce this tax, it proves to be successful. It simply asks the Government to review and report.

4.30 pm

There is now a sense of urgency, as the problems are escalating in the developing world. That is why I have set a six-month deadline for the report. It is not an unrealistic time scale given the work that has already been undertaken by the past and present Governments. It is not only our Government who are being lobbied about this matter; this is happening across the world, from New Zealand to New York.

Let me run through the proposal and what I would like the Government to examine and report upon. Most Members know the details following last month's lobby. The proposal is for a small tax to be included in the bank levy. The sum proposed is 0.05%, which is 5p in every £1,000, which would be levied on financial transactions including in stocks, bonds, foreign currencies and derivatives. There are already some transaction taxes in place in this country, such as the stamp duty of 0.5%, but this proposed tax is nowhere near that level; it is a relatively trivial sum for an overall tax. However, it is estimated that if that trivial sum were introduced globally, it would raise £250 billion, and in the UK alone it would raise about £20 billion. It is argued that it could reduce speculation, and certainly some of the riskiest speculation that caused the last financial crisis.

The Robin Hood tax campaign lobbied us saying that it would like 50% of the income from this tax to be spent on fighting poverty in the UK, 25% to be spent on tackling poverty in developing countries and a further 25% to be spent on tackling climate change.

Andrew Gwynne (Denton and Reddish) (Lab): My hon. Friend is setting out his case very well. In recent years, there has been an ever-speedier move towards the globalisation of our economies, and he is absolutely right that this assessment and review is needed in respect of our obligations to global society. My hon. Friend has set out that case perfectly. Does he agree that it is crucial that we do not overlook some of the global challenges in tackling poverty and climate change?

John McDonnell: Yes, and when the various groups lobbied us last month it was interesting to note how the debate had progressed since the original discussions about the Tobin tax. The debate had become much more refined and concretely related to the global needs that my hon. Friend mentioned. There has been a debate about how we allocate these resources and what the greatest priorities are, and so far it has been about poverty in this country so that we do not in any way undermine support for such taxation among people in the UK, but we must balance that with support for efforts in the developing world. The climate change issue has also come on to the agenda since the Tobin tax was first proposed.

One question that arose in the discussions in Central Hall was what the effect would be if we did raise, for example, £20 billion in this country. It was said that if we spent £4 billion, we could halve child poverty in this country overnight, and if we spent £5 billion, we could insulate every home and therefore take people out of fuel poverty. Such examples bring home the reality of what could be done through such a tax.

It is not a tax on normal retail banking or on savings or mortgages. It does not hit the ordinary saver. It is a micro-tax, and in some ways a tax on short-term speculation banking. It does not fall on UK banks alone either, as foreign banks operate in the City. I would take particular delight in taxing Goldman Sachs in this way—that is a personal grudge—but there are also other hedge funds operating in the City of London. A strong argument, which we have heard today, has been made for seeking international agreement. Negotiations are taking place and there is consensus, even within the European Parliament, on introducing a European-wide financial transaction tax. My concern about that is that the European discussions were about using that tax to fund the European Commission—I might have more than reservations about that proposal.

Nigel Adams (Selby and Ainsty) (Con): The idea of a Robin Hood tax is noble, but does the hon. Gentleman not agree that without international agreement across all countries, it is very unlikely to get off the ground?

John McDonnell: No. If that was the case, we would not have introduced a stamp tax on transactions. It brings in £5 billion and has been an incredibly successful tax. The concern has been expressed that this country would be disadvantaged if it acted unilaterally, but the International Monetary Fund's study does not say that. It cites the stamp duty as an example of a transaction tax that has not affected UK business and states that financial transaction taxes

"do not automatically drive out financial activity to an unacceptable extent".

Banks do not leave, because they know that they are secure in this country—in fact, they know that if they get into trouble we bail them out.

The argument that London's advantages would evaporate overnight as a result of this sort of tax are just not accurate. The reason this country has these advantages, apart from the experience in dealing with financial transactions that we have built up over generations and centuries, is that it is time zone-critical—it is located between the Asian and New York markets—so it is ideally placed to ensure that financial operations are carried out in London. If companies were to move elsewhere in Europe, where would they go? Germany, our main competitor in the European time zone, is already committed, under Chancellor Merkel, to implementing a financial transaction tax.

The argument that is made now about needing some form of global international agreement is exactly the same one that was used to say that we should not introduce any form of taxation on bank bonuses. When we introduced the one-off tax on bonuses in 2010 we were told of fears that there would be a mass exodus of bankers leaving the country. In fact, the recruitment of bankers has increased—perhaps that is a debate for another day.

Alison McGovern: On the argument that my hon. Friend has just made about whether or not people would leave as a result of such a tax, does he agree that we should support what J. K. Rowling said in 2010 about people who might leave this country because of taxation? She said:

"I cannot help feeling...that it would have been contemptible to scarper...at the first sniff of a seven-figure...cheque."

Ought we not to support her on this?

John McDonnell: There is a spell, is there not—*[Interruption.]* The new sequel film is coming out soon, so we will see what spell there is to retain bankers in this country, if we need them.

I do not take this issue about international agreement lightly. That is why I am calling for a report, as any report would examine that issue. We are going back to the point that my hon. Friend the Member for Wirral South (Alison McGovern) made earlier, because this country is best placed to take the lead in trying to secure some of these agreements and such a report could address how we could do that. However, it certainly should not hold us back from taking unilateral action.

The other matter that has been raised in this debate previously is the concern about avoidance, but we can design out any avoidance measures. We can design this tax to make it difficult to avoid, just as we did with stamp duty.

Andrew Gwynne: My hon. Friend rightly talks about taking the lead. Are we not hearing exactly the same arguments as the ones used against my private Member's Bill to tackle vulture funds in the previous Parliament? Thankfully, the Bill was pushed through by the previous Government using the wash-up procedure and it has been made permanent by this Government. Were not exactly the same arguments employed during the debate on that Bill? Is it not sometimes right that we do take the lead?

John McDonnell: Yes, I had forgotten that example. It is a good example of how unilateral action can raise the standard overall across Europe and globally.

Another issue raised in our debate on the Tobin tax a number of years ago concerned whether it would be practical. Things have moved on since then and the system for undertaking financial transactions is highly automated and centralised. New systems have been put in place, and I refer Members to the study by the Institute of Development Studies that identified how the system now operates:

"The Continuous Linked Settlement Bank, launched in 2002, now settles more than half of all foreign exchange transactions, with the remainder processed through national real-time gross settlements systems."

Now we have the systems in place, through advances in new technology, to monitor the process and thereby ensure that tax is collected easily and that avoidance can be prevented.

Bill Esterson: My hon. Friend just mentioned avoidance and the problems that it causes. Does he agree that if avoidance was the reason for not doing what he proposes, the Government would give up on collecting any taxes? Avoidance of tax is a far greater problem than any to do with claiming benefits, yet the Government focus their energy on benefits and not on tax.

John McDonnell: The main argument on the Tobin tax involved the inability mechanically to identify the transactions and therefore levy the tax. I think that that has been overcome with the new systems.

The avoidance issues will concern migration to tax havens and elsewhere and the report on this tax would have to address them, but we must also attack them more generally. That is why I was so disappointed that my amendment on that subject was not called for debate. That is another issue, however, that I shall raise at another time.

Financial transaction taxes have been introduced elsewhere in the world. In fact, they have been identified in about 40 countries—including ours, with stamp duty. Another question that was raised concerned whether, if we introduced this tax, it would be passed on to the customers. That is a concern, but the report we receive from the Government can consider how to design the tax so that it is targeted at the casino banking that has resulted in this crisis and so that we can protect ordinary people and businesses.

The key point about this tax is that, as the IMF study said, it is "highly progressive". It falls on the richest institutions and individuals in a very similar manner to capital gains tax. As for the competition element and whether the cost will be passed on to customers, thereby hitting individuals harder, the finance sector is competitive and institutions that try to pass on the cost of the tax to customers will find themselves attacked through a shortage of business.

Another argument that has been made more recently is that this tax could help to assist in addressing high-frequency trading, where transactions happen every few seconds. There has been a huge increase in the number of transactions to do with derivatives. The volume of such financial transactions is now 70 times the size of the world economy and commentators have argued that that is dangerously large and destabilising. Lord Turner, the chair of the Financial Services Authority, said that many such speculative transactions are socially useless. Many of them are based on extremely small profit margins, so even a low rate financial transaction tax of 0.05% would reduce the size of the market by reducing the profitability of these risky transactions. In that way, it would contribute to stabilising the economy overall.

I do not want to delay the House. Many Members have considered the issue in some depth as a result of the lobbying, but for all the reasons I have given I agree with the 1,000 economists who wrote to the G20 summit. This is an idea whose time has come. Issues still need to be addressed, which were set out by Neil McCulloch in the IDS study, but the principal issue is political will. I hope that we can display political will across the parties and across the House to move on this matter.

I finish by quoting from the letter from the 1,000 economists to the G20:

"The financial crisis has shown us the dangers of unregulated finance, and the link between the financial sector and society has been broken. It is time to fix this link and for the financial sector to give something back to society."

The letter says that a Robin Hood tax is not only "technically feasible", but "morally right." That is why I invite the House to support my amendment.

4.45 pm

Stephen Williams: I want to make some brief remarks on the amendments. The hon. Member for Nottingham East (Chris Leslie), who leads for the Labour party, mentioned that youth unemployment has grown to roughly a fifth of 16 to 24-year-olds. Of course we all deeply regret the wasted talent that that represents, whether of young people who have qualified at school or college or have left university with a degree and cannot find jobs or those who have not acquired any training or education—the so-called NEETs, those not in education, employment or training. Over the years, I have worked with many charities, such as Fairbridge and the Prince's Trust, which try to help such people in my constituency. I must gently tell the hon. Gentleman that many of his points were made in the previous Parliament when I used to sit where his hon. Friend the Member for Leyton and Wanstead (John Cryer) is sitting now and I spoke for the Liberal Democrats on skills and higher education. The number of NEETs and the rate of youth unemployment increased year on year throughout the previous Parliament; the number just about touched 1 million before the general election.

I am sure the hon. Member for Nottingham East was not trying to give the impression that youth unemployment had reached 1 million purely because of the actions of the Government. It has been a problem in some cohorts of young people for a long time and has seemed intractable for Administrations of many parties, but the Government are trying to do some good things to tackle it, such as investment in apprenticeships and in the Work programme that will come in shortly.

Bill Esterson: I am glad the hon. Gentleman has given way, because I cannot believe he has the nerve to say what he has just said. One of the first actions of the incoming Government was to scrap the successful future jobs fund, which was bringing down youth unemployment. If he reads Professor Wolf's report, he will see that her worry is about what is happening to 16 to 18-year-olds. We are in danger of repeating the mistakes of the '80s when youth unemployment peaked four years after the middle of the recession.

Stephen Williams: I have spoken on platforms with Alison Wolf, and indeed launched a book with her during the previous Parliament. I think she would be surprised to hear the Labour Opposition citing her in support. Yes, the Government are phasing out some of the previous Government's programmes, but they are being replaced by the Work programme, which brings together many people who can work with the long-term unemployed or unemployed young people. They have a holistic approach and are bringing social enterprises into the programme, which may be more successful than the many initiatives that took place under the previous Government. I repeat: youth unemployment just about reached 1 million just before the previous Government left office. It is not a new problem created by the present Government.

Chris Williamson (Derby North) (Lab): But does the hon. Gentleman at least acknowledge that as a result of the measures brought in by the previous Government, through the future jobs fund, youth unemployment was falling? Surely, that is something we should celebrate, so was it not a mistake for Government Members to support the move that got rid of the future jobs fund, which was having such a positive impact on youth unemployment?

Stephen Williams: As I understand it, the future jobs fund was a temporary measure and it has now stopped. It is being replaced first by the Work programme, which will come in shortly, and by the Government's investment to create hundreds of thousands of new youth apprenticeships. I hope that the hon. Gentleman has visited in his constituency, as I have in mine, the many employers—including, in my constituency, the city council—who are taking on apprentices for the first time to give those young people a chance. Indeed, the Government have increased the minimum wage some of those people receive; they have also increased the apprentice wage, which the previous Government did not do.

Chris Williamson: Of course we all celebrate the fact that some young people are getting apprenticeships. We obviously support anything that helps young people get into employment, because it is a waste of talent for people to languish on the dole, but as my hon. Friend the Member for Sefton Central (Bill Esterson) pointed out, the Government's Wolf review said that those apprenticeships are not going to the youngest school leavers; they are going to an older cohort, so clearly the Government need to take additional measures to ensure that we do not have a whole generation of 16 and 17-year-olds who are simply thrown on the scrap heap.

Stephen Williams: I thank the hon. Gentleman for his rather long intervention. As well as the Work programme and investment in apprenticeships, the Government have a growth strategy to develop the new jobs of the future—into which, incidentally, the future jobs fund was not necessarily placing people. For instance, there are many initiatives in the green economy, with the green deal that has come along as well, that will help the young unemployed. I mentioned the situation to emphasise that the problem is not new. The previous Government struggled hard with it as well, as I pointed out in the previous Parliament. I have been consistent in what I have said across both Administrations.

The purpose of amendment 13 is to reintroduce, or at least to examine the case for reintroducing, the bonus tax that the Labour Chancellor introduced in 2009. As I recall, the purpose of that bonus tax was not to raise revenue, but to change behaviour. It was an attempt to persuade the banks that they should not be introducing bonuses at that time, when many of them were dependent on state funds to continue in existence. I also recall that the anticipated proceeds of that bonus tax were about £500 million. In fact, as we have heard on many occasions, it raised in gross terms more than six times that amount, so it did not change behaviour at all. It seems that the Labour party in opposition has switched the underlying purpose of a bonus tax.

I share the moral outrage that many people feel about the level of bonuses being paid by some institutions. I am a free market liberal, so I believe it is up to a company to decide its own remuneration package and justify it to its shareholders, but in the current climate, when many families around the country are facing difficulty, some of the decisions taken by remuneration committees in the City cross the threshold at which it is right that some of us in this place express moral outrage at what they have been doing.

The culture of people paying huge amounts of money to themselves is not a new phenomenon in this Parliament. I remember Lord Mandelson, before he became the Trade Secretary in the previous Parliament, saying that new Labour was "intensely relaxed" about people becoming filthy rich. The hon. Member for Nottingham East looks faintly embarrassed at my reminding him of that phrase, but when the Labour party was in government it encouraged that culture. We should not let Opposition Members forget that.

Frank Dobson: I cannot help myself, in these very unusual circumstances, leaping to the defence of Lord Mandelson. If the hon. Gentleman had continued quoting from the sentence, Lord Mandelson went on to say "provided they pay their fair share of tax."

Stephen Williams: I was not aware of the continuation of that quote. However—[Hon. Members: "Withdraw!"] Rather than withdraw, I shall expand on my point and make it more strongly. The previous Government engendered the culture of get rich quick by slashing the rates of capital gains tax and making a virtue of cutting income tax and holding down higher rate taxation. Ironically, it is under the Conservative-Liberal Democrat coalition that capital gains tax has gone up and the 50p top tax rate has been levied in this Parliament.

Bill Esterson: The hon. Gentleman called himself a free market liberal. Another Member of the House who described himself as a free market liberal is the right hon. Member for Haltemprice and Howden (Mr Davis), who describes the current arrangements in this country and the way in which capitalism operates as wealth extraction, rather than wealth creation. Does the hon. Gentleman agree with that assessment when it comes to bankers' bonuses, and will he support the amendment on the reasonable grounds that my hon. Friend the Member for Nottingham East (Chris Leslie) set out?

Stephen Williams: I thank the hon. Gentleman for his intervention, but I have already stated clearly for the record that I share the moral and ethical outrage at the level of bonuses being paid by certain firms in the City

and elsewhere. The question is whether reintroducing the bonus tax designed by the Labour Government would make any difference, because the evidence suggests that it made absolutely no difference to the bonus culture. It was a handy device for raising rather more than the expected revenue, but it certainly did not change behaviour.

As a free market liberal, I think that companies should be free to decide their remuneration policies, but they must justify them to their shareholders. One way that behaviour might change would be if shareholders took a more active interest in the bonuses that the remuneration committees award within their companies, whether they are banks or not. As was mentioned in yesterday's debate, the people on those committees are often executive directors of other companies and so have a vested interest in the magic circle of super bonuses being justified in other companies. If the shareholders of the banks that we own, Lloyds Banking Group and Royal Bank of Scotland, were able to express a view, that would introduce a new dynamic into capitalism.

I hope that the Government will seriously consider giving each citizen a share in RBS and Lloyds Banking Group when the time comes for both banks to be divested from the state—this is another plug for the pamphlet I published in March, "Getting your share of the banks: giving the banks back to the people". I had an interesting meeting with officials from UK Financial Investments last Wednesday in the Treasury in order to discuss that.

Amendment 31, tabled by the hon. Member for Hayes and Harlington (John McDonnell), proposes a Robin Hood tax. I fully support such a tax, as I have mentioned in many debates in the House. I have spoken with many non-governmental organisations in my constituency and at lobbying events, such as the one that took place last week and has already been mentioned. A Robin Hood tax has three elements. The first is a levy on banks' balance sheets, and the Government introduced that in the form of a bank levy. We might disagree about the level of the levy, but the important fact is that the coalition Government have legislated for it to exist and said that it will be permanent, in the sense that it will last for the lifetime of this Parliament. The rate has been changed once, as I mentioned in an intervention, and I hope that it might be increased again.

The second element of a Robin Hood tax is a financial activities tax—FAT, as opposed to VAT, which the hon. Member for Carmarthen East and Dinefwr (Jonathan Edwards) might have phonetic difficulty with when speaking in Welsh, in distinguishing between an F and a V. I hope that the Minister can update us on what discussions are taking place on that between Finance Ministers across the European Union and what progress has been made on the introduction of such a tax, which is a tax on certain profits of the banks.

The third element of a Robin Hood tax is a financial transactions tax, which is the subject of the amendment. As the hon. Member for Hayes and Harlington said, that has traditionally been called a Tobin tax. It would be the most problematic component of a Robin Hood tax to introduce. It might impede liquidity, which is not necessarily a good thing, and the other barriers he mentioned would be difficult to surmount without international agreement between the major trading nations.

Another problem with a Robin Hood tax is the question of how much it would raise, as I have heard a wide variety of figures for that which are in the billions. The hon. Gentleman referred to the great coalition of NGOs that support such a tax, and many of us support them, but I wish that they would agree a figure for what the different components of the tax could reasonably be expected to raise.

Mark Durkan (Foyle) (SDLP): Does amendment 31 not afford the Government the possibility of coming up with such a figure? They could do the very scoping work that the hon. Gentleman says is needed, and surely that is the Government's job, not the job of all those NGOs.

5 pm

Stephen Williams: The hon. Gentleman makes a reasonable point, and I am sure that the Minister will tell us what work has been done in the Treasury and his estimate of what the proposal from the hon. Member for Hayes and Harlington might raise.

My point is that it is not helpful to present MPs or our constituents with such a range of sums—from the low billions to in excess of £100 billion—that the Robin Hood tax could raise, because they raise false expectations of what it might actually achieve.

John McDonnell: I was encouraged by the hon. Gentleman's earlier statements, but I was waiting for the "but" and it has come. Amendment 31 simply asks for a report to be prepared exploring all the issues that he has quite rightly and properly set out, so I see no reason why he cannot support it in order, as I said earlier, to move the debate on.

Stephen Williams: I have not said, and I hope that the hon. Gentleman does not think, that I do not support what he is trying to achieve. We will have to hear from the Minister what work the Treasury is doing, or may have already done, to produce the facts and figures that we all want.

My final point on the amount that a Robin Hood tax could raise is about what it should be spent on. I have heard about a range of problems at home and abroad that could be solved by such a tax, but I entirely agree with the way in which the hon. Gentleman has refined those objectives down to dealing with poverty at home and abroad. I think we can agree at least on that.

Mr Robinson: It is interesting—if not more than that—to follow the hon. Member for Bristol West (Stephen Williams), who calls himself a free-trade liberal, or words to that effect. He is a "good doer", in other words, and he means that he is in favour of every good sentiment expressed in this House but believes that neither he nor any Government can do anything at all about this issue, other than consult the shareholders. If the shareholders—the electorate—were consulted at the moment, his party might not be as pleased with the idea as it seems to be.

Nothing can be done, it is said, and the hon. Gentleman, while agreeing with every sentiment, will not even vote for amendment 31, spoken to by my hon. Friend the Member for Hayes and Harlington (John McDonnell), who I think is going to press it to a vote if he can catch

[Mr Robinson]

your eye, Mr Deputy Speaker. It calls for exactly what the hon. Member for Bristol West wants, and he would not have to listen to his new masters in the Treasury, because we would be able to have an independent inquiry.

I had the luck to study with Tobin at Yale university when he first advanced these ideas, and they generated a lot more attention and interest in those days, but if the hon. Gentleman is serious about his wishes, and about the good will that he bears towards every serious intent to put things right, including bankers' bonuses—which we are discussing in relation to amendment 13, of which I am speaking in support—he should vote with us, and also for amendment 31, in the name of my hon. Friend the Member for Hayes and Harlington.

The strange thing about this debate is that before the election, and even during it, the current Financial Secretary to the Treasury and the current Chancellor spoke with great vehemence and passion about how offensive the whole banking culture was and how, once they were in office, they were going to get tough with the bankers.

As in other matters, however, the Chancellor talks a good talk but does not walk a good walk: one puff of wind from the Governor of the Bank of England and the Chancellor gives in on regulation. One meeting with the bankers and he says, "Okay, we'll do Merlin, but meanwhile we'll agree with you on the level of bonuses: I won't tax your bonuses; we'll go for a corporate bonus tax instead."

Of course, we wholly endorse the effect of that tax and fully support the bank levy, but it has an impact on banks' balance sheets, because as we are asking them to build themselves up, we are taxing them, quite rightly. We can achieve both, however, given the unusual and inexplicable profitability in the banking sector. The joy of what we would do, through amendment 13, is that we would tax the bankers—and so we should—but not impact on the business per se.

My hon. Friend the Member for Nottingham East (Chris Leslie), who introduced amendment 13, said that under this Government about £40 million had been paid in net remuneration—or it may be even gross, I am not sure—to the top five employees of Barclays bank. Some £40 million has been paid in bonuses alone. If anything is offensive, that is, and yet the Government refuse to do anything about it. What they should do is staring them in the face. We are not, in the amendment, asking them to agree with every single purpose to which we would dedicate the use of the funds. They may disagree with us on regional development or on the growth fund for new jobs; they can disagree on any number of items. However, surely no one in this House who is serious about tackling the bonus culture that has become so poisonous in the banking industry, and is spreading increasingly to the rest of the commercial and private sector, can disagree with the need to tackle those bonuses.

We heard the hon. Member for Bristol West speak for the Liberals, but it is interesting to note that there is not another Government Back Bencher anywhere in the House. When my hon. Friend the Member for Nottingham East spoke to the amendment, not a single Government Member, Liberal or Conservative, rose to oppose it. Not only have the Chancellor and his Financial Secretary caved in to the banks, but the whole coalition has fled the Chamber in fear and trembling of saying something that will offend the bankers. There is not one Member there—where have they all gone? What has happened? Are they, like the Chancellor and his Financial Secretary, afraid of offending the banks? I do not know; all I can see is that the serried ranks have fled and the Financial Secretary is left on his own to defend the indefensible—of which he is no doubt perfectly capable.

Frank Dobson: They're collecting their bonuses.

Mr Robinson: They are hoping to collect them, I imagine, when they lose the next election.

What I do not understand about this whole debate is how the banks can make so much money. The retail sector is usually profitable. It is like a utility: there is a regular amount of income, those involved have a fairly nice oligopoly between them, and it works quite well. I do not think anybody is complaining about that, apart from the fact that every time the investment sector does badly, the poor retail customer gets it in the neck—the small companies and others—when the banks immediately try to recoup their losses by increasing fees and charges. While all is going well, we have one rule for the investment banks and one rule for the rest of the world. The investment banks continue to coin it in and take every penny they can in bonuses, and the rest are left with the remaining share of profitability, which is diminished by the excess amounts that the investment side is taking.

The first thing that I would recommend the Government to do is look at the spread of profitability throughout the economy. If we are serious about rebalancing the economy, the first thing that has to be rebalanced is the power differential between the banking sector and manufacturing—and, equally, the share of profitability as between the banking sector and the rest of the economy. It cannot be possible for those in the banking sector—RBS, Barclays and others—to go from a position of massive losses one year to huge profits on their investment trade in the next. In six months RBS made £5 billion profit. We are pleased to receive our share of that, but how can it be making such disproportionate profits compared with the rest of the economy? That does not quite stand up. Either they are real profits, in which case there is clearly a dysfunction in the economy as regards competitiveness that needs to be investigated and addressed, or the bank is creating fictitious profits, taking the bonuses while it can, and leaving the taxpayer to bail it out later. I do not know the answer to that question, but I put it to the Financial Secretary that it needs to be looked into. The profits are unreasonably high. He should forget about whether they are offensive or poisonous and address this as a purely economic phenomenon. How can the banking sector make those profits without sucking profitability out of the rest of the economy, particularly the manufacturing sector?

That brings me to the Government's policy on rebalancing the economy. We all agree with that, but why do they not address the problem by taxing bonuses through the levy—and, for that matter, through the bonus tax that we propose? Unless we do something about that, the banking sector's preponderance in being the master and not the servant of industry will continue, and for as long as it does, any talk about rebalancing

the economy and the rebirth of manufacturing is make-believe. Nowhere can we see that better than in Derby, with yet another death of one of the few remaining conventional manufacturing industries in the UK. We are all in favour of advanced manufacturing and high-tech industries, but the German success has been based on superb engineering in the traditional conventional industries, which we—particularly those on the Treasury Bench, under both the Conservative and Labour parties—have tended to look down on.

If the Government are serious about rebalancing the economy in favour of manufacturing—we must all be serious about that—they will have to do better than saying that the market and the banks are the master. I am pleased that the Transport Secretary announced an investigation this morning—on the "Today" programme, as usual. The next instalment of the growth plan must consider how the Government can use their purchasing power to the benefit of this country, as is done superbly well in Germany and France.

We should look back. I have not made a study in advance of this speech and it would take us too long to go through everything. The death of the telecoms industry was down to a Government purchasing decision that ditched GPT. Ericsson came in with a great fanfare, then closed the whole of its works in Coventry and pulled its horns back to Sweden. We also pulled our support from the motor car industry. Years ago, people thought it was great because we would move into high-tech manufacturing. What happened? One industry after another closed in the wake of the car industry, including the machine tools industry and the capital goods industry in general. Throughout the history of post-war British manufacturing there has been a progressive loss of self-confidence and self-belief in British manufacturing throughout the country. That has to be addressed, and I put it to the Financial Secretary that it needs to be done now.

Alison McGovern: Does my hon. Friend agree that one moment in history when the British Government did not act in that way, which I raise because it was important to my constituents, was when the Labour Government stood behind General Motors at Ellesmere Port to maintain that industry in my area at a time of deep economic troubles in this country?

Mr Robinson: That is right, and I supported that entirely. I support any large manufacturing company with a base in the UK that we are seeking not to protect, but to develop and expand. I have stressed the progressive loss of self-confidence in British manufacturing across the nation. That example involves a large American company. Although it had got into a much worse mess than the old British motor industry ever got into, because it was American it had a naive faith that it would be able to pull itself, and us, out of that situation.

There has been a loss of confidence in our industries. I will not delay the House by giving example after example, but the view of the Treasury, the old Board of Trade and the old Department for Industry—unbelievably misnamed—has always prevailed: that the Government can do nothing, and market forces must prevail. That is despite the fact that every country that was a real competitor of ours took exactly the opposite view, and ensured that their industries thrived and prospered. They were not protected, but they were supported. We have so many latent advantages that we simply ignored, to the advantage of others and to our own continuing and cumulative disadvantage. That is the point that I am trying to make.

This is by no means a digression from the debate, Mr Deputy Speaker. This is why the tax on the banks should be increased. The banking sector's preponderance in the economy has to be reduced if we are to survive as a manufacturing and balanced economy in the future. In one way or another, that has to be done. What we have seen from the Government is a pathetic capitulation to the banks. It was difficult enough for us when we were trying to save the banking industry in the crisis, when it was in a bad state. When the banking industry is clearly on the way to recovery, there is absolutely no reason not to proceed with the bonus tax.

The only reason—with which I disagree—is that if we dare tax the banks, they will go abroad because they are being taxed too highly in the UK. This is another area where I would like a study to be done. To what extent is that really a risk? If it were a risk that major bankers would leave the UK in droves and we would have a denuded financial sector over night, it would have some benefits and a lot of disadvantages, but to what extent is it a risk? That could be studied. There are some hard-headed people in the Treasury who would certainly not agree with the banking point of view.

What is so special about the bankers that they can generate these huge profits and bonuses? I do not think that anybody knows. Anybody who thinks about it objectively thinks, "How can that be done?" The manufacturing industries in Germany and France, such as the telecoms sector and the car and lorry manufacturers, are sweating it out in their export markets. They are rebuilding the east of Germany and eastern Europe, and are now helping to industrialise China with massive exports of huge engineering resources. How can it be that they struggle to make 10% on turnover, but bankers can come in and generate huge profits—unrelated, as far as one can see, to any meaningful or socially useful activity, as Lord Turner said in another place?

5.15 pm

We need to consider how much real danger there is of bankers leaving the UK. Is it a real threat? I do not believe it is, to be quite honest, or at least it is nothing like what the Government fear. We also need to consider how to redress the apparently inherent profitability of the banking sector compared with the rest of the economy. We must get those two pieces of work under way.

The Government should find enough nerve to stand up for what they and the whole country said when the ordinary taxpayer had to go to the rescue of investment banks that had brought the economy of the country, and the world, to the verge of collapse. They need to see that there is no inherent danger in saying to the banks, "You're going too far, with too much support from the taxpayer. You've got to be reined in." They must have the courage, determination and good sense to do that. It is not a question of market forces prevailing, as the Liberal party would have us believe. Instead, the Government must take a sensible view.

Labour has admitted that we were not tough enough on regulation. Of course we were not. However, the current Government have been far too lax in their

attitude to banking, and particularly to bank bonuses. We were weak, but this Government have been dreadfully weak, just as they were on regulation. If we were weak on regulation, the Conservatives were hopeless: they did not want any regulation. In their pamphlet on it they said not "Let's have more," but "Let's have less." That was their only contribution to that debate.

Instead of always saying what we did wrong, why do the Government not learn from it and do now what we should have done then, with the benefit of having seen our failure? They have fudged this coalition together one way or another, so why can they not see where we went wrong? Why can they not see that we were weak with the banks, and they should be strong? Why can they not be as strong as they said they would be during and before the election campaign? The Financial Secretary has gone to great lengths to tell us what we said during the election. We do not want to repeat what the Conservatives said, but they were right then and they are wrong now. Can he not see that? The Government should do something about this now, and that is why I and my hon. Friends will vote for amendment 13. I hope that we will also vote for amendment 31, if my hon. Friend the Member for Hayes and Harlington (John McDonnell) presses it.

I am pleased that I caught your eye, Mr Deputy Speaker, and I hope that there is still time for many other Members to speak on this important issue. We only wish that the Government would find some guts.

Stephen Timms (East Ham) (Lab): I very much welcome the telling case made by my hon. Friend the Member for Hayes and Harlington (John McDonnell) for a bank financial transaction tax, but I wish to focus my remarks on how the proceeds from the bank payroll tax suggested in amendment 13 should be used to create new jobs and tackle unemployment.

We have argued that £600 million of the proceeds should be used to establish a fund to create 90,000 good jobs for young people. That would not be identical to the future jobs fund, but it would certainly have striking similarities to it, so it is important to consider the lessons from the future jobs fund.

As my hon. Friends have pointed out, the scrapping of the future jobs fund was announced in the emergency Budget just after the general election. In opposition, the then shadow Secretary of State for Work and Pensions, the current Home Secretary, whose assurances ought to carry some weight, promised that it would not be scrapped. She wrote to the chief executive of the Association of Chief Executives of Voluntary Organisations on 28 April, just a few days before the general election, to say that the future jobs fund would be reviewed to ensure that it delivered long-term, sustainable work. She stated:

> "I welcome this opportunity to clarify the Conservative position on the Future Jobs Fund, which I feel has been misrepresented by certain groups in the media."

Unfortunately, far from misrepresenting the position, those certain groups in the media were right. The fund was scrapped, without even the pretence of a review, which was a terrible mistake.

The future jobs fund was a £1 billion fund, set up to get 100,000 18 to 24-year-olds into work. It was set up quickly—certainly—to minimise the scarring of long-term worklessness on young people in the wake of the global crisis. We saw serious scarring during the recession of the 1980s, and we are still paying the price for that in today's labour market, almost 30 years later. Rightly, the previous Government wanted to ensure that there was no repeat.

It is worth reflecting on anecdotal evidence on the future jobs fund. A strikingly large number of people, with a lot of experience in such matters, have made the point that in their view the future jobs fund was the most successful welfare-to-work programme in which they had ever been involved. I noticed the remarks made about the programme to the Select Committee on Work and Pensions by Jackie Mould of Birmingham city council. She said:

> "The benefits that they have identified are about the fact that they've had a job. I can't say that enough; it's come out in every interview that we've done, with every single person. Some of them didn't even know they were on a programme; they just thought they'd got a job. The other benefits have been the confidence and self-esteem that people get from having a job, from feeling valued—that they've got something to offer and that they can do it."

We can all understand how big a breakthrough it is for a young person who has been out of work for some time to get a job. The price of keeping that young person out of work for a long period is huge. It is in that context that the costs of the fund proposed in amendment 13 need to be assessed.

The future jobs fund provided proper jobs when they would otherwise not have been available. My right hon. Friend the Member for Birkenhead (Mr Field), who is currently the Government's adviser on child poverty, said that the future jobs fund was

> "one of the most precious things the last government was involved in, a lifeline".

Ministers in the present Government have criticised the future jobs fund essentially on two grounds. In considering amendment 13, their criticisms need to be addressed. The first ground is value for money, and the second is that the jobs created were largely in the public sector.

First, on value for money, the maximum price per job offered to bidders to the future jobs fund was £6,500. That is a higher cost per job than most welfare-to-work schemes, but—this crucial difference is often overlooked—unlike other schemes, participants in the future jobs fund came off benefits and were paid a wage. We therefore no longer incurred the cost of benefits to support them. That is not always reflected in cost comparisons, but once it is taken into account, the difference between the Work programme approach and the future jobs fund is much less than is frequently stated.

The Department for Work and Pensions produced statistics showing that of the people starting the future jobs fund between October and November 2009, just over 50% were not claiming benefits one year later—well after their placement on the future jobs fund had finished. The Prime Minister used that figure to criticise the future jobs fund, saying that 50% is not a large proportion, but that comparison is not a valid one, because the young people whom the future jobs fund helped were precisely those who were furthest from the labour market, and therefore most in need of support to get back into work.

In evidence to the Work and Pensions Committee, Tracy Fishwick of the Centre for Economic and Social Inclusion described participants in the future jobs in this way:

> "the vast majority of people who are coming forward for Future Jobs Fund are the young people who have less than an NVQ level 2, and sometimes no formal qualification at all."

In that context, having more than half of such people still in work a year after their placement with the future jobs fund ended is no mean feat. I think that the assessment we are expecting of the fund will show that it provided good value for money by avoiding unemployment.

The second criticism is that none of the jobs created were in the private sector. In fact, that was not the case. It is true that only a small proportion of the jobs were in the private sector. There was an issue about the state aid rules making it harder for private firms to benefit, but with a little more time to plan next time and with the benefit of the report proposed by my right hon. Friend the Member for Morley and Outwood (Ed Balls) in amendment 13, we could increase that proportion. I noticed that Neil Carberry from the CBI told the Work and Pensions Committee:

"I suspect that the speed of the timetable greatly restricted the number of private sector companies that could get involved".

I think that he was probably right. This was an emergency response to avoid what otherwise would have been a rapid escalation in youth unemployment.

Having said that, there were examples of private firms benefiting from the fund. In Oxfordshire, 33% of the jobs under the county council's future jobs fund programme were in the private sector, and the council pointed out in its evidence to the Select Committee that it had been disadvantaged by the loss of the future jobs fund—that is the county council for the Prime Minister's constituency. Other councils reported a smaller but nevertheless still significant proportion of jobs in the private sector. The Select Committee is right that this issue needs to be tackled in the report. Amendment 13 proposes that care should be taken next time to ensure that private firms can benefit from the new programme when it is introduced.

It is not the case, as Ministers have sometimes carelessly asserted, that all the jobs were in the public sector—many were in the voluntary sector—so when the Secretary of State for Work and Pensions appeared on the "Today" programme on 12 May to claim that the

"Future Jobs Scheme created only jobs in the public sector and once the money ended those poor young people crashed out of work straight away",

it was clearly untrue. Indeed, Dr Peter Kyle, the acting chief executive of the Association of Chief Executives of Voluntary Organisations, which represents more than 2,000 third sector organisations, wrote to the Secretary of State that day to reply:

"I feel obliged to point out that within the voluntary sector it has been widely perceived as a success in delivering vital vocational skills to potentially vulnerable people whilst unlocking potential within non-governmental organisations."

Later that same day, the Secretary of State claimed:

"The Future Jobs Fund was six times more expensive than anything else that they were doing and actually created jobs only in the public sector".

That was simply untrue, as Martin Sime, the chief executive of the Scottish Council for Voluntary Organisations, pointed out. There are lessons to be learned from the future jobs fund about how to ensure maximum private sector participation from this approach to creating jobs for young people at a time when those jobs are desperately needed, which they most certainly are at the moment. The value of voluntary sector participation—the contribution and enthusiastic support of those whom Ministers want to be their partners in the big society—must not be overlooked.

The Opposition's amendment would put back in place the support that the future jobs fund provided with lessons learned through the proposed report to improve the programme further. It is important that Ministers, when evaluating the proposal in amendment 13, reflect on what people have widely said about the future jobs fund and on the enthusiastic response from local authorities, businesses and participants. A young woman from Rochdale told the Select Committee how her time with the future jobs fund opened up many avenues for her, boosting her confidence in the workplace, providing her with training and supporting her with her interviews. She said that being in employment with the future jobs fund helped to get her full-time employment subsequently.

As the hon. Member for Bristol West (Stephen Williams) acknowledged, youth unemployment remains unacceptably high. The Government cannot simply point to the Work programme. We wish it every success of course, but the future jobs fund created jobs where none would otherwise have existed. Given the long-term damage of extended youth unemployment, for both young jobseekers and the economy more widely, it was undoubtedly an investment worth making. Indeed, it is an investment that we should make again. I hope that the House will agree to amendment 13, as moved by my hon. Friend the Member for Nottingham East (Chris Leslie).

5.30 pm

Alison McGovern: I want to say a few words in addition to those made so far about amendment 13. The amendment is crucial, and it matters because at its heart it concerns inequality. I want to say something that I take to be uncontroversial across the House: inequality is a problem for us all, no matter what our place in society—it is even a problem for the bankers receiving the bonuses that we have heard about so far. We know that more equal societies do better. I take that statement to be uncontroversial, because we have had many recent discussions both inside and outside this House about why equality matters and why it is important to deal with wide income gaps between the top and bottom in our society.

On that basis, amendment 13 is highly relevant to one of the biggest problems that we have been trying to grapple with. As I said in an earlier intervention, this is not merely about inequality across society, from the very top earners to those receiving the minimum wage; it is about an imbalance in the financial services sector. Many people in my constituency, across Merseyside and in the rest of the UK work in the financial services sector, and not all of them are well paid. Inequality matters not just within those companies, but for those working for companies that service banks—I am thinking about those in occupations such as cleaning or looking after the children of those working in the financial services sector. They face steep income inequality; therefore, it matters that we address this issue. Income inequality has a huge impact on our society—I take that fact to be uncontroversial—and therefore the amendment is important.

The hon. Member for Bristol West (Stephen Williams) described himself as a free-market liberal; I would not go that far, but I would describe myself as somebody who has tried to think about how the economy works.

Stephen Williams: I am quite proud to call myself a free-market liberal, but just to make it clear and to differentiate myself from the right hon. Member for Haltemprice and Howden (Mr Davis), who was mentioned earlier, I am also a social liberal. I wonder what label the hon. Lady would apply to herself. Is she a socialist, a democratic socialist or perhaps a social democrat?

Alison McGovern: That is probably the easiest intervention that I will ever get. In so far as I believe in the needs of society above the needs of capital, I am a socialist. However, as a socialist, I think that it is important to consider how the economy actually works, because unless we understand the functioning of the economy and what makes our society work well, we will not be able to live up to the needs of society or the demands of our fellow people. As my hon. Friend the Member for Coventry North West (Mr Robinson) mentioned earlier, something has gone wrong when we see such large bonuses and when a small group of people in the City of London can arrange extremely high salaries for themselves.

However, this is not just a market imbalance; it is a power imbalance too. Something is going on that enables a small group of people to argue for a much higher salary than anyone else in society. As someone who cares about how the economy works, I call that market failure. Something is going on, and the situation needs to be questioned, thought through and rebalanced. That needs Government intervention. There could be an insider-outsider problem, in which some people are outside the small group who are able to arrange bonuses for themselves in this way and use their position as insiders to argue powerfully for the maintenance of their position, while others remain unable to enter the market. That is what makes me think that Government action is important in this regard.

My hon. Friend the Member for Nottingham East (Chris Leslie) said that there was also a failure of transparency. Markets work well only in conditions of perfect information, but we do not have perfect information, and we have seen the lengths to which some people have gone in order to prevent transparency over pay and bonuses. The case for Government action on bonuses has been well made today by other hon. Members. I would argue that that, too, is politically uncontroversial. In fact, the Secretary of State for Business, Innovation and Skills told the BBC earlier this year that the coalition Government were "fully signed up" to "robust action" on curbing bonuses. Well, that is great. Our amendment should therefore be pretty uncontroversial, and I hope that hon. Members on both sides of the House will support the principle of what we are trying to do.

My worry is that the Government have just not done enough. They have straightforwardly not lived up to the public's expectations on bankers' bonuses. I am also worried that the corporation tax cut that they have introduced will effectively hand money back to the profitable banks, and that not enough action is being taken to rebalance our economy. I could talk for many hours about manufacturing and the fact that the financial service sector should serve the productive economy, rather than the other way round, but my hon. Friends have already done that subject justice, so I will not detain the House further on that.

David Mowat (Warrington South) (Con): The hon. Lady is making a case for the higher taxation of banking bonuses and salaries. Does she think that high salaries in other professions such as the oil industry, financial services, insurance—

David Rutley: And football.

David Mowat: Indeed. Does she think that higher salaries in all those professions should be taxed more? If that is the case, the most logical option would be to have higher income tax.

Alison McGovern: As I said earlier, I think we all agree that inequality is a problem. We have tabled an amendment that deals with a specific problem. Do not we all agree that inequality in this country is a problem that needs to be tackled? I thought that that was politically pretty uncontroversial these days.

David Mowat: Will the hon. Lady give way again?

Alison McGovern: Many people wish to speak, so perhaps it would be better if I did not take any more interventions. I am assuming that the hon. Gentleman was not about to tell me that inequality is not a problem.

I want to outline what we could do with the extra income that could be generated if our amendment were accepted. I also want to build on the remarks made by my right hon. Friend the Member for East Ham (Stephen Timms). His analysis of the future jobs fund was thorough and it accords with my research on that subject. I pay tribute to him as one of the House's experts on youth unemployment. His constituency is in the London borough of Newham, which has done extensive research into that issue and probably knows more than many places in this country about what can best be done to tackle it.

I want to make a further point. In January, I asked the Minister for Employment whether he could provide business planning projections of how much the Department for Work and Pensions expected to have to pay for 16 to 24-year-olds on jobseeker's allowance for each year of this Parliament's life. I was told that by the end of this Parliament the Department expected to pay jobseeker's allowance to 279,000 16 to 24-year-olds. It thought that just under 280,000 young people would be on the dole. To check what had happened as a result of the Government's economic policies coming into force, I asked that self same question in June, when the Minister for Employment was forced to tell me that his Department projected having to pay 303,000 such young people on the dole. The DWP has had to up by 24,000 its own forecast of the number of young people on the dole by the end of this Parliament. Nobody can say that this problem does not need to be dealt with. The Government know from their own DWP projections that this problem has to be dealt with—and it has got worse, not better, over the last six months.

I applaud the Government's approach to apprenticeships and many other things, but the fact is that we had a programme and a set of policies that were working well for young people. The future jobs fund will be much debated and there is more research to come on the subject, yet the DWP's own research provides evidence of how that particular scheme worked. The best way to get a job is to have a job; we demonstrated that basic fact through the future jobs fund.

Kate Green (Stretford and Urmston) (Lab): I agree with every word that my hon. Friend says. Does she agree that one crucial value of the future jobs fund intervention was that it broke the trend into long-term youth unemployment—a trend about which we should be particularly concerned? The lesson of the 1980s recession was that if young people did not get a start in the labour market at the very beginning of their working lives, they never really got themselves established. That is what the future jobs fund successfully intervened to disrupt.

Alison McGovern: I thank my hon. Friend for her intervention. Having grown up on Merseyside in the 1980s, I know it was only when I studied economics later in my life that I found out that there was a word for the thing I always knew happened—that people got punished throughout their lives for being unemployed when they were young. The economic word for that is hysteresis. The labour market has memory: if someone fails to get a job early in life, it stays with them, scarring not only the person's career prospects, but the economic prospects of the locality. We know all about that and the previous Government worked to stop it happening when the economic crisis hit. I would like to see this Government take that problem seriously, introduce measures that will bring real work to young people and deal with some of the problems we face, which are getting worse.

Bill Esterson: Let me draw Members' attention to the proposals of the Opposition Front-Bench team. Amendment 13 states:

"The Chancellor…shall review the possibility of incorporating a bank payroll tax within the bank levy and publish a report"—

not an unreasonable request, but a very sensible and measured one. Yet we have heard from Conservative Members and from the Minister in an intervention that they are reluctant to take that action. I guess that the Minister will take the same attitude towards the amendment proposed by my hon. Friend the Member for Hayes and Harlington (John McDonnell), which similarly calls for a review. Neither of these measures calls for the City of London to be disbanded or for bankers to be put in the stocks and pilloried by the public—much as many members of the public might wish to do just that! However, given that many members of the public may have recently wished to do the same to Members of Parliament, perhaps we should not pursue that line too far.

5.45 pm

The amendments simply request a review, which is surely reasonable. I should be interested to hear from the Minister what is so wrong with a review or, indeed, with the idea of a bankers' bonus tax. When the Minister wound up our debate on 3 May, he declined to deal with the many good points made by Members about the value of such a tax. I think that that demonstrated a desire to avoid discussing the success of the approach taken by the Labour Government last year, which raised £3.5 billion for the Exchequer—far more than the Government's banking levy. I hope that the Minister will not ignore what has been said when he winds up today's debate.

The Government's failure to repeat last year's bankers' bonus tax, combined with cuts in corporation tax which helped the financial services industry, amounted to a cut in tax rates for the banks. Meanwhile, those on the lowest incomes—families and other particularly vulnerable members of society—are being made to pay for the mistakes of the banking sector. The excessive behaviour of bankers, of which excessive bonuses were a symptom, caused a crisis that nearly brought down the entire financial system not just of this country but of the world.

Amendment 13 states that the money raised by the tax

"would be invested to create new jobs and tackle unemployment."

Members—including me, in interventions—have mentioned the importance of the future jobs fund and how well it was performing in bringing down youth unemployment until the Chancellor scrapped it in last year's emergency Budget. The fact that youth unemployment was approaching 1 million has sad echoes of what happened in the 1980s, particularly in the part of the world that my hon. Friend the Member for Wirral South (Alison McGovern) and I represent.

People on Merseyside have long memories when it comes to the damage inflicted by youth unemployment, which peaked in 1985, four years after the middle of the 1980s recession. This year, activities are being organised to mark the 30th anniversary of the Toxteth riots, the appalling scenes in Liverpool during the summer of 1981, and the despair and misery that provoked that action. There are lessons to be learned from what happened in the 1980s. We know from that time what goes wrong if we do not tackle unemployment, particularly among young people.

Some members of my generation, and slightly older people, have never found long-term work. As young people they were never able to enter the jobs market owing to the difficulties facing those in their cohort: the lack of jobs that resulted from the policies of the Government of the day, and the way in which unemployment was allowed to rise to over 3 million. There are people, now in their late forties, who have never experienced secure employment. They have never established proper careers, and they and their families have never recovered from the experience of 30 years ago. That is why it is so important for us to find a mechanism that will help people to find secure employment now.

My hon. Friend the Member for Wirral South rightly said that having a job was the best way of finding a job. I know of a number of people who were able to enter full-time employment as a result of the future jobs fund, because, thanks to the previous Government's successful approach, they were able to demonstrate to other employers how successful they could be in employment.

In an intervention on the Liberal Democrat spokesman, the hon. Member for Bristol West (Stephen Williams), I mentioned Professor Wolf's comments on apprenticeships. In her evidence to the Select Committee on Education, she made clear her worries about 16, 17 and 18-year-olds currently being most at risk of not participating in education, training and apprenticeships and about the long-term prospects of their finding work as a consequence of that. That is why it is important to have a strong and well-structured approach to employment for 16 to 18-year-olds. The evidence suggests that apprenticeships are largely being taken by 19 to 24-year-olds, and that there is a lag in respect of younger people taking them up. We must address that; we need to focus our efforts on younger people leaving school.

We need to grow the economy and to ensure that there is a proper growth strategy. The Chancellor talked about the Budget being a Budget for growth, yet the latest figures show that the economy has flatlined for six months and there has not been sustained growth. Borrowing has increased by £46 billion, and the Government have resisted using fair measures, such as the bankers' bonus tax, to help to encourage job creation and to help the construction industry in house building and other activities that stimulate growth.

Alison Seabeck (Plymouth, Moor View) (Lab): One of the benefits of this tax is that a considerable sum would be put into building 25,000 new homes for affordable social renting. Does my hon. Friend agree that through investing in housing we invest in apprenticeships and jobs and we get a higher tax take because people are working?

Bill Esterson: My hon. Friend is right: a virtuous circle is created by investment, and especially investment in construction. It is one of the most efficient ways of putting money into the economy, and there is clear evidence that in periods of recession and downturn the role of the public sector should be to put money into the economy until such time as the private sector is strong enough to take up the slack and create jobs and continue to grow the economy. I fear that stage of the economic cycle has not yet been reached, which is why we need measures such as a bankers' bonus tax to enable money to come into the economy.

Those 25,000 affordable homes would only be a start, but it would be a very important start. We have a housing crisis in this country, and it will be made worse by the benefits cap the Government are introducing, as revealed by the evidence from the private secretary of the Secretary of State for Communities and Local Government that the cap could result in 40,000 families losing their homes. We certainly need activities such as those mentioned by my hon. Friend to make up for Government problems being caused by activities elsewhere.

I hope the Government will read carefully the two Labour amendments, and acknowledge that, as they merely call for a review and are very reasoned, they are worthy of support. I therefore hope that we will hear later that they accept both amendments.

Frank Dobson: I should begin by saying that I support the Robin Hood tax, and it therefore follows that I am opposed to the Sheriff of Nottingham, who in this context is the British banking industry. The sheriff was known for robbing the people and feathering his own nest, which is a characteristic of our banking industry. When the bankers start squealing and the City journalists start repeating their squeals and appearing on radio and television saying how terrible it would be to impose further taxation on the bankers, it is worth remembering the scale of the banking industry, and the scale of the damage the banking crisis did to this country.

It is estimated—I think this estimate is generally accepted—that the effect of the banking crisis on Britain has been to reduce our output of goods and services by more than £300 billion. In other words, had that recession caused by the bankers not taken place the country would be £300 billion better off than we are now, and, with a normal tax take, the Treasury would have been about £120 billion better off than now. In other words, a large slice of the famous deficit would have been wiped out, and a large slice of that deficit has been caused by the incompetence, stupidity and greed of the bankers.

When the bankers say they cannot afford to pay any more, it is worth looking at the sums Britain's leading banks lost in the crisis while still managing to survive—and most of them survived only by being either taken over or backed up by the taxpayer. HSBC lost $27 billion in the crisis; Morgan Stanley lost $15.7 billion in the crisis; Royal Bank of Scotland lost $14 billion in the crisis; Barclays lost $7.6 billion in the crisis; HBOS lost $6.8 billion in the crisis; and Lloyds TSB lost $4.7 billion in the crisis. Yet all of them have paid bonuses to management who presided over those losses. In the case of Barclays, as I understand it even the shareholders have been doing rather badly and have been treated unfairly, because the Barclays leadership has been paying bonuses while the bank's share value has been halved in the last 10 years. These are therefore undeserved bonuses not only from the point of view of the rest of us, but even from the point of view of the banks' shareholders. There is a lot of scope for getting some money out of these banks because they are rolling in money, and we should spend it in ways such as those mentioned in amendment 13, tabled by my party's Front-Bench team, and amendment 31, tabled by my hon. Friend the Member for Hayes and Harlington (John McDonnell).

To put matters in perspective, this year—a frugal, austere year in the City, we understand—City bonuses amounted to more than £6 billion, yet we are told that the Government may not be able to accept the Dilnot report recommendations because they would cost the taxpayer £2 billion. That means that the Dilnot recommendations, which would help all the people who look with fear to the future and to getting older, could be implemented at an annual cost of one third of the bonuses being paid in the City of London. If that does not demonstrate how ridiculous the remuneration in the City of London is, I cannot imagine what does.

As I said in an intervention on my Front-Bench colleague, my hon. Friend the Member for Nottingham East (Chris Leslie), these people in the City have now started to refer to their pay as "compensation". They apparently need to be compensated to turn up at work, and apparently their normal compensation is not sufficiently high, so they have to get a bonus on top of that to compensate them for going to work and turning up at their office—and then, as we know from the crisis, losing money. It is about time these bankers started compensating the rest of us and doing what my hon. Friend the Member for Coventry North West (Mr Robinson) discussed: making more of the undeserved wealth splashing around in the banking industry available to those who are providing useful goods and services to people in this country and the rest of the world, and getting us to a fairer and better situation.

6 pm

If people want to know why it might be a good idea to put more money into industry and a bit less into banking, they should look at the example of the most prosperous country in the European Union—Germany. Its manufacturing sector comprises roughly twice as big a proportion of its economy as ours does and as nearly

every country in Europe's sector does. That is because, over the years, the Germans have invested a lot more in the manufacturing of goods and the provision of high-tech services; they have not just let their banking industry run away with all the money.

I am strongly in favour of a Robin Hood tax. It is time that the Government really took on the Sheriff of Nottingham and made sure that Robin Hood, Maid Marian and the rest of us win.

Chris Williamson: May I begin by entirely agreeing with what my hon. Friend the Member for Sefton Central (Bill Esterson) said about the amendment being wholly reasonable? It ought to command the support of Members on both sides of this Chamber. I hope that at least some Government Members will find it within themselves to support an amendment that will make a significant contribution to addressing the real challenges facing this country. My right hon. Friend the Member for Holborn and St Pancras (Frank Dobson) just referred to the eye-wateringly high bonuses that the City of London has enjoyed in what he described as an "austere" year. It is incredible to think that the City of London bankers' bonuses amounted to £6 billion.

Alison Seabeck: May I, first, draw the House's attention to my entry in the Register of Members' Financial Interests in relation to an indirect interest of my right hon. Friend the Member for Greenwich and Woolwich (Mr Raynsford), as I should have done that earlier? My hon. Friend the Member for Derby North (Chris Williamson) mentions some enormous sums. Does he share my concern, and that of enough people around the country, about the huge contrast between those figures and the people who are desperate to find a home? The homelessness figures are rising, as we have learned from the Secretary of State for Communities and Local Government.

Chris Williamson: My hon. Friend makes an apposite point and she has done some excellent work to highlight the plight of people in our country who are struggling as a result of homelessness and having inadequate access to decent housing. It is a stain on our national character that in the 21st century, in one of the richest nations on earth, there can be the huge disparity to which she referred.

My first point relates to apprenticeships, the waste of talent in our country and the level of youth unemployment, which is still unacceptably high. I wish to discuss some personal experience and my concern that Bombardier, the last train-building company in our country, has today announced 1,429 redundancies at its Derby plant. It also made the point that its ability to provide apprenticeships for young people in the city of Derby has been considerably diminished. My real fear is that before the end of this year, unless the Government are persuaded to review things and to revise their decision in favour of the British train-building industry, the last remaining company that manufactures trains in our country will pull out of Great Britain altogether. The company will certainly be a shadow of its former self and its ability to provide apprenticeships will be almost completely eliminated.

It is, therefore, absolutely essential that hon. Members support the amendment proposing a tax on bankers' bonuses, because it would enable the Government to earmark a proportion of that money to create job opportunities. My Front-Bench colleagues suggest that if £600 million of that £2 billion bonus money were used, almost 100,000 opportunities for getting young people into work could be created. Surely that ought to unite all of us. One would hope that even the bankers might consider that to be a reasonable use of the eye-wateringly high bonuses that they have enjoyed in this austere year.

The Government are under a moral obligation to support the amendment. I look directly at the Minister when I make that point, because he is under a moral obligation. I say that because one of the first decisions taken by those on the Government Benches was to scrap the future jobs fund. I can see him mouthing things because he knows what I am about to say. That fund did provide opportunities for our young people and it was making genuine inroads into youth unemployment in our country. The Government's ability to tackle that is stuttering as a consequence of removing the future jobs fund.

This tax would make a mere pinprick on the standard of living of the bankers affected by it. The Government keep saying that we are all in it together, but if they genuinely believed that, surely those with the greatest resources should be giving a bigger contribution to those with almost no resources. As my hon. Friend the Member for Wirral South (Alison McGovern) said, if young people are unable to get a job at the start of their career, this follows them throughout their life. The Government have it within their gift to support the amendment, which would go some way to addressing that real concern, and I hope that they will take on board their moral obligation to support it.

My hon. Friend the Member for Sefton Central also mentioned that the Wolf review pointed out that some of the youngest of the unemployed in our country—the 16 to 18-year-olds—are struggling to find alternative employment. Although I applaud the Government's attempts to deal with youth unemployment and their efforts on apprenticeships, their actions are clearly missing out a significant cohort and they should do more to address that situation. One of the other ways in which they could make a significant contribution would be by earmarking a proportion of this bonus tax for the building of 25,000 affordable homes. That would be a modest contribution, but we know that there is a huge demand for affordable housing in our country. Far too many people are living in inadequate accommodation, and there was an excellent exposé on Channel 4 last night about the growth in the number of Rachman-style landlords, who are afflicting parts of our country again.

In my view, we certainly need to do more to tackle that problem and one of the best ways to do that would be to build more decent affordable homes for people to live in. That would have not only the social benefit of providing good-quality homes for people who desperately need them but the added benefit of creating job opportunities and, dare I say, more apprenticeships for younger people, stimulating the economy. If young people are living in better, decent accommodation, their educational and health outcomes are beneficially affected. Whichever way one looks at such investment in affordable housing, through a modest tax on bankers' bonuses, one can see that it would bring huge benefits to society. I hope that Members will find it within themselves to consider that and to support the amendment.

[Chris Williamson]

There is a great need to stimulate and support manufacturing industry and businesses across the piece. They are struggling: we know that the economy is flatlining, that the Government's attempts at growing the economy are failing and that there is a need for a plan B.

Mr Ben Wallace (Wyre and Preston North) (Con): I have listened carefully to the hon. Gentleman's points about apprenticeships and youth unemployment. In my constituency, youth unemployment has fallen by 14%. For a similar reason, the aerospace industry and associated apprenticeships in his constituency are doing rather well under this Government. That is especially the case as regards foreign orders, such as those from China for Rolls-Royce engines and, in a case that affects my constituency, the expansion of British Aerospace abroad. That is the best way to create futures for young people. We should give them proper jobs through long-term investment in intellectual property and research and development tax credit, which the Government have expanded in the recent Budget. Does the hon. Gentleman not think that that is the best way to do it and should he not therefore support the Budget tonight?

Chris Williamson: I certainly do not support the Budget. Although I acknowledge that Rolls-Royce does some excellent work—we are fortunate, in that it is the largest employer in my constituency and provides huge opportunities for young people—the hon. Gentleman would do well to remember the support given by the previous Government to the aerospace industry. He would also do well to remember that one of this Government's first decisions was to scrap the loan to Sheffield Forgemasters. I can see that he is screwing up his face and rolling his eyes—

Madam Deputy Speaker (Dawn Primarolo): Order. I know that the hon. Gentleman was tempted down this line of argument by the intervention, but we are discussing the bank levy.

Chris Williamson: Thank you for your guidance, Madam Deputy Speaker. The point I am trying to make is that the resources realised as a consequence of supporting the amendment and introducing such a tax within the bank levy—or at least exploring the possibility and reporting back on how it might be used—could be used to support opportunities to create new employment for people in Sheffield through Sheffield Forgemasters and to generate more apprenticeships and opportunities for young people. I hope that the hon. Member for Wyre and Preston North (Mr Wallace) will reflect on those comments and join us in supporting the proposal made by my hon. Friends on the Front Bench about considering a tax on bankers' bonuses.

I was going to talk about the fact that we know that the Government's economic policies are failing and that the economy is flatlining. Opportunities are not being realised because of the Government's blinkered approach, if I may put it that way. I ask Ministers to consider this proposal as an additional opportunity to support business and young people and to create opportunities in our country. Realising such aims has been made very difficult for Ministers because of the policies they have pursued.

We hear all the time from Government Members, particularly the Chancellor of the Exchequer, that we are living in austere times, that we all must tighten our belts and that we are all in it together. As I have said, the amendment provides an ideal opportunity for the Minister and for Government Members to demonstrate that they mean what they say when they make comments about all being in it together.

6.15 pm

I urge, beg and plead with Government Members to consider the modest proposal that is being made this evening and to join us in the Division Lobby so that we can give the Government an additional funding stream, which could do so much good in our country to tackle youth unemployment, to provide decent homes and to provide additional support for businesses through the regional growth fund. The regional growth fund was massively oversubscribed, and in my county of Derbyshire, not one single bid was successful—not one. Clearly, more resources are desperately needed and I would therefore have thought that this was a free hit for the Government. It would certainly be popular with the general public and the Government might even gain some additional popularity if they support this reasonable proposal. I urge all Members to join us tonight to take the proposition forward and to take some positive steps to address some of the concerns that we all share about youth unemployment, inadequate housing and difficulties with the flatlining economy.

Mr Hoban: The Finance Bill introduces the bank levy, a permanent tax on banks' balance sheets that will raise more than £2.5 billion each year. Amendment 13 seeks to reintroduce the one-off bank payroll tax introduced in the previous Parliament, but that would be unnecessary and counterproductive. Amendment 31 seeks to introduce a financial transaction tax, but such a tax would need to be applied globally to prevent the relocation of financial services.

The Government have already set out far-reaching plans for banking reform on regulation, lending, remuneration and tax. That includes the introduction of the bank levy. Both amendments would also place an obligation on the Government to produce a report on how any additional revenues from each tax could be spent and we have already heard many ideas during the debate.

Before I talk about the amendments in detail, we should remind ourselves of the significant contribution to the economy and public finances made by banks operating in the UK. Many hundreds of thousands of jobs across the whole United Kingdom—not just here in London—depend on Britain being a competitive place for financial services. It has been said:

> "While the success of the financial sectors in New York and Tokyo has been built largely on supplying large domestic economies, with a smaller domestic economy the success of London has increasingly depended on its global role…The Government recognises that it must ensure that the UK's tax regime remains competitive".

The hon. Member for Nottingham East (Chris Leslie) described such an approach as the last refuge of the scoundrel, but the "scoundrel" who made that statement was not me, my right hon. Friend the Chancellor, or the Prime Minister; it was the right hon. Member for Morley and Outwood (Ed Balls), when he was the Treasury Minister responsible for financial services. It is clear

that in a short space of time, the Labour party has decided it is no longer important to be globally competitive. That is yet another nail in the coffin of the economic credibility of that party, which voted this morning to scrap the deal obtained by the previous Prime Minister at the G20 summit to increase resources for the IMF.

The financial crisis demonstrated that fundamental reform was needed and that is what the Government are delivering. The Government firmly believe that banks should make a fair contribution to the public finances. In particular, banks should make an additional contribution in respect of the potential risks they pose to the UK financial system and wider economy. Last year, we announced a permanent levy on bank balance sheets, which was implemented from the beginning of this year.

Mr Umunna *rose—*

Mr Hoban: Let me make my point and then perhaps the hon. Gentleman can explain the position of his party when it was in government.

In opposition, we made it clear that the UK should introduce, unilaterally if necessary, such a levy, but just weeks before the general election, the previous Government told us that a bank levy would have to be

"coordinated internationally to avoid jeopardising the UK's competitiveness."

Where we and our coalition partners have sought to lead international debate, Labour would hang back and let others make up their mind for them.

Mr Umunna: The Minister is extremely fond of harking back to what the previous Government did, but he is in government now and has failed so far to give a single convincing reason to support his position of not adding a bank bonus tax to the levy. Reuters is predicting profits this year of about £51 billion in the sector and there is still an implicit taxpayer subsidy of the sector, so in that context why is it so unreasonable to support the amendment? It simply asks for a review, which is a very reasonable suggestion.

Mr Hoban: The hon. Gentleman should be patient. I am just warming to my topic. I have much more to say about the bank levy and about amendment 31 on the Robin Hood tax. There is an issue about the need to reform the banking sector and the coalition Government decided to look at the structure of banking, which the previous Government failed to do. We want to tackle issues around the resolvability of banks and to look at how we can make the banking system much more stable. The measures we are taking forward will tackle some of the issues.

Chris Leslie *rose—*

Mr Hoban: I think I am being tempted away from the bank levy, but I happily give way to the hon. Gentleman, who might just come back to the topic.

Chris Leslie: It is very gracious of the Minister to give way.

On the so-called progress the Minister is making on banking reform, can he tell us what progress he has made on the transparency of banker bonuses? That is a critical point. How many other Finance Ministers, worldwide or in Europe, has he spoken to and when will the transparency element of the legislation be triggered?

Mr Hoban: We have one of the most transparent disclosure regimes for banking salaries anywhere in the world. The measures we introduced as part of Project Merlin were more transparent and provide more information than in any comparable regime across the world. The Government have made real progress on tackling that issue.

We decided that we would lead the international debate and act unilaterally if necessary on the bank levy. Since we made our announcement, France and Germany have joined us in announcing such levies, and others have followed, including Hungary, Austria and Portugal. The hon. Gentleman made reference to the fact that the Dutch had announced a similar thing. Apparently, they believe that our design for a levy should be followed.

The hon. Gentleman talked about international comparisons. Even allowing for the larger size of the UK banking sector, the UK levy is larger than that of France or Germany. Different levies cannot be compared by looking just at headline rates; for example, the UK levy is focused on balance sheet liabilities, while the French levy is on risk-weighted assets. Furthermore, unlike the UK levy, the French levy does not apply to branches of foreign banks. Consequently, the French levy is expected to raise between €500 million to €1 billion a year, much less than the £2.5 billion we shall raise in the UK, a difference that cannot simply be explained away by the different sizes of our banking sectors. Moreover, unlike the UK, the French levy is deductable from their corporation tax liability. The hon. Gentleman said that the Government will not review the banking levy. If he looks carefully at the documentation, he will see that we are committed to reviewing it in 2013.

The levy is not the only tough action we have taken to ensure that banks pay their fair share of tax. The right hon. Member for East Ham (Stephen Timms) was a member of the Treasury team when the previous Government introduced the code of practice on taxation for banks, but they utterly failed to get all the banks to sign up to it; only four of the big 15 banks had signed up to it by the time they left office.

While the previous Government talked a good story about tackling tax evasion and avoidance, we acted. By the end of November, all the top banks had adopted the code and by the time of the March Budget this year, 200 banks had adopted it. We have taken tough action to tackle tax planning issues and to ensure that banks pay a fair share in taxes to recognise the contribution they should make, given the risk they pose to the UK economy.

With amendment 13, tabled by the shadow Chancellor, the Opposition seek to reintroduce the bank payroll tax, which was introduced in the previous Parliament as a one-off interim measure ahead of changes in remuneration practices from corporate governance and regulatory reforms, and the previous Chancellor conceded that it could not be repeated. The net yield for the tax, accounting for the impact it would have had on income tax and national insurance contribution receipts, was £2.3 billion, which is less than we will raise from the bank levy this year, and less than we will raise from it next year, the year after and the year after that.

Andrea Leadsom (South Northamptonshire) (Con): Does my hon. Friend agree that the unintended consequence of the payroll tax was to push up salaries versus bonuses in the City, which is something that no Member wants to see?

Mr Hoban: My hon. Friend points out some of the behavioural impacts of the tax. A Labour Member pointed out earlier the reduction in the proportion of remuneration from bonuses and the increased amount from salaries. That is the kind of behavioural change that happens. Those responses are important. Banks and bankers respond to such changes, but the world has moved on. Unlike when the payroll tax applied, the top rate of income tax is now 50p in the pound. The previous Government told us that they would apply the bonus tax only until changes in remuneration practices were in place, and this Government have taken firm action in that regard.

The Financial Services Authority revised remuneration code of practice sets out detailed rules for pay for firms in the financial services sector. The code ensures that bonuses paid to significant risk-takers are deferred over a number of years and are linked to the performance of the employee and the firm. In addition, significant portions of any bonus will be paid in shares or securities. Those revised rules came into force on 1 January 2011. Let us not forget that under the previous Government, bankers could walk away with the cash in their pocket as soon as the bonus was declared. The rules on bonuses have been toughened up: bonuses are deferred and are paid in shares. The previous Government let the bonus culture rip and taxpayers paid the consequences.

Mr Umunna: I am grateful to the Minister for giving way a second time. Does he acknowledge that the toughening up of the FSA code resulted from moves in Europe that were opposed tooth and nail by Tory MEPs?

Mr Hoban: At times, I wonder what Opposition Members read; we were clear from the outset that we wanted to toughen up the rules on remuneration. *[Interruption.]* We were very clear about what we wanted to do. The Opposition should hang their heads in shame about the bonus culture they allowed to perpetuate when they were in government. I remind them that Labour gave Fred Goodwin a knighthood for his services to banking.

We do not need a bank payroll tax. We have demonstrated that the bank levy we have introduced will ensure that banks pay a fair share in relation to the risk they pose to the wider economy. The right actions have been taken.

Amendment 31 was tabled by the hon. Member for Hayes and Harlington (John McDonnell). He is right to highlight the importance of funding international development, on which there is cross-party consensus. The Government agree that we should move to ensure that 0.7% of gross national income should be for aid. The hon. Gentleman is also right to highlight the importance of achieving the millennium development goals. He mentioned talking about education in a school in his constituency. On Friday, I met a group of pupils from Portchester community school who were very much behind the "Send my sister to school" campaign. These are important issues, but we need some discussion about whether the financial transaction tax model offers a stable and efficient mechanism to raise revenue. Such taxes remain the subject of ongoing debate at international level, and the UK continues to take an active role in the discussions.

6.30 pm

The hon. Gentleman called for a review. There is no shortage of reviews on the issue. The IMF has had a review and the EU has had reviews, but they all come back to the fundamental problem with the proposal: a tax would need to be applied globally to prevent the relocation of financial services. If implemented only at UK or EU level, the tax would simply prompt the relocation of financial services, and so fail to deliver the desired outcome in terms of revenue. In doing so, it would have significant adverse impacts on employment and the wider economy.

The Government are willing to engage in further international discussions of such taxes. The French Government have announced that discussion of a financial transaction tax will be one of its priorities for its presidency of the G20 this year. Discussions have been taking place at a European level, and the European Commission is due to publish an impact assessment on further financial sector taxation, including transaction taxes, in the next few months. The House will be aware that, ahead of this, the Commission last week published its latest communication on the EU budget. This proposes that the EU budget could in future be part-funded through new taxes, including a financial transaction tax. I hope the House is also aware that this Government's position is clear: we oppose any new EU taxes to fund the EU budget.

Frank Dobson: The Minister recently told me that the Government had made no assessment whatever of the money that might be raised by a transactions tax, as proposed by my hon. Friend the Member for Hayes and Harlington (John McDonnell)—a Robin Hood tax. If the Government have made no assessment of the money likely to be raised, how can they have meaningful discussions with international bodies about what the impact of the tax would be?

Mr Hoban: Significant studies have been done by both the EU and the IMF on such a tax, how it would work and the pitfalls in the proposals. We will see an impact assessment on that emerging shortly. We have not ruled out a financial activities tax. We are engaged in discussion with our international partners and we have pressed for the Commission to consider such a tax. It is working on that. We are making progress. Another review is not needed; there is sufficient work going on to explore the issue in significant detail. The amendment would impose more burdens on the Treasury and it would be better to allow that work to take its course.

John McDonnell *rose—*

Mr Hoban: I would like to give way to the hon. Gentleman, but I want to try to wind up the debate because there are other important matters to be discussed this evening.

On Government amendments 32 to 50, since our proceedings in Committee, it has been brought to our attention that in one area the Bill as drafted may not fully achieve the intended policy ambition. These are the rules relating to netting and in particular the rules concerning multi-lateral netting agreements in groups. These are essentially agreements that allow different members of the same banking group to enter into a net settlement agreement with the same counterparties.

We have sought as a public policy objective to ensure that banks should be able to net off certain liabilities against assets, and that the levy is charged only on the remaining balance of liabilities. The amendments clarify the purpose of the Bill and ensure that the netting rules apply so that some banks are not adversely affected. We want to make sure that we keep the provisions under review. That is why we have put into the amendments a power to allow the Treasury to amend the rules applying to netting arrangements.

The hon. Member for Nottingham East asked whether there would be an impact on yield as a consequence of the amendments. There is no impact on yield, as the amendments reflect the policy objective that we have pursued.

In conclusion, we think it is right that banks should make a contribution reflecting the risks they pose to the UK financial system and the wider economy. That is why we introduced the bank levy. We expect the levy to raise more each and every year than the bank payroll tax did under the previous Government. All the Opposition have to offer in the debate is a tax that did not work the first time round. We have put in place a clear strategy to reform the banking sector. I believe that the actions we are taking are right, and I ask my right hon. and hon. Friends to oppose the Opposition amendments.

Chris Leslie: I repeat my congratulations to my hon. Friend the Member for Hayes and Harlington (John McDonnell) on at least getting the debate on the financial transaction tax on the table. We on the Front Bench also want to keep it on the table. It is appalling that the Government have ruled it out. My hon. Friend and I have already spoken about how we should revisit the issue in future legislative opportunities. The Front-Bench team has a qualm about the fact that the amendment does not mention sufficiently the need for international agreement on the subject, but broadly we agree that the matter needs to be taken forward. Unfortunately, we will not be supporting his amendment on this occasion, but it is an important topic which we must keep under review and keep a close eye on as it develops.

My hon. Friends the Members for Coventry North West (Mr Robinson), for Sefton Central (Bill Esterson) and for Derby North (Chris Williamson) and my right hon. Friend the Member for Holborn and St Pancras (Frank Dobson) highlighted the fact that there is no good reason for the Government's inaction on bonuses. My right hon. Friend the Member for East Ham (Stephen Timms) and my hon. Friend the Member for Wirral South (Alison McGovern) spoke about the massive blow to the self-esteem that young people in particular feel, and the sense of their role in society and of their value that they lose, if they do not have the opportunity of jobs and employment.

The Minister says that our amendment 13, which would repeat a bank bonus levy, is unnecessary and counterproductive. The Government seem content with the lack of transparency on bonuses. They are happy with high and growing remuneration for executive bankers. They think the banks are paying a fair share, and they scoff at the £2 billion that could be raised by a tax on bank bonuses. We feel that the public disagree with the Government. The amendment would be a fair approach and it would help to create employment. That is why I urge the House to support amendment 13.

Question put, That the amendment be made.

The House divided: Ayes 215, Noes 288.

Division No. 314] **[6.36 pm**

AYES

Abbott, Ms Diane
Abrahams, Debbie
Ainsworth, rh Mr Bob
Alexander, Heidi
Ali, Rushanara
Ashworth, Jon
Austin, Ian
Bailey, Mr Adrian
Bain, Mr William
Balls, rh Ed
Banks, Gordon
Barron, rh Mr Kevin
Beckett, rh Margaret
Begg, Dame Anne
Bell, Sir Stuart
Benn, rh Hilary
Benton, Mr Joe
Berger, Luciana
Betts, Mr Clive
Blackman-Woods, Roberta
Blears, rh Hazel
Blenkinsop, Tom
Bradshaw, rh Mr Ben
Brennan, Kevin
Brown, rh Mr Gordon
Brown, Lyn
Brown, rh Mr Nicholas
Brown, Mr Russell
Buck, Ms Karen
Byrne, rh Mr Liam
Campbell, Mr Alan
Campbell, Mr Gregory
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clark, Katy
Clarke, rh Mr Tom
Clwyd, rh Ann
Coffey, Ann
Connarty, Michael
Cooper, Rosie
Corbyn, Jeremy
Crausby, Mr David
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cryer, John
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Curran, Margaret
Dakin, Nic
Danczuk, Simon
Davidson, Mr Ian
Davies, Geraint
De Piero, Gloria
Denham, rh Mr John
Dobson, rh Frank
Docherty, Thomas
Donohoe, Mr Brian H.
Doran, Mr Frank
Dowd, Jim
Doyle, Gemma
Dromey, Jack
Dugher, Michael
Durkan, Mark
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Engel, Natascha
Esterson, Bill
Farrelly, Paul
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Fovargue, Yvonne
Francis, Dr Hywel
Gapes, Mike
Gilmore, Sheila
Glass, Pat
Glindon, Mrs Mary
Godsiff, Mr Roger
Goggins, rh Paul
Goodman, Helen
Greatrex, Tom
Green, Kate
Greenwood, Lilian
Griffith, Nia
Gwynne, Andrew
Hain, rh Mr Peter
Hamilton, Mr David
Hamilton, Fabian
Hanson, rh Mr David
Healey, rh John
Hepburn, Mr Stephen
Heyes, David
Hillier, Meg
Hilling, Julie
Hodgson, Mrs Sharon
Hoey, Kate
Hopkins, Kelvin
Hosie, Stewart
Howarth, rh Mr George
Hunt, Tristram
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs Siân C.
Jamieson, Cathy
Jarvis, Dan
Johnson, rh Alan
Johnson, Diana
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Joyce, Eric
Kendall, Liz
Lammy, rh Mr David
Lavery, Ian
Lazarowicz, Mark
Leslie, Chris
Llwyd, rh Mr Elfyn
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
MacNeil, Mr Angus Brendan
Mactaggart, Fiona
Mahmood, Mr Khalid
Mahmood, Shabana
Marsden, Mr Gordon

McCabe, Steve
McCann, Mr Michael
McCarthy, Kerry
McCrea, Dr William
McDonagh, Siobhain
McDonnell, Dr Alasdair
McDonnell, John
McFadden, rh Mr Pat
McGovern, Alison
McGovern, Jim
McKechin, Ann
McKinnell, Catherine
Meacher, rh Mr Michael
Meale, Sir Alan
Mearns, Ian
Michael, rh Alun
Miliband, rh David
Miller, Andrew
Mitchell, Austin
Morden, Jessica
Morrice, Graeme *(Livingston)*
Morris, Grahame M. *(Easington)*
Mudie, Mr George
Munn, Meg
Murphy, rh Paul
Murray, Ian
Nash, Pamela
O'Donnell, Fiona
Osborne, Sandra
Owen, Albert
Pearce, Teresa
Perkins, Toby
Raynsford, rh Mr Nick
Reed, Mr Jamie
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Ritchie, Ms Margaret
Robertson, Angus
Robinson, Mr Geoffrey
Rotheram, Steve
Roy, Mr Frank
Roy, Lindsay
Ruane, Chris
Ruddock, rh Joan
Sarwar, Anas
Seabeck, Alison
Shannon, Jim
Sharma, Mr Virendra
Sheridan, Jim
Shuker, Gavin
Simpson, David
Skinner, Mr Dennis
Slaughter, Mr Andy
Smith, rh Mr Andrew
Smith, Owen
Spellar, rh Mr John
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Tami, Mark
Thomas, Mr Gareth
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turner, Karl
Umunna, Mr Chuka
Vaz, rh Keith
Vaz, Valerie
Walley, Joan
Watts, Mr Dave
Weir, Mr Mike
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Wicks, rh Malcolm
Williams, Hywel
Williamson, Chris
Wilson, Phil
Winnick, Mr David
Wood, Mike
Woodcock, John
Wright, David
Wright, Mr Iain

Tellers for the Ayes:
Angela Smith and Gregg McClymont

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Amess, Mr David
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Barker, Gregory
Baron, Mr John
Barwell, Gavin
Beith, rh Sir Alan
Bellingham, Mr Henry
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bradley, Karen
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burns, rh Mr Simon
Burrowes, Mr David
Burstow, Paul
Burt, Alistair
Burt, Lorely
Byles, Dan
Cable, rh Vince
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, Neil
Carswell, Mr Douglas
Cash, Mr William
Chishti, Rehman
Chope, Mr Christopher
Clappison, Mr James
Clark, rh Greg
Clarke, rh Mr Kenneth
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Crabb, Stephen
Crockart, Mike
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Dorries, Nadine
Doyle-Price, Jackie
Drax, Richard
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Field, Mr Mark
Foster, rh Mr Don
Fox, rh Dr Liam
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mr Edward
Gauke, Mr David
George, Andrew
Gibb, Mr Nick
Gilbert, Stephen
Gove, rh Michael
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Damian
Greening, Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gyimah, Mr Sam
Halfon, Robert
Hames, Duncan
Hammond, Stephen
Hancock, Mr Mike
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Howarth, Mr Gerald
Howell, John
Hughes, rh Simon
Huhne, rh Chris
Hunter, Mark
Huppert, Dr Julian
Hurd, Mr Nick
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kelly, Chris
Kennedy, rh Mr Charles
Kirby, Simon
Knight, rh Mr Greg
Laing, Mrs Eleanor
Lancaster, Mark
Lansley, rh Mr Andrew
Latham, Pauline
Laws, rh Mr David
Leadsom, Andrea
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Lewis, Brandon
Liddell-Grainger, Mr Ian
Lloyd, Stephen
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Luff, Peter
Lumley, Karen
Macleod, Mary
Main, Mrs Anne
May, rh Mrs Theresa
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Mensch, Louise
Menzies, Mark
Metcalfe, Stephen
Mills, Nigel
Mitchell, rh Mr Andrew
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Mulholland, Greg
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline

Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Ottaway, Richard
Paice, rh Mr James
Parish, Neil
Patel, Priti
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pugh, John
Raab, Mr Dominic
Randall, rh Mr John
Redwood, rh Mr John
Reevell, Simon
Reid, Mr Alan
Rifkind, rh Sir Malcolm
Robathan, rh Mr Andrew
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Ruffley, Mr David
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Shepherd, Mr Richard
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soames, Nicholas
Soubry, Anna
Spencer, Mr Mark
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Syms, Mr Robert
Teather, Sarah
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Ward, Mr David
Watkinson, Angela
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
Whittingdale, Mr John
Wiggin, Bill
Williams, Mr Mark
Williams, Stephen
Williamson, Gavin
Willott, Jenny
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Simon
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Noes:
James Duddridge and
Mr Robert Goodwill

Question accordingly negatived.

Amendment proposed: 31, page 42, line 30, at end insert—

'(2) The Chancellor of the Exchequer shall review the possibility of incorporating a bank financial transaction tax within the bank levy, levied on trading in financial products including stocks, bonds, currencies, commodities, futures and options and publish a report within six months of the passing of this Act, on how the additional revenue raised would be invested to tackle unemployment and reduce poverty in the United Kingdom and to assist in tackling deprivation in the developing world.'.—*(John McDonnell.)*

The House divided: Ayes 25, Noes 279.

Division No. 315] **[6.50 pm**

AYES

Campbell, Mr Gregory
Campbell, Mr Ronnie
Corbyn, Jeremy
Dobson, rh Frank
Durkan, Mark
Edwards, Jonathan
George, Andrew
Hoey, Kate
Hosie, Stewart
Llwyd, rh Mr Elfyn
Lucas, Caroline
MacNeil, Mr Angus Brendan
McCrea, Dr William
McDonnell, Dr Alasdair
McDonnell, John
Miller, Andrew
Mitchell, Austin
Ritchie, Ms Margaret
Robertson, Angus
Skinner, Mr Dennis
Weir, Mr Mike
Whiteford, Dr Eilidh
Williams, Hywel
Winnick, Mr David
Wood, Mike

Tellers for the Ayes:
Kelvin Hopkins and
John Cryer

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Amess, Mr David
Andrew, Stuart
Bacon, Mr Richard
Baker, Norman
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Barker, Gregory
Barwell, Gavin
Bellingham, Mr Henry
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bradley, Karen
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, rh Mr Simon
Burrowes, Mr David
Burstow, Paul
Burt, Alistair
Burt, Lorely
Byles, Dan
Cable, rh Vince
Cairns, Alun
Campbell, rh Sir Menzies
Cash, Mr William
Chishti, Rehman
Chope, Mr Christopher
Clappison, Mr James
Clark, rh Greg
Clarke, rh Mr Kenneth
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crabb, Stephen
Crockart, Mike
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Philip
de Bois, Nick
Dinenage, Caroline
Dorrell, rh Mr Stephen
Dorries, Nadine
Doyle-Price, Jackie
Drax, Richard
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Foster, rh Mr Don
Fox, rh Dr Liam
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Gauke, Mr David
Gibb, Mr Nick
Gilbert, Stephen
Gove, rh Michael
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Damian
Greening, Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gyimah, Mr Sam
Halfon, Robert
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Mr Mike
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George

Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Howarth, Mr Gerald
Howell, John
Hughes, rh Simon
Huhne, rh Chris
Hunter, Mark
Huppert, Dr Julian
Hurd, Mr Nick
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kelly, Chris
Kennedy, rh Mr Charles
Kirby, Simon
Knight, rh Mr Greg
Laing, Mrs Eleanor
Lancaster, Mark
Lansley, rh Mr Andrew
Latham, Pauline
Laws, rh Mr David
Leadsom, Andrea
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Lewis, Brandon
Liddell-Grainger, Mr Ian
Lloyd, Stephen
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Luff, Peter
Macleod, Mary
Main, Mrs Anne
May, rh Mrs Theresa
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Mensch, Louise
Menzies, Mark
Metcalfe, Stephen
Mills, Nigel
Mitchell, rh Mr Andrew
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Mulholland, Greg
Mundell, rh David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Ottaway, Richard
Paice, rh Mr James
Parish, Neil
Patel, Priti
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pugh, John
Raab, Mr Dominic
Randall, rh Mr John
Redwood, rh Mr John
Reevell, Simon
Reid, Mr Alan
Rifkind, rh Sir Malcolm
Robathan, rh Mr Andrew
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Ruffley, Mr David
Russell, Bob
Rutley, David
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Sharma, Alok
Shelbrooke, Alec
Shepherd, Mr Richard
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soames, Nicholas
Soubry, Anna
Spencer, Mr Mark
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Syms, Mr Robert
Teather, Sarah
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vara, Mr Shailesh
Vickers, Martin
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Ward, Mr David
Watkinson, Angela
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Williams, Mr Mark
Williams, Stephen
Williamson, Gavin
Willott, Jenny
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Simon
Young, rh Sir George

Tellers for the Noes:
Mr Robert Goodwill and James Duddridge

Question accordingly negatived.

Clause 78

SUPPLIES OF COMMODITIES TO BE USED IN PRODUCING ELECTRICITY

Kerry McCarthy (Bristol East) (Lab): I beg to move amendment 12, page 45, line 5, at end insert—

'(2) The Schedule shall not come into force except as specified in subsection (3) below.

(3) The Chancellor of the Exchequer shall bring the Schedule into force by order within six months of the passing of this Act.

(4) A statutory instrument containing an order under subsection (3) shall be accompanied by a report which details—

(a) any effective subsidy provided to, or additional profits accruing to, operators of existing and new nuclear power stations as a result of the provisions in the Schedule;

(b) the immediate impact of the provisions in the Schedule on consumers and on fuel poverty;

(c) the immediate impact of the provisions in the Schedule on energy-using manufacturing industries and on employment in those industries;

(d) the expected effect of the provisions in the Schedule on investment in new renewable power generation and on investment in new nuclear power generation;

(e) the measures that the Chancellor intends to adopt in a future Finance Bill in order to recoup any effective subsidy to or additional profits accruing to the nuclear industry as a result of the Schedule; and

(f) how the monies raised by those measures will be used to mitigate the immediate impact of the Schedule on consumers and on manufacturing industries and to encourage green investment.'.

Madam Deputy Speaker (Dawn Primarolo): With this it will be convenient to discuss amendment 21, page 45, line 5, at end insert—

'The Schedule shall come into force on a date specified by the Treasury by an order made by Statutory Instrument, which may not be made until an agreed packaged of mitigation measures for energy-intensive industries has been laid before the House of Commons and approved by a resolution of the House of Commons. The dates specified in paragraphs 8(3) and 9(5) of the Schedule shall be replaced by the date specified in the order under this section if it is later.'.

Kerry McCarthy: Let me start by confirming that Labour Members support the principle of a carbon floor price. We believe that carbon price support could be an excellent opportunity for the UK in providing a high and stable price for carbon. It could encourage investment in low-carbon power and green technologies, create a new generation of green high-skilled jobs which the UK sorely needs, enable the UK to make radical reductions in its carbon emissions, and contribute to

meeting our carbon budgets. Unfortunately, however, we cannot support the way in which the Government have implemented this measure. It will hit those who can least afford it, damage the prospects of developing a UK green industry, and fail to reduce carbon emissions. We have to question whether we can call the carbon price support rate a green tax at all.

First, I shall deal with the impact on consumers. We know that people are struggling to pay their fuel bills. The OECD estimates that, on May's figures, energy prices are nearly 10% higher than they were a year ago. Scottish Power recently announced electricity bill rises of 10% and gas bill rises of 10%, and other companies are expected to follow suit. The Government are not helping. Rising energy bills and fuel bills are coming on top of higher taxes, cuts to tax credits and cuts to public services. This year the Government have cut the winter fuel payment by £50 for people over 60 and £100 for people over 80, with no mention of that in the Budget statement or the pre-Budget report. That comes after their promise in last year's Budget to protect key benefits, including winter fuel payments, for older people. They may claim that they inherited this from the previous Government, but we could and would have looked again at that decision in the light of rising energy prices, and so could they; that is the point of having an annual Budget statement.

These are the circumstances in which the Government have proposed a carbon floor price designed in such a way that it will cost working families by raising their energy bills. We understand that in the long term, if the policy is designed in a way that encourages a switch to low-carbon energy production, there should be no significant effect on consumer bills—that is why we support the principle of the carbon floor price—but right now, in the short term, there will be price rises for consumers at a time when they are already finding their fuel bills unmanageable. The Government have not included any counterbalancing measures to help working families to deal with those price rises. If the measure goes ahead in the form that the Government propose, between 30,000 and 60,000 more households will fall into fuel poverty in 2013, rising to between 50,000 and 90,000 more households by 2020. Those are the Government's own estimates. Earlier this year, Consumer Focus said:

> "In its current form there is a real risk that this policy may simply displace detriment."

In other words, even if it did have a positive impact on green investment, that would be at the cost of more people falling into fuel poverty.

There have recently been somewhat hysterical reports about green taxes, alleging that they are the biggest factor in causing consumer bills to rise. That is not true. Ofgem figures from March show that environmental and social costs make up just 8% of the typical dual fuel consumer bill, and that has risen by just one percentage point since 2008. Climate change deniers cite figures suggesting that hidden green taxes add some £200 to energy bills, but those figures do not stack up. That does not mean, however, that now is the time to add to those costs. The Government have got it wrong. Ordinary working families were clearly the last thing on their mind when they designed this policy. That is why the amendment calls for them to look again at the effect that it will have on people in fuel poverty.

I turn to manufacturing, which several of my colleagues will wish to discuss too. Rising energy prices will affect not only consumers but firms that employ thousands of people across the country. In particular, they will hit energy-intensive industries such as steel, aluminium and chemicals. There is a danger, particularly in the absence of a credible Government plan for growth, that growth and jobs will be exported to other countries. According to a report by Thomson Reuters Carbon Point earlier this year, the carbon floor price will impose additional costs on businesses amounting to £9.3 billion. We understand that that effect might be mitigated in the long term if there is a switch to greener sources of energy, although that is not certain given the problems that I will come to in a moment. In the medium term, however, UK industry will be at a disadvantage, and jobs and growth will be put at risk. That is why the director general of the CBI and industry bodies such as the Chemical Industries Association have called for an exemption from these extra costs for high energy-using industries.

Concerns have been expressed by firms such as Tata Steel, which employs 1,000 people in Teesside. Its chief executive officer said:

> "The introduction of the carbon floor price represents a potentially severe blow to the sustainability of UK steelmaking."

Rio Tinto Alcan, an aluminium producer in the north-east, may close, shedding 600 jobs, and 1,800 jobs are at risk at INEOS ChlorVinyls in Runcorn. Some of the industries threatened by this measure are not only major employers but among the UK's biggest export sectors. For example, the chemical industry, which accounts for 12% of total UK manufacturing, exports the bulk of its production, with a trade balance in 2008 of nearly £6 billion.

There is also the danger that we will harm our own prospects of building a UK green industry. This sector represents huge opportunities for the UK. For example, the wind energy sector provides over 10,000 jobs, and it expanded by 91% in just two years from 2007 to 2009. The solar energy industry in the UK provides over 10,000 jobs. There is a danger that we may not be able to sustain these sectors in the UK, despite any efforts from the Government, if the necessary materials are not available here. This would be yet another own goal for the "greenest Government ever" after their ill-thought-out change of policy earlier this year on feed-in tariffs, which has put thousands of green jobs at risk. The solar sector is a vital, nascent green industry in the UK. Until the Government's announcement, the 10,000 jobs that it currently supports was expected to rise to 17,000 this year. The Government's promised green investment bank was supposed to boost investment in new green industries, but it has been watered down: it will be a fund, and not a real bank, until 2015. That makes a mockery of the Government's green credentials. Our amendment calls on the Government to look again at the carbon floor price and its effect on high energy-using industries. This is the wrong time to put jobs and green investment at risk without a plan to protect them.

I now move on to the impact on green investment. We accept that a well-designed carbon floor price can deliver reduced emissions and higher green investment, which is why we support the idea in principle. However, we doubt whether the Government's proposal will deliver those goals. The UK is part of the EU emissions trading scheme, so any carbon permits that are not sold

[Kerry McCarthy]

in the UK will simply be sold elsewhere in Europe. The Department of Energy and Climate Change commissioned Redpoint Energy, a consultancy, to examine the options for a carbon floor price. It said in a footnote to its report:

"Under the EU ETS, it would be expected that lower emissions from the GB electricity sector in a given year would be offset by higher emissions elsewhere within the trading scheme."

A recent report by the Institute for Public Policy Research agreed that

"this policy would have no direct effect on emissions reaching the atmosphere."

It went on to say that

"it is important to be clear that the UK would be meeting climate change targets in a way that has zero direct effect on emissions."

The Treasury's own consultation document admitted that for power stations covered by the ETS, the carbon price floor will not directly impact on the Government's ability to meet their carbon budgets.

Consumers and companies facing higher energy bills because of this policy would be right to question whether this is a worthwhile use of their money. Will the Government's policy encourage more investment in renewable power? The Energy and Climate Change Committee expressed doubt:

"when it comes to low-carbon investment, the effect of the Carbon Price Support will depend on the confidence of investors in the long-term reliability of the Carbon Price Support."

The Economic Secretary to the Treasury (Justine Greening): Perhaps I can just tell the hon. Lady that the Institution of Civil Engineers said that the policy will create a "more conducive environment" for investment. Does that allay her fears? If she has concerns about the structure of the policy, it would be helpful for Members to hear the Opposition's alternatives.

Kerry McCarthy: As I will go on to explain, there are concerns about future stability, as we have seen with the North sea oil tax, which we discussed yesterday. Investors need stability to plan for the long term, particularly in solar and wind power, which need long-term investment. People need to know what to expect and what impact proposals will have.

As for what the Opposition are saying, I refer the Minister to our amendment, which calls for a review of three main points, which I am discussing in my speech. Those are the impact on fuel poverty, the impact on energy-intensive industries and the fact that this is, in effect, a subsidy for nuclear power, which I will discuss later. It is important for us to look at the consequences of this policy because, as with so many things, the Government have introduced it in haste and without thinking through the consequences. It is not until we look at the impact on these sectors that we will see what the ideal solution might be. It is premature of the hon. Lady to ask us to come up with an alternative before we have done that analysis and reached a consensus with the industry on what the impact will be. As I have said, we agree in principle with the carbon price support, but because of the way it is being implemented, it will not achieve any of the objectives that she presumably wants it to achieve.

Justine Greening: As we will no doubt debate later, we carried out an extensive impact assessment on this policy. Indeed, the hon. Lady has quoted a couple of figures from it. I reiterate what I said earlier. If she agrees in principle with the policy, which I very much welcome, it would be helpful to hear how she thinks the delivery of it ought to differ from what the Government are doing.

Kerry McCarthy: As I said, we are calling for a full-scale review. I am not convinced that the Government's impact assessment examined in sufficient detail the impact on fuel bills, for example. As the Economic Secretary is intervening on me, it is obviously not the time for me to pose questions to her. When she speaks later, perhaps she can enlighten us as to what it was judged that the impact would be on consumers in meeting their fuel bills, on fuel poverty and on energy-intensive industries. What impact does she think that will have on jobs and growth in the areas where energy-intensive industries are based? Perhaps she could also respond to the questions that I will soon pose about whether it is wise to, in effect, create a subsidy for the nuclear industry when there are other competing priorities, on which some people would argue the money would be better spent.

7.15 pm

As I was saying, there is concern about the lack of a stable regime for investors in the green sector. That is analogous to the lack of stability for investors in North sea oil. There was an off-the-cuff announcement in the Budget of a supplementary charge, which took the industry by surprise. As I mentioned in a point of order earlier today, the Government announced a £50 million tax relief for investors in North sea oil fields this morning—the day after the issue was discussed in the House. That shows complete contempt for the parliamentary process. A written ministerial statement is not very helpful today, when the debate on that subject happened yesterday.

The green technology industry has expressed scepticism similar to that of the oil and gas industry, especially given the Government's recent track record, including the change of policy on feed-in tariffs, which could cost up to 7,000 jobs in the solar industry. The carbon price support rate must be set by the Government at the next Budget. The Government will face the most pressure to renege on their promise at the very times when the biggest effort will be needed to maintain the carbon price. Given the Government's record on sticking to their policy announcements, they need to do a lot more to create certainty for green investment in this country.

David Mowat: I have listened carefully to the hon. Lady's remarks on behalf of the Labour party. Can she make it clear for the House whether the Labour party supports a carbon floor? I thought that that was settled policy. If it does support a carbon floor, what is the particular aspect of the announcement that is causing such concern?

Kerry McCarthy: I am not sure where to start in responding to the hon. Gentleman. My opening line was that we support the idea of a carbon floor price in principle. Everything that I have said since has outlined why we have reservations about the way in which it is being implemented. I simply refer him to the speech that I am making.

I appreciate that there are difficulties in getting this policy implemented at an EU level. It would be easier if we could look at the EU emissions trading scheme in the round. Experts have said that measures on carbon pricing should first be considered at EU level, and that a UK-only solution is a second best option. Lord Turner, the Chair of the Committee on Climate Change, has said that, and it was echoed in the Institute for Public Policy Research report. The Government appear to have done nothing to explore the EU option. The coalition agreement says that the Government will

"make efforts to persuade the EU to move towards full auctioning of ETS permits."

However, it does not mention any intention to talk to our EU partners about a carbon price floor. Perhaps that is unsurprising, given the Government's record on dealing with the EU. For example, the Government's MEPs tabled no proposals to reduce the EU budget, whereas Labour MEPs tabled amendments that could have cut more than €1 billion of waste from EU spending.

Justine Greening: Is the hon. Lady aware that one of the main reasons why the UK's contribution to the EU budget is going up is that the former Labour Prime Minister, Tony Blair, gave away part of the rebate?

Lyn Brown (West Ham) (Lab): Enough now.

Kerry McCarthy: The Whip is telling me that we do not have time to reply to that point. It is a bit rich of the Economic Secretary to say that, when she made great play of going to Europe and saying that we would not accept any rise in the EU budget—there was a lot of grandstanding and playing to the crowd on that issue—and then her party's MEPs tabled no proposals at all to tackle the issue. That is far more relevant to what we are discussing than something that happened many years ago.

Andrew Percy (Brigg and Goole) (Con): I am encouraged by what I think I am hearing about the European Union. My policy would be simply to leave it. Is it now the policy of the Labour party to cut the EU budget? If so, why did it not seek to negotiate a reduction in the EU budget when it was in power?

Madam Deputy Speaker: Order. Perhaps we can stick to this debate. If the hon. Gentleman wants to know the answer to his question he can discuss it privately with the hon. Lady outside the Chamber. We should return to the important issue of climate change.

Kerry McCarthy: I have touched on the fact that there needs to be greater Government engagement in Europe to try to deal with the matter at a pan-European level.

I turn to the nuclear subsidy. As I have said, the carbon price support rate will hurt families and industry in the immediate future, yet it seems likely to fail to reduce carbon emissions. We have to wonder why the Government decided to implement it. The obvious explanation is that they got it wrong, again. It would not be the only tax that they have bungled in this Finance Bill. I have already mentioned the difficulties over the fuel duty stabiliser and the North sea oil tax, which was—*[Interruption.]* Sorry, I have been thrown off slightly by a sedentary heckle from the Economic Secretary. As I was saying, the Government introduced a last-minute supplementary charge on North sea oil in response to growing public protest about prices at the petrol pump. We have subsequently seen how ill thought out that was, and it has led to the Government having to perform U-turns at a fairly rapid pace.

One explanation of why the Government want to introduce the carbon price support rate is the money that it will raise. Is it perhaps a revenue-raising measure in disguise? The 2011 Budget report reveals that it will raise £740 million in 2013-14, more than £1 billion in 2014-15 and £1.4 billion in 2015-16. If it fails to encourage faster green investment, as some predict, the tax could go on to raise much more as the carbon price approaches £70 a tonne. In fact, the Budget report states explicitly:

"The decisions the Government is taking to strengthen the tax system—including...the introduction of the carbon price floor announced at this Budget—will also help to support the long-term sustainability of the public finances."

Geraint Davies (Swansea West) (Lab/Co-op): Does my hon. Friend agree that the problem with having a unilateral carbon price in the UK is not just that it will make international investors such as Tata Steel near Swansea think of moving their investment to Europe, and therefore helping Europe rather than Britain? She may be interested to know that in Port Talbot, near Swansea, a specialist steel is being developed. When wrapped around buildings, it produces its own heat and reduces the carbon footprint. Does she agree that the Government's measures are undermining global market-changing technology to reduce carbon footprints, as well as destroying jobs in Britain?

Kerry McCarthy: That is an important point. Although there is concern about the carbon emissions of energy-intensive industries, in cases such as my hon. Friend has outlined they are actively working on measures to reduce carbon emissions. It is important that we do not throw the baby out with the bathwater and prevent that type of green investment.

The carbon price support rate will actually provide an effective subsidy to the nuclear industry, as the Economic Secretary has confirmed in a written answer. In fact, it will benefit nuclear power twice as much as the renewables sector, with an average value of £50 million a year for nuclear between 2013 and 2030, compared with just £25 million a year for renewables.

We support building new nuclear power stations as part of the UK's energy mix, but the problem is that the Government explicitly promised voters that they would not grant nuclear power stations a public subsidy. In fact, there is meant to be cross-party agreement that we are against nuclear subsidies. The Conservative party said in its manifesto that it intended

"clearing the way for new nuclear power stations—provided they receive no public subsidy".

The coalition agreement stated that the Conservative party was

"committed to allowing the replacement of existing nuclear power stations...provided that they receive no public subsidy."

The Prime Minister himself said in the House in March:

"What we should not be doing is having unfair subsidies."—[*Official Report*, 23 March 2011; Vol. 525, c. 950.]

[Kerry McCarthy]

Then there are Liberal Democrat Members, who were elected on a manifesto that opposed nuclear power entirely. At their party conference last year, a resolution was passed stating that

"any changes in the carbon price"

should not

"result in windfall benefits to the operators of existing nuclear power stations".

When we delve deeper, it turns out that this is not the only nuclear subsidy by stealth that the Government are trying to sneak past the House. When I say "subsidy by stealth", I am of course borrowing a phrase from the hon. Member for South Suffolk (Mr Yeo), the Chair of the Select Committee on Energy and Climate Change. Writing about the Government's wider package of electricity market reforms, he has warned that they

"must not impose a one-size-fits-all reform on all low-carbon generation in order to avoid singling out nuclear for support."

He said that the Government's proposed design for feed-in tariffs

"seems to be more about concealing the fact that it is providing financial support for nuclear power than it is about coming up with the best approach."

Even if the Government do support public subsidy for new nuclear build, they need to explain why they want to subsidise existing nuclear stations—and, for that matter, existing renewable power stations. Calling the carbon price support rate a green tax surely implies that it is intended to provide an incentive for future green behaviour. However, the Economic Secretary said to the Public Bill Committee:

"We are clear that ensuring that a tax is structured to drive positive environmental behaviour is one thing; ensuring that that can happen on the ground, and that people can change their decisions of the future is another."—[*Official Report, Finance (No. 3) Public Bill Committee,* 19 May 2011; c. 242.]

A public subsidy for existing power stations, whether renewable or nuclear, is not behaviour-changing.

We should remind ourselves exactly where the subsidy comes from. The Economic Secretary may argue that it is not a public subsidy per se, because it does not involve taxing and spending. In fact it has a much more direct impact on every electricity bill payer, whether they are working families or manufacturing firms, and it is still a public subsidy in every sense. The hon. Member for South Suffolk says that the Government

"needs to be upfront about its financial support for nuclear energy",

and I agree with him. That is why we have tabled the amendment.

The Government are using money taken from people and from energy-intensive industries to subsidise nuclear power stations, which they explicitly promised voters they would not do. They are also using that money to subsidise existing power stations, which makes no sense. We have tabled the amendment to give them an opportunity to explain why they have done that. If they are still sticking to their policy that there should not be a subsidy, I want to know how they will put that right.

David Mowat: Will the hon. Lady give way?

Kerry McCarthy: No, because I am just reaching the end of my speech. The hon. Gentleman will have an opportunity to intervene when other Members are speaking.

The hon. Members for Redcar (Ian Swales) and for Westmorland and Lonsdale (Tim Farron) have tabled amendment 21, which calls for mitigation measures for energy-intensive industries. I hope that they and other Liberal Democrat Members will feel able to support amendment 12. It has 11 signatories, not all from the Labour party, and like them we call for support for energy-intensive industries. In addition, we have called for help for consumers and support for green investment. Our amendment also calls for the nuclear subsidy to be recouped, as did the hon. Member for Cheltenham (Martin Horwood) this weekend, according to the *Daily Mail*.

The Government have confirmed that there will in fact be a windfall for the existing nuclear industry, despite the Liberal Democrats' party conference decision last year. Fortunately, the coalition agreement allows Liberal Democrat Members to vote against that without its being seen as an issue of confidence in the Government. I hope that they will make use of that ability today.

The Government's carbon floor price will not do what they said it would do. It is a missed opportunity for the country. We could have seen a new generation of green investment and jobs, but instead we see ordinary people being hit at the time when they can least afford it. We see UK manufacturing being hit when the Government say they want to promote growth, yet we will not see carbon emissions into the atmosphere reduced by a single tonne, and we might not see green investment. The Government have got the policy wrong, and our amendment asks them to go back and think again.

Ian Swales (Redcar) (LD): I wish to speak to amendment 21, in my name and that of my hon. Friend the Member for Westmorland and Lonsdale (Tim Farron).

I, too, support the carbon price support mechanism and its objectives, but without mitigation measures its introduction will have the surely unintended consequence of seriously damaging energy-intensive industries through higher electricity prices. Cumulative electricity prices in the region of 20% will make production costs higher in the UK than in European and international competitors. Analysis shows that the profitability of UK-based energy-intensive businesses could fall by up to 150%, or disappear altogether. They are mostly international businesses, and the competition cannot believe their luck that the UK seems determined to make itself much less competitive.

Geraint Davies: I agree with that point. Is the hon. Gentleman aware that Airbus, whose wing production is based in north Wales and which commands 55% of the total global plane market, is producing its latest generation of planes with a carbon composite that requires 30% less fuel consumption? It is therefore contributing to lower carbon footprints. By discouraging it through this ridiculous pricing technique, we are inadvertently harming the planet rather than helping it, and harming jobs as well.

7.30 pm

Ian Swales: I am not aware of Airbus's activity in detail, but I will support the hon. Gentleman's point later by saying that such industries have a role to play in our future, and that they are not just of the past.

The hon. Member for Bristol East (Kerry McCarthy) has mentioned the comments of the head of Tata Steel. He also said:

"European steelmakers already face the prospect of deteriorating international competitiveness because of"

EU emissions costs. On the provision in the Bill, he added:

"This is an exceptionally unhelpful and potentially damaging measure."

As well as steel, other large sectors are at risk—including chemicals; oil and gas; cement; aluminium; glass, bricks and ceramics; tyres; and paper. There could be more. Those are broadly the sectors that are most affected, but the EU has gone further and drawn up a list of 164 industrial sectors and sub-sectors that are deemed to be exposed to what it calls carbon leakage. That means that the EU recognises that the EU emissions trading scheme and other measures could disadvantage European companies that compete internationally. The sectors and sub-sectors that are judged to be at risk of carbon leakage are estimated to account for around a quarter of the total emissions covered by the EU emissions trading scheme, but for around 77% of the total emissions from EU manufacturing industry.

The UK Government's proposing to add a further tax to those already in place is bound to have an effect. We have just witnessed fresh closures and 1,500 job losses from Tata in Scunthorpe and Teesside. I see a number of hon. Members in their places who are directly affected by that. Tata again mentioned UK energy prices as a factor in its recent decision, but in the fourth carbon budget statement, the Secretary of State for Energy and Climate Change said that

"we need to ensure that energy-intensive industries remain competitive and that we send a clear message that the UK is open for business."—[*Official Report*, 17 May 2011; Vol. 528, c. 177.]

The announcement has been welcomed, but there is concern that, to date, there has been insufficient detailed consultation on, and impact assessment of, the proposals with respect to energy-intensive industries. Consequently, the fear is that the Government might underestimate the risk to those sectors.

David T. C. Davies (Monmouth) (Con): I am grateful to my hon. Friend—I suppose I should call him that—for giving way on that point. Does he find it slightly ironic that Members of all parties in this House have for years called for all sorts of extra costs on any industry that generates carbon in any form, but that now, all of a sudden, when the consequences of that become clear, they begin to express their reservations?

Ian Swales: I thank my—yes—hon. Friend for his intervention. It seems that the issue is becoming more prominent. That is due partly to industry lobbying. Earlier this year we set up an all-party parliamentary group on energy-intensive industries. I have major concerns for my constituency and the Tees valley, and I am an officer of that group—at least one other officer is in the Chamber. The very high level of interest shown in the group by companies from all sectors indicates the potential gravity of the problem.

Those industries are looking not for special favours, but simply for a level playing field on which to compete internationally. Despite what some commentators claim, there is already a price issue. Even before the Bill, the increase in bulk electricity prices in the UK over the past 10 years was 22% more than in Germany, 29% more than in France and 64% more than in Spain.

The inconvenient truth about UK carbon reduction performance is that it is partly due to the rapid decline in manufacturing. As we have heard in this Chamber many times, under the previous Government manufacturing reduced from 22% to 11% of the economy. Our goal should not simply be to reduce our energy usage at the expense of those industries which, by their nature, are energy intensive. A tonne of steel cannot be melted, and chlorine cannot be made from brine, without using a huge amount of energy—it is simply not possible. Our goal should be to improve our energy efficiency for the same level of activity, not to reduce activity. Otherwise, the trend of the UK exporting jobs and importing carbon will continue.

To ensure that the UK makes a real contribution to climate change, we cannot look just at carbon production; we must also measure carbon consumption. I say that mainly to ensure that the effect of imports is recognised, but we must also acknowledge the contribution of export businesses to our economy. There is no better example than the restarted Redcar steelworks, which will contribute almost 1% to the UK's carbon emissions, but whose output will go almost wholly to Thailand. Whose carbon is that?

The Government's policy has far wider economic consequences. Energy-intensive industries play a vital economic role. For example, as the hon. Member for Bristol East said, the chemical industry is a vital exporter—in fact, I believe that it is our biggest exporter. That illustrates how important such industries are to our national economy as well as our local economies. Those sectors feed many other industries, such as automotive, aerospace and green technology, which needs materials for wind, wave and solar power.

We should also remember that the service economy does not exist in isolation—it partly depends on manufacturing, all the way from office cleaners to corporate lawyers and merchant bankers. Pricing those industries out of the UK would mean that tax revenues fell because of closures, and a lack of further investment. That will have the knock-on effect of higher unemployment and an increased burden in welfare costs. I therefore hope that the Minister considers the wider economic consequences of the effects of the Government's policy on energy-intensive industry.

Energy-intensive industries are often capital intensive, which means that companies cannot just pick up their kit and move. The key thing for the UK is whether executives in boardrooms across the world are writing off the UK as a place to invest and reinvest. International businesses have options on where to put their money. I know from experience in the chemical industry that a business can take up to 20 years to die after an exit decision is effectively made by ceasing to reinvest.

Energy-intensive industry does and will continue to play its part in improving energy efficiently. It also produces a range of environmentally beneficial products, such as catalysts, insulation, lightweight plastics, and, as we have heard, energy-saving aerospace products. The all-party group recently heard how developments in tyre technology reduce fuel use in vehicles, how new types of glass reduce heat loss from buildings, and which industries are needed to make photovoltaic cells.

[Ian Swales]

To give another example, I am aware of a research project in my constituency between Tata, the steel producer, and the Centre for Process Innovation, to make construction-grade photovoltaic panels. Such developments are vital in moving the UK towards a low-carbon economy. We do not want that expertise to be lost to the UK. Energy-intensive industries are not sunset industries that stand in the way of our low-carbon goals, but crucial allies in delivering the necessary technology to make them a reality.

There is therefore an urgent need for simplicity in carbon taxes and for long-term certainty for the industry. Energy-intensive industries need such clarity before the carbon price support mechanism is introduced. Will the Minister assure me that she supports the Energy and Climate Change Secretary, who said—and I repeat—that

"we need to ensure that energy-intensive industries remain competitive and that we send a clear message that the UK is open for business"?—[*Official Report*, 17 May 2011; Vol. 528, c. 177.]

Will she ensure that the Government engage in comprehensive consultation, and take steps to ensure that a full package of mitigation measures is agreed and legislated for, ahead of the introduction of carbon price support?

Mr Iain Wright (Hartlepool) (Lab): It is a pleasure to follow my north-east neighbour, the hon. Member for Redcar (Ian Swales), and if I may, I shall reiterate some of what he said.

I agree with both amendments, particularly amendment 12 tabled by my right hon. and hon. Friends. If this country was portrayed as a heat map, with particular emphasis on different components of industry, such as nuclear energy, energy-intensive industries and renewable energies, my constituency would burn the brightest. We on Teesside provide a large part of this country's energy needs. I have a nuclear power station in my constituency, and just outside there is a gas turbine station and a combined heat and power facility. Petroplus, Europe's biggest independent refiner and wholesaler of petroleum products, has significant oil and gas refining capabilities in my constituency.

Although we generate a lot of the country's energy requirements, we use a lot of it too. As the hon. Member for Redcar said, we have significant energy-intensive industries—not just refining but petrochemicals, speciality and fine chemicals, plastics, biotechnology and pharmaceuticals. I also have a world-class steel pipe mill in Hartlepool supplying essential components in the supply chain for the oil, gas and chemical industries, although unfortunately the pipe mill has just laid off 90 people. Some 60% of the UK petrochemical industry is based on Teesside, as well as more than one third of our country's pharmaceutical and chemical industry. The Tees valley has the largest concentration of petrochemical industry anywhere in western Europe, and we have the largest hydrogen network on the continent.

A single venture in Teesside, GrowHow UK, which makes nitrogen fertilizer in my area, uses 1% of the UK's entire natural gas capacity. About 40,000 people are employed directly in the process industries on Teesside, with a further 250,000 employed indirectly through the supply chain. Energy-intensive industries generate one quarter of my region's gross domestic product, with about £10 billion of sales. As the hon. Member for Redcar said, the importance of Teesside and these industries to the national economy, let alone the regional economy, cannot be overstated.

Like my hon. Friend the Member for Bristol East (Kerry McCarthy), who sits on the Front Bench, I agree with the principle of a carbon floor price. However, given the importance of energy-intensive industries to my area, I remain very concerned that the proposals in the Bill for carbon floor pricing represent a serious threat to UK competitiveness.

Geraint Davies: Does my hon. Friend agree that this carbon floor pricing will, first, run contrary to the strategy of shifting from reliance on banking to manufacturing and a broader base and, secondly, move the production of things such as steel, which is environmentally controlled and relatively clean, from Britain to somewhere such as south America, where the same amount of steel will be produced much less cleanly? The impact will be to harm the environment and the economy, which is ridiculous.

Mr Wright: I absolutely agree with my hon. Friend on both points. We are exporting not just jobs but carbon emissions to elsewhere in the world where there might not be the same high level of regulation on carbon emissions.

The point that I want to emphasise as much as possible is that my area is doing exactly what the Government want it to do—we are rebalancing the economy and have an emphasis on manufacturing and, in particular, export-based industries that can provide wealth and job creation. It seems that we are doing everything right according to the Government, but we are being penalised and not provided with a level playing field.

My hon. Friend the Member for Bristol East and the hon. Member for Redcar quoted the managing director and chief executive officer of Tata Steel's European operations. I want to be as balanced as I can. He praised the Government's enterprise zones and stated:

"It is good news that the Tees Valley is to be among the first of the government's newly created Enterprise Zones, as Tata Steel will remain a major employer in that region".

To expand on the quotes already given, however, I should add that he went on to state:

"The extension of the Climate Change Agreements and the return of the discount on the Climate Change Levy to 80% will come as modest but welcome relief to Britain's hard-pressed energy-intensive industries. However, these benefits are likely to be dwarfed by the introduction of the Carbon Floor Price (CFP), which represents a potentially severe blow to the sustainability of UK steelmaking. European steelmakers already face the prospect of deteriorating international competitiveness because of the proposed unilateral imposition by the European Commission of very significantly higher emission costs under Phase 3 of the EU Emissions Trading System. The CFP proposal will impose additional unilateral emission costs specifically on the UK steel industry by seeking to artificially ensure that these costs cannot fall below government-set targets which no other European country will enforce. This is an exceptionally unhelpful and potentially damaging measure."

7.45 pm

The Government need to ensure that there is a level playing field for energy-intensive industries in the UK, especially in the north-east. We must not be hindered by the unilateral imposition of added costs, and Europe

must not be rendered uncompetitive by additional regulation on energy-intensive industries that means that less-regulated economies such as Russia and China benefit. That will not do anything to alleviate environmental pressures.

I think amendment 12 would help the financial and economic environment for energy policy, provide the certainty needed for boards to make substantial investment in the UK and be the catalyst for wealth creation in my area. It would also help to safeguard the manufacturing capacity of vital industries. I hope the Government and Government Members will support it.

Andrew Percy: I will try to avoid further outbursts over the EU, Madam Deputy Speaker—I can never resist the opportunity to get my views on the EU written into *Hansard*.

I agree with much that has been said. I am not going to get into an argument with the hon. Member for Hartlepool (Mr Wright) over whose constituency glows redder, but in my constituency a significant amount of power is generated locally—by the Drax power station, which is just outside, by Eggborough power station and by Keadby gas power station. Furthermore, I share the Scunthorpe steel works in my constituency with the hon. Member for Scunthorpe (Nic Dakin)—unsurprisingly—and I will say something about that in a moment.

I echo some of the concerns expressed by colleagues on both sides of the House. In the Humber, the petrochemical industry is a huge employer, and we are hoping for further growth. Indeed, the whole renewables sector in the Humber is incredibly important, and it would be perverse were we to bring Siemens and other tower and turbine producers to the Humber only for them to be unable to use steel from Scunthorpe because it has been rendered uncompetitive.

I am not going to rehearse all the arguments on climate change. I am not a scientist—I do not understand a lot of these things—but I understand that it is probably a good thing to do something about the amount of carbon we are putting into the atmosphere. Of course, however, jobs must always come first. We need no greater reminder of that than what is happening in Scunthorpe at the moment with Tata Steel—1,200 jobs are going already because of losses going back a few years. In fairness to Tata, it has not blamed this policy, but it has said that it has considerable concerns about its impact on future growth at Scunthorpe. I would like to hear from the Minister—she and I have had conversations about this on several occasions, as she will remember—what the Government plan to do to support the high-energy users. The Humber economy is very much based around high-energy use, so this policy could impact on us disproportionately. I know that the Government are considering that point, but the sooner we can get some certainty the better.

As I mentioned, much has already been said, and in the interests of brevity I do not propose to go over it all. *[Interruption.]* But I have not quite finished. Something needs to be said about general support for manufacturing. What has happened to manufacturing in this country not only over the past decade but over the past couple of decades is a scandal. I welcome the fact—I believe in being as positive as possible—that the Government are committed to a resurgence in manufacturing, which, as I said, is very important in the region represented by me and neighbouring colleagues. That is why we welcome the enterprise zones, which the hon. Member for Hartlepool mentioned, and we are hopeful of getting another one approved for the Humber shortly. I welcome the emphasis on skills and sending young people the clear message that working in manufacturing is just as valuable as trotting off to university to get a degree and become a doctor.

We are hearing all the right things from the Government, and I support that entirely. However, I have concerns about where we are heading with this policy, which is why I think that both the amendments have some merit. Before deciding how to vote, I will listen to the response from the Minister, who I know is very much alive to the issue. Clearly the Government will not want to do anything that puts manufacturing jobs at risk, so I look forward to her response. On that note, I will end this brief, four-minute speech, and look forward to hearing from other hon. Members.

Nic Dakin (Scunthorpe) (Lab): I am pleased to follow my neighbour, the hon. Member for Brigg and Goole (Andrew Percy), and I support many of his comments.

For the Government to unite the representatives of manufacturing industries with Greenpeace, Friends of the Earth and the World Wildlife Fund in opposition to their proposals is a masterstroke. I do not accept the ingenious argument that the Economic Secretary to the Treasury gave in Committee, which was that such a range of opposition to the tax was proof positive that the right balance had been achieved. That is patently not the case: as we have already heard, the arguments of the high-energy manufacturers and the environmentalists are complementary, not contradictory. The key challenge that we face as a nation is how to balance greening the economy with growing the economy. The Government's proposals fail to meet that challenge. The UK is competing internationally for investment. The Humber is competing with Bremerhaven and Esbjerg for green investment. As we have already heard, those making investment decisions too often sit outside these shores. In the real world, the carbon floor price represents a serious threat to our competitiveness. We are in danger of seeing multinational companies choose to invest not in the UK but elsewhere.

Martin Vickers (Cleethorpes) (Con): The hon. Gentleman is making a persuasive case. He and I know the seriousness of the situation from our regular visits to Tata Steel in Scunthorpe, and he will be familiar with the Able UK site in my constituency. One of the arguments for the company coming to our area was the proximity of the steel works, which, ironically, Able UK wants to use for production in the renewables sector. I am sure the hon. Gentleman agrees that it would be tragic if that steel were produced elsewhere, thereby creating greater emissions.

Nic Dakin: The hon. Gentleman makes a cogent and sensible point. *[Interruption.]* Indeed, I note that the Economic Secretary is writing it down, so I hope that she will respond to it later.

We are in danger of exporting UK jobs to places such Ukraine and Russia, thereby boosting global warming rather than reducing it. As we have heard, my community in Scunthorpe faces serious challenges after Tata announced that 1,200 jobs were at risk. We have also heard the chief executive of Tata Steel, Karl-Ulrich Köhler, quoting the carbon floor price as part of the context of the decision.

[Nic Dakin]

However, other, local companies are equally concerned. Richard Morley of Caparo Merchant Bar in Scunthorpe said to me:

"As well as supporting growth and jobs, companies like mine are well-placed to provide many of the technical and material solutions necessary to address climate change"—

the point that the hon. Member for Cleethorpes (Martin Vickers) made a moment ago—

"but we can only do so if we are able to remain competitive. The unilateral introduction of the"

carbon floor price

"at too high a level could threaten this."

Richard Stansfield of Singleton-Birch has examined in more detail what the carbon floor price means:

"The CFP does not actually set a...price of £16 in 2013 as has been implied. The figure of £16 has been arrived at by using a 2009...carbon price of £11.06 and adding a £4.94 tax, called the carbon price support, to reach the £16. The current forward price of carbon in 2013 is already around £16, so adding this £4.94 will make the price of carbon £20.94. This will be £4.94 more than our European competition will be paying and £20.94 more than the rest of the world."

Only last month we heard the new director general of the CBI, John Cridland, expressing concerns about the impact of the carbon floor price on high-energy manufacturing.

In a written answer to a parliamentary question, the Economic Secretary confirmed that the carbon price support provisions would put up consumer energy bills and deliver windfall profits of £50 million a year from 2013 to existing nuclear reactor operators. Greenpeace has calculated that the figure exceeds £1.3 billion up to 2020. The Government's proposal is therefore a bad deal for bill payers. Almost £1 billion will be given to the nuclear industry for doing absolutely nothing new. The proposal will add nothing to energy output or Britain's energy security, and there will be no requirement for the companies to invest the windfall in national priorities such as energy efficiency programmes or meeting our renewable energy targets.

I am afraid, therefore, that in its present form the carbon floor price is a badly designed tax. It will not drive the significant investment needed to develop clean, safe alternatives to fossil fuels or the technological improvements needed in energy-intensive industries. As research by Waters Wye Associates concluded:

"The outcome of implementing policies as they are currently conceived will...be poor both economically and environmentally. Global greenhouse gas emissions may well increase as well as hitting both investment and jobs."

The current approach risks penalising British industry and endangering British jobs. It will hurt the consumer and fail to deliver our green ambitions. I urge the Government to think again.

Angela Smith (Penistone and Stocksbridge) (Lab): I want to speak in support of amendment 12 for three reasons. First, the Government's statements on subsidies for nuclear power have been absolutely clear. The amendment calls for a report, so that the Government can at least be transparent about how they will use the subsidies raised through the carbon floor price. Secondly, the impact on fuel poverty has to be measured and so, again, has to be transparent. Finally, like the hon. Member for Redcar (Ian Swales) and my hon. Friends the Members for Hartlepool (Mr Wright) and for Scunthorpe (Nic Dakin), I particularly support proposed new subsections (4)(c) and (f) of clause 78, which relate to the impact on energy-intensive industries.

The report should detail the impact on energy-intensive industries and make clear how the revenues will be used. The Government should commit this evening to using some of the revenues raised from the carbon floor price to mitigate its impact on the competitiveness of our industries. If we look at the numbers employed in energy-intensive industries across the UK, we see that at least 225,000 people are directly dependent on such industries, with around three times as many indirectly dependent on them through the supply chain.

The impact of the proposed measures would absolutely be felt in my constituency of Penistone and Stocksbridge. Tata Steel in Stocksbridge is a major employer, currently providing more than 800 jobs, and has recovered from its hiatus in 2008, when it was on the brink of going bankrupt and out of business. Tata Steel is now back in profit, employing as many people as it did in 2008, if not more. That is a success story for UK manufacturing and a vote of confidence by Tata Steel in the capacity of UK manufacturing and its ability to compete globally. In my constituency we also have Fox Wire, which makes world-class cabling for drilling and welling operations globally, and Naylor Industries and Hepworth, which manufacture clay pipes for all sorts of applications across the world. We also have Pilkington glass and Georgia-Pacific, which produces paper. That makes well over 1,500 jobs that are directly dependent on energy-intensive industries.

As my hon. Friend the Member for Scunthorpe set out in detail earlier, the impact of the carbon floor price is clear: the cost of carbon will increase from £16 a tonne, rising from 2013 to £30 a tonne by 2020. As he pointed out, that will create a significant risk that the industries that we are talking about this evening will be placed in an uncompetitive position globally, not just in relation to Europe, but in relation to the US, China, Ukraine and Russia. We share the view of the head of Tata Steel's European operations that this will threaten the future of those industries in the UK.

What is it about those industries that makes them so special, and why should a special case be made for them? The argument is crystal clear: it would be very short-sighted to damage those industries in relation to the rest of UK manufacturing because their products are increasingly being geared towards improving fuel efficiency, and they are reducing their carbon emissions in their manufacturing processes.

8 pm

It has been said that when one tonne of carbon is emitted in the production of a wind turbine blade, it is balanced by the fact that 123 tonnes of carbon will be saved through the energy produced by that blade. My Tata Steel plant in Stocksbridge is engaged in making components for wind turbines. It is involved in making the lighter but tougher steels required for components for Rolls-Royce engines in aircraft, and it also makes landing gear. The advanced manufacturing research centre at Sheffield university is increasingly engaged in research and development relating to reducing carbon emissions in manufacturing, particularly in the aerospace industry. There is a real partnership between Boeing

and Rolls-Royce in Sheffield, working to ensure that that industry is absolutely focused on reducing carbon emissions.

The clay pipe manufacturing industry in my constituency has a crystal clear argument for its right to survive and to compete internationally on a level playing field. Clay pipes are biodegradable, and they last a lot longer than the plastic piping that is increasingly being used in applications across the UK and globally. The carbon floor pricing mechanism that we are discussing could put industries such as Naylor's and Hepworth's out of business. Around 90% of the clay pipe manufacturing in the UK is in my constituency. I do not think anyone would say that using biodegradable clay pipes was not better for the environment than using the plastic piping that is increasingly undermining that industry. Energy efficient glass is being custom made and fitted by Pilkington in my constituency. As I have already said, the steel industry is absolutely focused on an energy efficient carbon-reduced future.

The Minister represents Putney, but I know that she hails from Rotherham. She will therefore understand the historic importance of steel to south Yorkshire, and its ongoing importance to the area. She knows that steel is crucial even now to the survival of manufacturing there, and I am asking her to agree to producing the report and to commit the Government, through the Treasury, to come up with effective mitigation measures for the energy-intensive industries.

The Government say that they are committed to rebalancing the economy, to creating growth in the private sector and to rebuilding our manufacturing base. They now have an opportunity, through the most powerful Department in Government, the Treasury, to show that they mean business for manufacturing, that they mean what they say, and that they are committed not only to call centres and private sector growth in other areas of the economy but specifically and especially to the growth of jobs in high-wage, high-value manufacturing in the private sector. That is the kind of manufacturing that will help us to deliver the low-carbon future that we are looking for. I want to hear positive comments from the Minister on these points tonight.

Other Ministers from the Department for Business, Innovation and Skills and from the Department of Energy and Climate Change have said on the record in the Chamber, as well as off the record in talking to us all informally and in ministerial meetings, that they want the Government to produce a mitigation package as soon as possible. They understand the problem. We want to hear from the Treasury tonight that it understands it as well, because those Departments will not be able to put that package before the House until the Treasury agrees to it. I appeal once again to the Minister's heritage: what she says tonight will mean a great deal not only to Members representing constituencies affected by the proposals but to the representatives of those industries who are probably listening now and waiting to hear her give some reassurance about their future.

Tom Blenkinsop (Middlesbrough South and East Cleveland) (Lab): I should like to speak to amendment 12. It is a great pleasure to talk about places that I know well, such as the Teesside Cast Products plant in Redcar, Stocksbridge, Hartlepool and Scunthorpe, as well as Skinningrove in my own constituency.

The chemical industry is no longer the dirty industry depicted in Ron Angel's "Chemical Worker's Song". On Teesside, between 35,000 and 45,000 workers are directly or indirectly employed in the industry, and over the past 18 years, it has reduced its emissions by some 75%. That has been matched by the steel sector's reduction in energy per tonne of steel produced from 31.7 GJ in 1973 to 19.4 GJ in 2010.

Ian Swales: Does the hon. Gentleman agree that those industries need no further encouragement to reduce their energy use, because, by definition, they already spend a large proportion of their money on energy? They all have a good record in reducing their energy use.

Tom Blenkinsop: I thank the hon. Gentleman for his comment, and I entirely agree with him. The industries are in it to make money, and it is obvious to anyone who knows them that they need to reduce the amount of energy that they expend to make their products.

British manufacturing output as a whole has been growing for decades, according to figures from the Office for National Statistics. Why is that? Output in the chemicals industry has increased, unlike in other sectors. During the 2008-09 downturn, the industry suffered the second smallest decline in production. The development of the chemical industry over the last decade under Labour has been largely unreported. Only now is it being seen as a sexy subject. However, in places such as Middlesbrough, Redcar and Billingham, we have always referred to ourselves as proud smoggies, in the knowledge that our manufacturing endeavours have far more worth than the machinations of the City.

According to DECC statistics on greenhouse gas reduction, the disappearance of the chemicals sector would directly save an average 10.79 million metric tonnes of CO_2 equivalent, out of the total UK generation of 627.85 million metric tonnes of CO_2 equivalent. Across industry, the chemicals sector is responsible for only 3.9% of energy-related emissions. The growth reviews in November and December last year gave good signals to manufacturing. However, the rhetoric contained in those reviews assumed that a low-carbon economy could emerge only by pricing energy-intensive users out of the market. The flaw in that logic is the assumption that the full substitution of fossil fuels will miraculously come about if intensive energy users are strangled. A further flaw is that the technology that will develop green industries actually flows from the existing energy-intensive industries, their research and development, and their skilled work forces, but they will obviously no longer exist in the UK if we force them abroad.

The December growth review stated that high energy prices were a barrier to advanced manufacturing growth, yet the Secretary of State for Environment and Climate Change said at the same time that recovery does not come from old industries "bouncing back", and that the low-carbon industries would be an important part of our growth story over the next 10 years. That was in his speech to the Institute for Public Policy Research on 1 December last year.

For every tonne of CO_2 emitted in producing insulation, 233 tonnes of CO_2 are saved, and, as my hon. Friend the Member for Penistone and Stocksbridge (Angela Smith) said, for every tonne of CO_2 emitted in producing a wind turbine blade, 123 tonnes of CO_2 are saved. For

[Tom Blenkinsop]

every tonne of CO_2 emitted in the production of energy-saving tyres, 51 tonnes of CO_2 are saved—and so on, and so on. In the case of insulation, one year's CO_2 emissions created producing insulation saves 2.4 billion tonnes of CO_2.

At the heart of the issue is the lack of understanding in the Treasury and DECC that these chemical companies cluster, as they always have done, and as they previously did within the large-scale set-ups of ICI. As NEPIC—the North East of England Process Industry Cluster—has proven in my region, locally produced products often feed on-site sister businesses or other company-owned plants. That integration produces better economies of scale, efficiency, profitability and technological development. It is regional clustering, as exemplified by NEPIC in north-east England, which was set up by One North East, that exemplifies industrially-led industrial activism. The Government's carbon floor pricing policy, on the other hand, fragments industrial integrative clustering.

Unfortunately, the Government assume that secondary industries will not leave the UK, even if the primary chemical industries do. Indeed, the Secretary of State for Energy and Climate Change has said that

"quite a few of the high energy users have forms of natural protection like high transport costs so the impact is rather less than you might expect."

Unfortunately, empirical evidence wholly contradicts the Government's stance. As Jeremy Nicholson, director of the energy intensive users group has said:

"The idea that downstream industries are likely to remain here indefinitely if primary production goes might have a theoretical case but I'd say just look at the empirical evidence: downstream manufacturing thrives on co-location with primary industry and why would you expect that to cease in the future?"

Real life examples clearly show just how fragile downstream companies are. Let us consider Wilton, the former ICI site in the constituency of the hon. Member for Redcar (Ian Swales). The plants were balanced with the ICI ethylene cracker at the top of the production pyramid; as foreign ethylene became cheaper and producers produced offshore, the requirement for the cracker was reduced, leading to other plants downstream such as the Dow plant also being affected.

When Dow closed, 55 direct jobs were lost. That is not as big a media story as the events that unfolded at the mothballing of the Redcar blast furnace at the then Teesside Cast Products Corus plant, but the repercussions of Dow were just as profound. An estimated 2,500 jobs were lost downstream as a result of the closure of Dow's ethylene oxide production plant—the only ethylene oxide plant in the UK. NEPIC has bounced back, bringing in other investments to Teesside, but it is acutely aware of the loss of primary chemical production and of lost opportunities for technological developments that could be made on Teesside, securing new green markets in turn.

More than this, however, the Secretary of State's comments condone the loss of primary chemical production as a result of the carbon floor pricing while actually actively pursuing it. The question I must ask is: if industry flees within two years, as feared, how on earth will this carbon floor pricing levy taxation apply when the energy-intensive industry is no longer here? An industry cannot be taxed if it will not hang around to be taxed, which leaves Britain with neither the tax nor the industry.

As many primary raw chemicals are very expensive to transport and in some cases are banned from transportation, the Secretary of State's relaxed approach appears uninformed. Many secondary production companies are small and medium-sized enterprises, often with fewer than 10 employees, and economies of scale for the transportation of such vast quantities of chemicals are just not viable, making the whole operation futile and highly costly for such small operations.

Amendment 12 would ensure that the Government look at the immediate impact of the provisions in the schedule on energy-using manufacturing industries and on employment in those industries; and at how the moneys raised by those measures will be used to mitigate the immediate impact of the schedule on consumers and on manufacturing industries and to encourage green investment. At the very least the Government must monitor and review their own policy and its consequences, which I fear will be devastating for energy-intensive industry and for my area of Teesside. A review will allow the Government to take stock.

Ian Lavery (Wansbeck) (Lab): Is my hon. Friend aware of the double whammy of the European trading scheme and the carbon floor price, which will have a devastating effect not just on Scunthorpe and Teesside but on Lynemouth in my constituency? Rio Tinto Alcan is the company there and it makes a current profit of £50 million a year, which will be totally wiped out as a consequence of this double whammy, putting 600 quality jobs at risk. Does my hon. Friend agree that special measures must be put in place to overcome these unjust taxes?

Tom Blenkinsop: I thank my hon. Friend for his intervention. Yes, I certainly do. To finish, let me say that a review will allow the Government to take stock of the policy and to make quick changes to it, as I fear they might have to before it is too late.

Nia Griffith (Llanelli) (Lab): There have been many excellent contributions, so I shall keep my comments short.

As secretary of the all-party steel group, I want to speak to amendment 12, in particular to subsection 4(c) and (f). We are asking for the Finance Bill to be amended because of the very significant negative impact that the carbon floor price, at the level set, is likely to have on heavy industry, such as the Trostre steelworks in my constituency and similar steelworks and energy-intensive industries throughout the UK.

8.15 pm

To provide just one example, we are talking about tens of millions of pounds of incremental costs to Tata Steel UK—costs that are not faced by its European competitors, let alone by its global competitors. We have already seen manufacturers move factories to countries where costs are much lower and environmental conditions less stringent, but up until now the European emissions trading scheme has helped to create a level playing field within Europe. The real worry is that the proposed carbon floor tax will make us uncompetitive, even compared with our European competitors, and will drive Tata to invest elsewhere rather than in the UK. We all understand the need to reduce emissions and companies such as

Tata have made significant improvements in fuel efficiency, but emissions affect global warming wherever they are produced, which is why we work together in the European Union on emissions and try to negotiate globally on climate change issues.

There is real concern that this carbon floor price will cause carbon leakage. Because the Government are imposing these conditions, manufacturers will choose to go to parts of the world where they can get away with less environmentally stringent conditions. They can therefore continue to produce the same amount of emissions, while we have lost that industry and lost valuable jobs. Our worry is that we are putting ourselves not only in an uncompetitive position vis-à-vis the cheaper countries in the world, but at a disadvantage in respect of our European competitors.

Tata has made these points very clearly, stating:

"Other European operators are likely to remain operating under an 'abatement at least cost' regime, therefore exposing Tata Steel UK to a different cost pressure and impacting on our ability to compete even inside the single market."

We are deeply concerned that the carbon floor price will not deliver the desired investment growth. In other words, companies such as Tata Steel UK and other similar manufacturers could make long-term investment decisions based on what they see in the carbon floor price. They could turn away from the UK and decide that instead of investing here in the UK, they will take their plans elsewhere.

Tata Steel UK states that the carbon floor price will be

"increasing the longer-term risk to the sustainability of our UK operations."

That is a very stark message indeed, which is why the amendment asks for proper account to be taken of the effect of this carbon floor price on energy-intensive industries and for details to be worked out on the mitigation measures that could be put in place for manufacturing industry and on measures to encourage the green technologies that we all so fervently hope to be part of and that will be part of the growth strategy for the future of manufacturing in the UK. For those reasons, I support the amendment.

Caroline Lucas (Brighton, Pavilion) (Green): I am pleased to speak in support of amendment 12, because the House needs much more detail from the Government on the impact of a carbon floor price, including possible unintended consequences.

First, however, let me say a few words about amendment 21. Although I have a great deal of sympathy with some of the comments made about the amendment, we need to be reasonable when looking at the impacts of the sort of floor price we are talking about on energy-intensive industries. I am quite sure that some parts within those industries will face real problems, and it is right to look at measures such as border tax adjustment so that they are not put at a competitive disadvantage.

Let us not forget, however, that the EU has already exempted large numbers of energy-intensive industries from paying for the EU permits under the emissions trading scheme. Let us not forget that not all energy-intensive industries are subject to carbon leakage. Some undoubtedly are, and we certainly need elements of mitigation for them, but some can quite easily raise their prices and pass them on. Let us not forget that what we are trying to do is to put a price on carbon. That is the purpose of the whole exercise. Yes, we need to look at mitigating measures, where necessary, but let us not throw the baby out with the bathwater and lose the purpose of the exercise, which is to shift to a greener economy. Let us not forget that research by the university of Cambridge and others has found no empirical evidence to show that more ambitious climate policies will result in mass relocation of industries out of the EU.

Ian Swales: I respect the hon. Lady's expertise on these issues. Can she give examples of energy-intensive industries that she feels are at no risk of carbon leakage?

Caroline Lucas: What I can say is that I have been in the European Parliament, that representatives of industries have told us time and again that the latest EU environmental law will lead to mass relocation from Europe, and that plenty of studies have shown that that has not happened. I accept that many energy-intensive companies will face problems that will need to be mitigated, but, according to those studies, the risk of relocation is far lower than has been suggested.

Ian Swales *rose—*

Caroline Lucas: I will not give way again, because I want to talk about amendment 12, which I have tabled.

I agree that an effective carbon price mechanism has the potential to reduce greenhouse gas emissions from electricity power, mainly by increasing the carbon liability attached to energy use and thereby making energy efficiency measures and renewables more attractive. It also embodies the "polluter pays" principle, which, of course, I also support. I fear, however, that the proposed carbon floor price will not ensure that investment in energy generation is directed towards low-carbon technologies.

I hold that view for a number of reasons, including the fact that market-based solutions to direct investment in low-carbon generation have proved pretty weak in the past. For example, the EU emissions trading regime has so far failed to maintain the cost of pollution allowances at high enough levels to make any significant difference in reducing emissions. It is also true that, because the floor price will be subject to annual votes in Finance Bill debates such as this, it will fail to provide the price stability that is needed to boost certainty and security for investors in low-carbon energy sources. Furthermore, it can be difficult to judge the level at which a carbon floor price should be set to give appropriate incentives to the various technologies that the Government wish to support.

It is clear from those inherent weaknesses that a carbon floor price will maximise its potential to support a low-carbon economy only if any additional revenues that it raises are ring-fenced for use in support of that transition. That must include, in particular, energy efficiency measures for the fuel-poor. Many Members have raised that subject this evening. The Institute for Public Policy Research estimates that an additional 30,000 to 60,000 households could be pushed into fuel poverty in 2013 as a result of the carbon floor price because it will push up the cost of electricity.

[Caroline Lucas]

It is therefore crucial for flanking measures to be introduced alongside a carbon floor price, including measures that will properly support and protect those in fuel poverty. They should include proper capitalisation of the green investment bank, support for the implementation of the green deal—for instance, ensuring that the "eco" element is increased considerably, given that it is the part directed at the fuel-poor—and, indeed, assisting in the development of innovative renewable energy technologies. Failure to ring-fence the revenue of the carbon floor price would mean missing a real opportunity to focus efforts on the technologies that will most quickly cut emissions from power generation.

Many other Members have reinforced the idea that the carbon floor price must not deliver windfall profits to the well-established nuclear industry, which has already been heavily publicly supported for many years. The Government's own figures show that existing nuclear generators stand to gain £50 million a year from it until 2030. It is vital for the Government to clarify whether such a windfall constitutes the kind of subsidy for nuclear power that they have repeatedly said they will not provide. It looks very much like a subsidy to me, and it looks very much like a subsidy to the Chair of the Energy and Climate Change Committee, the hon. Member for South Suffolk (Mr Yeo), who has said that the Government should be upfront about the fact that it is a subsidy. He has also said that

"it would be deeply irresponsible to skew the whole process of electricity market reform simply to save face."

I hope that Ministers will benefit from his expertise, and will recognise that rigging the electricity markets simply to try to provide more support for nuclear generation is entirely wrong.

David Mowat: The hon. Lady is making a powerful case against the nuclear industry, but a few moments ago she made a case against high electricity prices and their impact on the poorest in our society. Electricity costs in France are between a third and a quarter less than those in this country owing to decades of cheap nuclear power, which has a beneficial impact on both heavy industry and consumers.

Caroline Lucas: The hon. Gentleman will not be surprised to learn that I do not agree with the tenor of his intervention. The truth is that the price people pay for nuclear power does not represent its true cost in terms of liabilities, decommissioning and clearing up after an accident. People in Japan are not paying the true cost of clearing up after Fukushima. That £250 billion was not included in people's energy costs. Nuclear subsidies are incredibly untransparent, but, essentially, people are paying a great deal more for nuclear power. I agree with the hon. Gentleman that we need electricity prices that people can afford, but the answer is to invest in renewable energy and energy efficiency, which will become far more competitive and far cheaper than nuclear power very soon if we give them the support they require.

If the Government recognise that this is a subsidy, they should claw it back through a windfall tax. I tabled a new clause that would have allowed them to do exactly that, but, sadly, it was not selected for debate.

David Mowat: It may be true that renewables will become more cost-effective over time, but there is an long way to go: a factor of about four in the case of solar power.

Caroline Lucas: I entirely disagree. I wish that the hon. Gentleman had been at a meeting with representatives of the solar industry that took place a few days ago in Portcullis House. We were shown presentations by Ernst and Young and others which demonstrated that if a small amount is invested now, solar energy will be able to compete with all fossil fuels and with nuclear power in four or five years.

Although an improved carbon floor price mechanism could help to deliver a less carbon-intensive energy sector, it is important for the Government not to see it as a "silver bullet" solution. Other stronger levers, such as a well managed—I underline "well managed"—feed-in tariff regime and a strong emissions performance standard must also be part of the overall picture. Sadly, however, the Government are falling short in those respects as well. I should like them to devote at least as much effort to stepping up their work at EU level to ensure that the next phase of the EU emissions trading scheme is much more effective than the current phase. The recent collapse in the cost of EU carbon allowances under the scheme is clear evidence of their over-allocation, and the shortcomings of the scheme are becoming increasingly obvious.

I should also like the Government to work with European partners to ensure that, as a minimum, allowances are in line with the policy of cutting EU emissions by between 80% and 95% by 2050, as agreed by member states; that allowances cannot be banked from the second phase of the EU ETS into the third phase; and that a reserve price is set on the auction of permits into the market. Any permits that the market does not want to buy at the reserve price or more should be retired from the scheme.

I urge the Government to undertake to produce the report for which the amendment calls, and to take the opportunity to show how the benefits of a carbon floor price can be maximised and any unintended consequences eliminated. If the carbon floor price is to be effective, we need a tax on the windfall profits of the nuclear industry, along with flanking measures to ensure that those in fuel poverty do not suffer as a result of this policy.

Dr Alan Whitehead (Southampton, Test) (Lab): The Economic Secretary to the Treasury has already suggested that those in favour of a carbon floor price should explain how it could be introduced in a different way from that proposed by the Government. I imagine that she will return to that subject at the end of the debate, but I suggest that she need only look at her own consultation document, which led to the amount that has been established and the mechanism by which the floor price works.

The consultation document posited a £1 difference between a Europe emissions trading scheme and a carbon floor price, certainly in respect of the starting period. It also warned about how far away from that £1 difference a floor price might go and what might happen to energy prices in the rest of Europe. As people who contributed to that consultation document suggested,

because our energy supply is highly interconnected with that of Europe, a substantial difference could lead to investment going to where the sale price is cheaper, with, perhaps, new gas-fired power stations being developed on the other end of an interconnector rather than lower-carbon power stations being developed at our end of an interconnector.

8.30 pm

Essentially, the Government ignored their own consultation document and came up with a carbon floor price that clunks, rather than floats, against the ETS. Indeed, it is a carbon floor price that has a £4.94 difference; as my hon. Friend the Member for Scunthorpe (Nic Dakin) said, when it is introduced there will be almost a £5 difference from the ETS, and rising, by decision, on an annual basis. It will also in essence be a straightforward tax—and not a very green one at that—on removing the exemption for producers upstream from the climate change levy.

The objective could have been achieved in many other ways, such as retiring permits, matching the ETS and undertaking downstream arrangements, all of which could have led to a different outcome in respect of the carbon floor price, and I say that as someone who supports the idea of having a carbon floor price. We therefore need to ask why this has happened in this way.

It has happened for two very tempting reasons. First, this clunking arrangement happens to net the Treasury about £800 million a year, so it is quite a large tax earner, and also—if one were so minded—potentially quite a large earner to redistribute through underpinning either mitigation for certain industries or other measures to develop a low-carbon economy. The second reason is that because this measure relates to upstream exemptions in respect of the climate change levy, it provides a clear and straightforward subsidy to the nuclear industry. That is not subsidy for new nuclear, however. One could argue that a subsidy for new nuclear ought to be honestly discussed, as the Chairman of the Energy and Climate Change Committee has suggested. The current policy of no subsidy for new nuclear might then be recast as an upfront debate on what subsidies new nuclear would need to come on stream in the time scale the Government suggest it should. It is not a subsidy for new nuclear, however; instead, it is a subsidy for existing nuclear.

The subsidy is essentially a subsidy for nuclear that will go out of commission. All but one of the current fleet of nuclear power stations will go out of commission by 2023. This is therefore a gold-plated pension fund for existing nuclear power station operation. That is because, as the Government have said, it in effect produces a £50 million subsidy for old nuclear. Another estimate is that up to 2030 it will produce £1 billion or more of subsidy. To the extent that it is defended as a subsidy—the Government's Office for National Statistic indicates that a number of its measures are indeed subsidies—it is defended because it is a subsidy that is not exclusively for nuclear. However, old nuclear power stations generated some 69 billion kWh in 2009, compared with 9.3 billion kWh of generation by wind over the same period, and more than 70% of all that money—which will be free money for existing lower-carbon operators—will go straight to nuclear.

The money will not go just straight to nuclear either. It will go straight to one company, because after the closure of two nuclear power stations in 2012, all the existing nuclear power stations will be owned by one company: EDF. It has plans to develop four new nuclear power stations and it owns four sites about which there has been agreement on developing new nuclear in the recent national policy statement on nuclear power. We are talking about a direct subsidy going to one company to provide money for its existing power stations and this company has in prospect the plan to build four new nuclear power stations on sites it currently has. So a rather straightforward case is being put forward here.

When the new arrangement comes into being there should, at the very least, be a review of what its effects are, whether other ways of doing things might have been better and how such a subsidy might be clawed back to undertake the sort of things that hon. Members have mentioned in terms of protection for high-emitting industries. Such a review should also consider the question of developing renewable energy and other forms of low-carbon investment at the same time. Currently, £800 million per year sits in the Treasury and £1 billion sits in the coffers of EDF. That is a far cry from what I thought a carbon floor price was about and we ought to make speed to ensure that a carbon floor price undertakes what it is supposed to do, which is to reward good green activity and not reward bad green activity.

Tristram Hunt (Stoke-on-Trent Central) (Lab): I wish to speak to amendment 12, and I shall do so both as chair of the all-party group on energy-intensive industries, which the hon. Member for Redcar (Ian Swales) so kindly mentioned, and as the Member of Parliament for Stoke-on-Trent Central—the potteries. I wish to draw the Minister's attention to the impact of the carbon price on the ceramics industry, because that poses a real danger to the future of the industry which really began the industrial revolution, at Etruria, under the great influence of Josiah Wedgwood.

You will know, Mr Deputy Speaker, that the potteries came to north Staffordshire not because of the north Staffordshire clay, although that helped, but because of the coal—because of the energy—as Edwin Clayhanger told young George in the great "Clayhanger" novel by Arnold Bennett. The firing of the kilns and the making of the pottery demand intensive energy use, as temperatures of up to 1,200° C are involved, although we are hoping to bring that down with new technology. The cumulative impact of some of the carbon price legislation is therefore dangerously undermining the ability of these industries to survive.

The point about the effect of this legislation is that these industries will provide a classic example of carbon leakage. Over the past 20 years we have seen jobs disappear to Indonesia, Vietnam and China, and we face the threat of jobs leaving for Poland and Bulgaria. We do not cut global carbon emissions through this process. Instead, we export jobs and reimport the carbon. Britain loses economic competitiveness and the world gains nothing in terms of cutting carbon emissions. Ministers need to understand that many of the companies involved are international conglomerates, as many of my hon. Friends have pointed out. Such companies have the ability to move their businesses offshore, and they will do so if we become more and more uncompetitive.

[Tristram Hunt]

Many in the ceramics industry are in favour of energy-saving measures, and I am not averse to those. We have seen, in different industries across the sector, the ability of energy-saving measures to improve performance. Let us consider what happened to the German car industry in the 1980s. When the Greens began to turn their attention towards the inefficiencies of that industry and its overuse of energy, that industry began to be transformed. Today the German car industry is among the most successful and competitive in the world.

The problem that we face in Stoke-on-Trent is that many of our industries and many of our pottery firms have already cut their energy usage by 80% or 90%, yet they still face new hikes and new measures. It will be very difficult for them to make further cuts. We need a more sophisticated way of measuring carbon, which is what our amendment suggests. We need a more sophisticated way of understanding carbon usage, and we need to understand its use over a lifetime.

We have already heard references to the chemical industry. In my constituency I am blessed with the Michelin tyre production company, and when the energy used in production is set against the lifetime use of those tyres, energy is actually saved. My hon. Friend the Member for Penistone and Stocksbridge (Angela Smith) mentioned using clay pipes rather than plastic pipes, and again, over the lifetime of the products, energy is saved. In Newcastle-under-Lyme, next door to my constituency, one can also see some very good clay pipe production.

The point is that high-quality products made with high energy intensity often, in the long run, save carbon. The Government need to get their thinking straight. When considering the competitiveness of such industries, Ministers often point to cuts in corporation tax as saving businesses. If no profits can be made—if they are wiped out by the carbon costs—the cuts to corporation tax will make no difference. There is a failure to appreciate the cumulative impact and the international market.

I hope that we have begun to see the beginnings of a shift in thinking. We look forward to the outcome of the DECC-BIS-Treasury working party, which will reach its conclusions towards the end of the year. Ministers should regard our amendment as an attempt to help them and to encourage a degree of clarity in the dealings between their civil servants over the coming months. What is frustrating about this process is the fact that the ceramics sector in Stoke-on-Trent is enjoying a resurgence. Jobs are coming back from China because of rising energy and labour costs in both porcelain and bone china. We are seeing a resurgence in the kingdom of Spode, Wedgwood, Churchill and Dudson, and of new companies, such as Emma Bridgewater. It would be typical of British legalistic short-sightedness and the myopia of the Treasury world view if, faced with a rising and successful industry, we were to undermine it. If we are interested in rebalancing the British economy we should support the ceramics, chemical, steel, glass, aluminium and other energy-intensive sectors on their journey towards a green economy. The amendment seeks to do just that.

Justine Greening: Clause 78 and schedule 20 amend the climate change levy to introduce a carbon price floor for electricity generation. We have had a helpful and interesting debate on the two amendments and I shall do my best in the time available to try to address as many of the points that were raised as possible. Before I do that, it is probably worth returning to the question of why this measure is necessary in the first place. Indeed, the hon. Member for Brighton, Pavilion (Caroline Lucas) spent some time setting that out in her speech.

We all recognise that the UK needs significant new investment in low-carbon electricity generation over the coming decades. As the debate has shown, we do not want that to be the only thing that we encourage over the coming years. We also want to encourage a broader transition to a low-carbon economy. As the hon. Member for Penistone and Stocksbridge (Angela Smith) pointed out, many industries that have been mentioned today in the context of the challenges they face have the chance to benefit from their role in the low-carbon economy of the future.

We need significant new investment in low-carbon electricity generation. As well as preparing for an increase in demand for electricity over the following decades, the UK must meet its legally binding CO_2 emissions reduction targets, which require an 80% reduction from 1990 levels by 2050. That is why in the Budget, following consultation, we announced that the UK would introduce a minimum carbon price. As the hon. Member for Southampton, Test (Dr Whitehead) pointed out, we included a number of different scenarios in that consultation so that we could understand and get feedback from stakeholders on the impact of the different scenarios. In fact the carbon price floor will provide a strong incentive for billions of pounds of new low-carbon investment.

Dr Whitehead: Does the hon. Lady agree that none of the scenarios in the consultation document included the idea that there should be a £5 premium on the emissions trading scheme as a result of the introduction of a carbon floor price?

8.45 pm

Justine Greening: The scenarios we looked at as part of the consultation asked stakeholders what carbon price they felt we should start at, and where they felt it should finish—the trajectory from the first to the last point. As suggested by respondents, we used the market price of carbon, which is low, although we used DECC's central carbon price as an illustration in the consultation. The hon. Gentleman referred both in his intervention and in his contribution to the balance we have to strike in setting a carbon price floor that will actually make a difference while putting in place one that does not in the meantime make the energy-intensive industries in our country uncompetitive, as we heard in powerful contributions from my hon. Friends the Members for Redcar (Ian Swales) and for Brigg and Goole (Andrew Percy) and, in an intervention, from the hon. Member for Scunthorpe (Nic Dakin). I want to provide the House with some reassurance about the steps we are taking to ensure that we manage to strike that balance. Despite the various contributions we have heard today, when we take the time to read *Hansard* tomorrow we shall probably see that there was more agreement in the approaches than may have come across from the tone of the debate. The challenge for us on both sides of the House is to strike the right balance, and I want to talk a little more about how we intend to try to do that.

We know that ultimately we have to make the transition to low-carbon electricity generation cost-effectively, and that will happen only if investors have greater long-term certainty about the cost of carbon emissions. The shadow Minister, the hon. Member for Bristol East (Kerry McCarthy) talked about uncertainty, but the measure is about introducing more certainty so that the extra investment we need can take place. The impact assessment that was part of the consultation showed that although the carbon price floor will increase electricity bills in the short to medium term, bills will be lower in the longer term than would have otherwise been the case, as more low-carbon capacity leads to cheaper electricity. I shall talk about how we want to see fuel poverty tackled over coming years, because that is obviously important.

Andrew Percy: I particularly welcome my hon. Friend's comments about supporting industry as we move forward. I had to pop out of the Chamber after my speech to meet people from Drax. One of the things they told me was that at the moment the system is so structured that it discourages them from buying UK coal in favour of foreign coal. Will she take that into account when looking at the extra support that can be provided? If not, could she meet us to discuss this important issue in a bit more detail?

Justine Greening: My hon. Friend makes a helpful contribution. I am always happy to meet hon. Members. In fact, only last week I wrote back to the hon. Member for Stoke-on-Trent Central (Tristram Hunt) to say that I would be happy to meet representatives of his local industry. One of the reasons we are working across Government—not just the Treasury, but BIS and DECC—is to make sure that we consider all the different aspects of the support we want for the energy-intensive industries, and get it right.

I am conscious of the time, and the fact that Members want to debate the remaining amendments, so I now want to make progress. In Committee we discussed at length the issues raised in the amendments. Not all Members present in the Chamber today will have heard those debates, so I shall go through my response to both amendments, taking amendment 21 first, as it raises some important points. It would require the Government to lay, and Parliament to approve, an agreed package of mitigation measures for energy-intensive industries.

A number of Members from across the House made powerful cases on behalf of their local industry about why the issues are so important. The Government recognise the issues and want to take steps to address them. There is, as I said, clearly a balance to be struck: we need to meet our carbon reduction requirements, but to do so in a way that still enables the UK to continue to have competitive energy-intensive industries. That is why the Budget helped to offset the impacts of the price floor on energy-intensive industry and to show, as we have heard, that the UK is open for business, as it must be.

In March we announced an extension of climate change agreements to 2023, with an increase in the discount on electricity from 65% to 80% for participants in the scheme from April 2013. We plan to consult on how to simplify climate change agreements for the companies participating in them. Overall we intend to reduce tax levels to among the lowest in the EU. T.

We announced that we would not introduce the previous Government's planned complex and costly carbon capture and storage levy, which would have increased electricity bills by 2% from 2015. In addition, we set out plans that will see a cap on the cost of policies funded through energy bills. To support industry more broadly, we introduced policies that will reduce corporation tax by a further 1%, which is part of an overall year-on-year set of reductions in corporation tax.

As I said, BIS, DECC and the Treasury are already in discussion with energy-intensive industries to identify those most affected by the carbon price floor and to pull together the best set of options to address some of those concerns. The package that we plan to announce by the end of the year will build on the measures, some of which I have set out, that we announced in the Budget. The Bill could also be a means of implementing part of the package. I should be clear that the options that we are considering do not relate only to tax. They look across the board at what we can do to support energy-intensive industries.

On Opposition amendment 12, the carbon price floor is designed to give UK electricity generators certainty about the carbon price. That will encourage more investment in low carbon. Although some Members expressed concerns about how the policy will work, it has been supported by a number of members of the investment community. A range of policy assessments have been carried out not just as part of the consultation document, but as part of the extensive impact assessment that was done alongside that, including the tax impact and information note that was published at the time of the Budget.

Caroline Lucas: Does the Minister agree that the carbon price floor effectively constitutes a subsidy for nuclear power? Does she therefore agree that unless it is clawed back through a windfall tax, it would contravene the terms of the coalition agreement on no subsidies for new nuclear?

Justine Greening: I am pleased that the hon. Lady has raised that point, because it gives me the opportunity to be crystal clear again—alongside the statements that I made in Committee, and those that she knows I have made to the Select Committee of which she is a member—that this policy is not a subsidy for the nuclear industry. As was pointed out in the previous debate by my hon. Friend the Member for Bristol West (Stephen Williams), who I am pleased to see in his place following his contribution to the Committee stage, this is a tax on carbon, not on nuclear fuel rods, as happened in Germany.

The reason nuclear is outside the scope of the tax is that uranium and wind, for example, are not in the carbon price floor because, of course, they do not contain carbon. I understand the arguments that have been made, but they are a little like saying that because we have a tax on alcohol, that is a subsidy for the soft drinks industry. There is also a contradiction between what Opposition Members have been saying. They complain that this is a tax-raising measure, yet they also say that it is a subsidy. Those arguments are contradictory.

Amendments 21 and 12 are unnecessary, and I hope that they will both be withdrawn.

Question put, That the amendment be made.

The House divided: Ayes 217, Noes 276.

Division No. 316] **[8.54 pm**

AYES

Abbott, Ms Diane
Abrahams, Debbie
Ainsworth, rh Mr Bob
Alexander, Heidi
Ali, Rushanara
Ashworth, Jon
Austin, Ian
Bailey, Mr Adrian
Bain, Mr William
Banks, Gordon
Barron, rh Mr Kevin
Beckett, rh Margaret
Begg, Dame Anne
Benn, rh Hilary
Benton, Mr Joe
Berger, Luciana
Blackman-Woods, Roberta
Blears, rh Hazel
Blenkinsop, Tom
Blunkett, rh Mr David
Bradshaw, rh Mr Ben
Brennan, Kevin
Brown, rh Mr Gordon
Brown, Lyn
Brown, rh Mr Nicholas
Brown, Mr Russell
Buck, Ms Karen
Byrne, rh Mr Liam
Campbell, Mr Alan
Campbell, Mr Gregory
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clark, Katy
Clarke, rh Mr Tom
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Connarty, Michael
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Crausby, Mr David
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cryer, John
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Curran, Margaret
Dakin, Nic
Danczuk, Simon
Davidson, Mr Ian
Davies, Geraint
De Piero, Gloria
Denham, rh Mr John
Dobson, rh Frank
Docherty, Thomas
Donohoe, Mr Brian H.
Doran, Mr Frank
Dowd, Jim
Doyle, Gemma
Dromey, Jack
Dugher, Michael
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Esterson, Bill
Farrelly, Paul
Field, rh Mr Frank
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Francis, Dr Hywel
Gapes, Mike
Gilmore, Sheila
Glass, Pat
Glindon, Mrs Mary
Godsiff, Mr Roger
Goggins, rh Paul
Goldsmith, Zac
Goodman, Helen
Greatrex, Tom
Green, Kate
Greenwood, Lilian
Griffith, Nia
Gwynne, Andrew
Hain, rh Mr Peter
Hamilton, Mr David
Hamilton, Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Healey, rh John
Hepburn, Mr Stephen
Heyes, David
Hilling, Julie
Hodgson, Mrs Sharon
Hoey, Kate
Hopkins, Kelvin
Hosie, Stewart
Howarth, rh Mr George
Hunt, Tristram
Irranca-Davies, Huw
James, Mrs Siân C.
Jamieson, Cathy
Jarvis, Dan
Johnson, rh Alan
Johnson, Diana
Jones, Helen
Jones, Susan Elan
Joyce, Eric
Kendall, Liz
Khan, rh Sadiq
Lammy, rh Mr David
Lavery, Ian
Leslie, Chris
Lewis, Mr Ivan
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
MacNeil, Mr Angus Brendan
Mactaggart, Fiona
Mahmood, Shabana
Mann, John
Marsden, Mr Gordon
McCabe, Steve
McCann, Mr Michael
McCarthy, Kerry
McClymont, Gregg
McCrea, Dr William
McDonagh, Siobhain
McDonnell, John
McFadden, rh Mr Pat
McGovern, Alison
McGovern, Jim
McKechin, Ann
McKinnell, Catherine
Meacher, rh Mr Michael
Meale, Sir Alan
Mearns, Ian
Michael, rh Alun
Miliband, rh David
Miller, Andrew
Mitchell, Austin
Morden, Jessica
Morrice, Graeme *(Livingston)*
Morris, Grahame M. *(Easington)*
Mudie, Mr George
Munn, Meg
Murphy, rh Paul
Murray, Ian
Nash, Pamela
O'Donnell, Fiona
Onwurah, Chi
Owen, Albert
Pearce, Teresa
Percy, Andrew
Perkins, Toby
Raynsford, rh Mr Nick
Reed, Mr Jamie
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Ritchie, Ms Margaret
Robertson, Angus
Robinson, Mr Geoffrey
Rotheram, Steve
Roy, Mr Frank
Roy, Lindsay
Ruane, Chris
Ruddock, rh Joan
Sarwar, Anas
Seabeck, Alison
Shannon, Jim
Sharma, Mr Virendra
Sheridan, Jim
Shuker, Gavin
Simpson, David
Skinner, Mr Dennis
Slaughter, Mr Andy
Smith, rh Mr Andrew
Smith, Angela
Smith, Owen
Spellar, rh Mr John
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Thomas, Mr Gareth
Thornberry, Emily
Trickett, Jon
Turner, Karl
Umunna, Mr Chuka
Vaz, Valerie
Vickers, Martin
Walley, Joan
Watson, Mr Tom
Watts, Mr Dave
Weir, Mr Mike
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Wicks, rh Malcolm
Williamson, Chris
Wilson, Phil
Wilson, Sammy
Winnick, Mr David
Winterton, rh Ms Rosie
Wishart, Pete
Wood, Mike
Woodcock, John
Woodward, rh Mr Shaun
Wright, David
Wright, Mr Iain

Tellers for the Ayes:
Mark Tami and Graham Jones

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Amess, Mr David
Andrew, Stuart
Bacon, Mr Richard
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Barker, Gregory
Baron, Mr John
Barwell, Gavin
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bradley, Karen
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, rh Mr Simon
Burrowes, Mr David
Burstow, Paul
Burt, Alistair
Burt, Lorely
Byles, Dan
Cable, rh Vince
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, Neil
Carswell, Mr Douglas
Cash, Mr William
Chishti, Rehman

Chope, Mr Christopher
Clappison, Mr James
Clark, rh Greg
Clarke, rh Mr Kenneth
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crockart, Mike
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorries, Nadine
Doyle-Price, Jackie
Duddridge, James
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Foster, rh Mr Don
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Gauke, Mr David
George, Andrew
Gibb, Mr Nick
Gilbert, Stephen
Goodwill, Mr Robert
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Green, Damian
Greening, Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gyimah, Mr Sam
Halfon, Robert
Hammond, Stephen
Hancock, Mr Mike
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Hinds, Damian
Hoban, Mr Mark
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Howarth, Mr Gerald
Howell, John
Huhne, rh Chris
Huppert, Dr Julian
Hurd, Mr Nick
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Jones, Andrew
Jones, Mr Marcus
Kawczynski, Daniel
Kelly, Chris
Kennedy, rh Mr Charles
Kirby, Simon
Knight, rh Mr Greg
Laing, Mrs Eleanor
Lamb, Norman
Lancaster, Mark
Lansley, rh Mr Andrew
Latham, Pauline
Leadsom, Andrea
Lee, Dr Phillip
Lefroy, Jeremy
Lewis, Brandon
Liddell-Grainger, Mr Ian
Lilley, rh Mr Peter
Lloyd, Stephen
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Luff, Peter
Lumley, Karen
Macleod, Mary
Main, Mrs Anne
May, rh Mrs Theresa
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Mensch, Louise
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Mills, Nigel
Mitchell, rh Mr Andrew
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Mulholland, Greg
Mundell, rh David
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Ottaway, Richard
Paice, rh Mr James
Parish, Neil
Patel, Priti
Pawsey, Mark
Penning, Mike
Penrose, John
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pugh, John
Raab, Mr Dominic
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reevell, Simon
Reid, Mr Alan
Rifkind, rh Sir Malcolm
Robathan, rh Mr Andrew
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Sharma, Alok
Shelbrooke, Alec
Shepherd, Mr Richard
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soames, Nicholas
Soubry, Anna
Spelman, rh Mrs Caroline
Spencer, Mr Mark
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Syms, Mr Robert
Teather, Sarah
Timpson, Mr Edward
Tomlinson, Justin
Truss, Elizabeth
Turner, Mr Andrew
Uppal, Paul
Vaizey, Mr Edward
Vara, Mr Shailesh
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Ward, Mr David
Watkinson, Angela
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Williams, Mr Mark
Williams, Stephen
Williamson, Gavin
Willott, Jenny
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Simon
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Noes:
Stephen Crabb and Mark Hunter

Question accordingly negatived.

Clause 87

MUTUAL ASSISTANCE FOR RECOVERY OF TAXES ETC.

The Exchequer Secretary to the Treasury (Mr David Gauke): I beg to move amendment 1, page 48, line 16, leave out subsection (4).

Mr Deputy Speaker (Mr Nigel Evans): With this it will be convenient to discuss Government amendments 2 to 8.

Mr Gauke: Clause 87 and schedule 25 give effect to the new mutual assistance recovery directive, which comes into effect on 1 January 2012. The directive will improve the current mutual assistance provisions, which permit member states to recover and enforce tax debts and to exchange information across the European Union. This will improve tax compliance and make the tax system fairer. The directive extends mutual assistance to all national and local taxes. Local taxes are devolved, so consent is required from the Scottish Parliament and

[Mr Gauke]

the Northern Ireland Assembly to legislate on their behalf. These consents could not be secured before those Administrations dissolved ahead of the May elections, so a number of exclusions were included in the Bill published on 31 March 2011. Agreement has now been received from Scotland and Northern Ireland that Westminster can legislate for these matters.

The amendments remove the exclusions included in the Bill in relation to Scotland and Northern Ireland. They also make an addition to the explanation of "relevant UK authority" in order to include a claim from another member state to recover an agricultural levy in Scotland.

Gavin Williamson (South Staffordshire) (Con): I understand that my hon. Friend recently received the very prestigious award of tax personality of the year. I am somewhat concerned that this glorious award may be influencing his conduct as a Minister in carrying on his business in relation to tax policy. Is that a fact?

Mr Gauke: I am grateful to my hon. Friend for that intervention. I am trying hard not to let the award go to my head. I will endeavour to do my best, but it is of course a great honour. I take it as praise for what the Government are doing more generally on tax policy. Before I break into tears—I find it quite emotional to talk about the award—I shall return to the issue of mutual assistance.

HMRC's data-gathering powers are modernised by clause 86 and schedules 23 and 24. It is important that the powers satisfy the international standards determined by the OECD and the global forum on transparency and exchange of information for tax purposes. The provisions in the Bill, which have been discussed in Committee, will ensure that HMRC can use its full range of existing powers to meet requests from overseas.

The global forum is currently conducting a peer review of the UK and a specific issue has been identified that we have to address. Schedule 36 to the Finance Act 2008 does not allow HMRC to require information from a third party when it does not know the full identity of the taxpayer but has some information from which their full identity can be ascertained, such as a branch code and a bank account number or a credit card number. At present, unless a serious loss of tax is suspected, HMRC is unable to issue a notice to a third party that can be reasonably expected to know the name and address of the person concerned. In the examples I have given, that would be a bank or credit card issuer. To meet our international commitments, we need to amend schedule 36 to allow a formal notice to be issued in those circumstances. However, we have made a clear commitment to consult on tax changes, so I have asked HMRC to consult over the summer on how best to achieve the changes, with a view to publishing draft provisions in the autumn and legislating next year. I envisage the changes taking effect from Royal Assent in 2012.

In conclusion, the amendments to clause 87 and schedule 25 will help to ensure that the new mutual assistance recovery directive is fully transposed into UK law by 31 December 2011. We fully support the aims of the directive and this implementing legislation. I therefore commend the amendments to the House.

Chris Leslie: The amendments look reasonably uncontentious. It is sensible to find ways to support mutual assistance between nation states in the recovery of tax debts and duties. I am glad that the consents have come from the devolved Administrations. Those justify the amendments, so we do not wish to oppose them.

May I, too, take this opportunity to congratulate the hon. Gentleman on the prestigious award of tax personality of the year. I am sure that there is more to his personality than tax. Perhaps in his speech, as well as thanking his parents and his agent, he could also thank his accountant.

Amendment 1 agreed to.

Schedule 7

Investment companies

Mr Gauke: I beg to move amendment 22, page 166, leave out line 18 and insert

'day specified in the election as the day on which it takes effect (which must be later than the day on which the election is made).'.

Mr Deputy Speaker (Mr Nigel Evans): With this it will be convenient to discuss Government amendments 23 to 29.

Mr Gauke: The amendments will ensure that clauses 34 and 48 operate as intended when companies make retrospective changes to the dates to which their accounts are drawn up.

Schedule 7 allows companies to elect prospectively to change the currency in which they prepare their accounts for tax purposes. That is often referred to as their functional currency. That change must be prospective to prevent companies from changing their functional currency with the benefit of hindsight to realise a foreign exchange loss for tax purposes. Following the Public Bill Committee debate on clause 34, a major accountancy firm disclosed an avoidance scheme that retrospectively creates a short accounting period to circumvent the new rules. The amendments will ensure that clause 34 operates as intended when a company retrospectively changes the date to which its accounts are drawn up.

Clause 48 and schedule 13 implement an optional branch exemption regime. Companies must elect into branch exemption in advance of an accounting period to prevent them from leaving known losses outside of exemption in order to retain loss relief. Retrospective accounting period changes create problems similar to those that arise in connection with clause 34, whereby decisions on election into branch exemption may be made with the benefit of hindsight. The amendments will ensure that clause 48 operates as intended when a company changes its accounting periods. In each case, the date on which an election comes into force will be fixed in advance at the time when the election is made.

The amendments that relate to clause 34 will protect the £60 million yield in the original measure, and together the amendments will protect an estimated £200 million that would otherwise be likely to be lost due to avoidance schemes. They will ensure that clauses 34 and 48 operate as intended when a company uses hindsight to alter its accounting periods. I therefore urge the House to accept them.

9.15 pm

Chris Leslie: Again, these Government amendments are sensible. It is important that we tighten loopholes for investment companies that might chop and change the election of their functional currencies to generate tax deductible foreign exchange losses and avoid a tax obligation. They seem important minor amendments to improve election arrangements, so we are happy to support them.

Amendment 22 agreed to.

Amendments made: 23, page 166, line 21, leave out subsection (3) and insert—

'(2A) An election under section 9A(2)(a) may be revoked by notice of the revocation being given to an officer of Revenue and Customs before the election takes effect.

(3) Subject to that, an election has effect until immediately before—

(a) the day on which another election by X takes effect, or

(b) the day on which a revocation event occurs,

(whichever first occurs).'.

Amendment 24, page 166, line 41, at end insert—

'(5A) Subsections (5B) and (5C) apply if a period of account of X ("the straddling period of account") begins before, and ends on or after, the day on which—

(a) an election under section 9A(2)(a) takes effect, or

(b) a revocation event occurs.

(5B) It is to be assumed, for the purposes of this Chapter, that the straddling period of account consists of two separate periods of account—

(a) the first beginning with the straddling period of account and ending immediately before that day, and

(b) the second beginning with that day and ending with the straddling period of account,

and X's profits and losses are to be computed accordingly for the purposes of corporation tax.

(5C) For those purposes, it is to be assumed—

(a) that X prepares its accounts for each of the two periods in the same currency, and otherwise on the same basis, as it prepares its accounts for the straddling period of account, and

(b) that if the accounts for the straddling period of account, in accordance with generally accepted accounting practice, identify a currency as X's functional currency, the accounts for each of the two periods do likewise.'.

Amendment 25, page 167, line 28, leave out from 'but' to end of line 37 and insert 'for a change in the company's functional currency (within the meaning of section 17(4) of that Act) as between—

(a) the period of account of the company in which the gain or loss arises, and

(b) a period of account of the company ending in the 12 months immediately preceding that period.'".

Amendment 26, page 167, line 44, leave out from 'but' to end of line 9 on page 168 and insert 'for a change in the company's functional currency (within the meaning of section 17(4) of that Act) as between—

(a) the period of account of the company in which the gain or loss arises, and

(b) a period of account of the company ending in the 12 months immediately preceding that period.'".

Amendment 27, page 168, line 14, at end insert—

'( ) Where an election made by a company before 27 June 2011 does not specify the day on which it takes effect, the election is to be treated as if it specified the first day of the first period of account of the company beginning after the election was made.'.—*(Mr Gauke.)*

Schedule 13

PROFITS OF FOREIGN PERMANENT ESTABLISHMENTS ETC

Amendments made: 28, page 209, line 39, leave out from 'company' to end of line 40 and insert 'beginning on or after the relevant day.

(1A) "The relevant day" is the day on which, at the time of the election, the accounting period following that in which the election is made is expected to begin.

(1B) Subsection (1C) applies if an accounting period of the company ("the straddling period") begins before, and ends on or after, the relevant day.

(1C) It is to be assumed, for the purposes of the Corporation Tax Acts, that the straddling period consists of two separate accounting periods—

(a) the first beginning with the straddling period and ending immediately before the relevant day, and

(b) the second beginning with that day and ending with the straddling period.

(1D) Where for those purposes it is necessary to apportion the profits and losses for the straddling period to different parts of the period, that apportionment is to be made on a just and reasonable basis.'.

Amendment 29, page 209, line 41, leave out from 'before' to end of line 42 and insert 'the relevant day.'.—*(Mr Gauke.)*

Schedule 19

THE BANK LEVY

Amendments made: 32, page 315, line 34, leave out paragraph (b) and insert—

(b) M, or another member of the relevant group, has assets which correspond to liabilities which N, or another entity which is not a member of the group, has to M or (as the case may be) that other member ("N's liabilities"),'.

Amendment 33, page 315, line 36, leave out 'between M and N'.

Amendment 34, page 315, line 37, at end insert ', and liabilities of other members of the group to N or another entity which is not a member of the group,'.

Amendment 35, page 316, line 1, leave out paragraph (d) and insert—

(d) "the netting event occurs" if the insolvency or bankruptcy of—

(i) M, or another member of the relevant group which has assets which correspond to a liability covered by the provision mentioned in sub-paragraph (1)(c), or

(ii) N, or another entity which is not a member of the group and which has such a liability,

gives rise to the termination of any arrangements under which such a liability arises.'.

Amendment 36, page 316, line 23, leave out 'M's assets' and insert 'the assets of M, or of another member of the relevant group,'.

Amendment 37, page 316, line 24, at end insert—

'( ) But if this paragraph applies in relation to more than one member of the relevant group, no part of an asset may be included in the net settlement assets of more than one such member.'.

Amendment 38, page 320, line 11, leave out paragraph (b) and insert—

(b) M, or another entity within sub-paragraph (9), has assets which correspond to liabilities which N, or another entity not within that sub-paragraph, has to M or (as the case may be) to that other entity within that sub-paragraph ("N's liabilities"),'.

Amendment 39, page 320, line 13, leave out 'between M and N'.

Amendment 40, page 320, line 14, at end insert ', and liabilities of other entities within sub-paragraph (9) to N or another entity which is not within that sub-paragraph,'.

Amendment 41, page 320, line 35, leave out paragraph (e) and insert—

(e) "the netting event occurs" if the insolvency or bankruptcy of—

(i) M, or another entity within sub-paragraph (9) which has assets which correspond to a liability covered by the provision mentioned in sub-paragraph (8)(c), or

(ii) N, or another entity not within sub-paragraph (9) which has such a liability,

gives rise to the termination of any arrangements under which such a liability arises.'.

Amendment 42, page 321, line 6, leave out 'M's assets' and insert 'the assets of M, or of another entity within sub-paragraph (9),'.

Amendment 43, page 321, line 7, at end insert—

'( ) But—

(a) if N's net settlement liabilities include liabilities of a relevant foreign bank covered by paragraph 17(17), X% (as determined at Step 2 in paragraph 24(1)) of the assets corresponding to the liabilities of the relevant foreign bank are to be disregarded for the purposes of sub-paragraph (14), and

(b) if sub-paragraph (12) applies in relation to more than one entity within sub-paragraph (9), no part of an asset may be included in the net settlement assets of more than one such entity.'.

Amendment 44, page 324, line 38, leave out paragraph (b) and insert—

(b) M, or another entity within sub-paragraph (9), has assets which correspond to liabilities which N, or another entity not within that sub-paragraph, has to M or, as the case may be, to that other entity within that sub-paragraph ("N's liabilities"),'.

Amendment 45, page 324, line 40, leave out 'between M and N'.

Amendment 46, page 324, line 41, at end insert ', and liabilities of other entities within sub-paragraph (9) to N or another entity which is not within that sub-paragraph,'.

Amendment 47, page 325, line 15, leave out paragraph (e) and insert—

(e) "the netting event occurs" if the insolvency or bankruptcy of—

(i) M, or another entity within sub-paragraph (9) which has assets which correspond to a liability covered by the provision mentioned in sub-paragraph (8)(c), or

(ii) N, or another entity not within sub-paragraph (9) which has such a liability,

gives rise to the termination of any arrangements under which such a liability arises.'.

Amendment 48, page 325, line 36, leave out 'M's assets' and insert 'the assets of M, or of another entity within sub-paragraph (9),'.

Amendment 49, page 325, line 37, at end insert—

'( ) But—

(a) if N's net settlement liabilities include liabilities of a relevant foreign bank covered by paragraph 19(17), X% (as determined at Step 2 in paragraph 24(1)) of the assets corresponding to the liabilities of the relevant foreign bank are to be disregarded for the purposes of sub-paragraph (14), and

(b) if sub-paragraph (12) applies in relation to more than one entity within sub-paragraph (9), no part of an asset may be included in the net settlement assets of more than one such entity.'.

Amendment 50, page 336, line 33, at end insert—

'*Netting agreements*

(1) The Treasury may by order add to, repeal or otherwise amend any of paragraphs 16, 18(8) to (16), 20(8) to (16), 22 and 25.

(2) An order under this paragraph may make consequential amendments of this Schedule.

(3) An order under this paragraph may have retrospective effect in relation to—

(a) any chargeable period in which the order is made, or

(b) in the case of an order made on or before 31 December 2011, any chargeable period ending on or after 1 January 2011.

(4) Orders under this paragraph are to be made by statutory instrument.

(5) A statutory instrument containing an order under this paragraph may not be made unless a draft has been laid before, and approved by a resolution of, the House of Commons.'.—*(Mr Gauke.)*

Schedule 25

MUTUAL ASSISTANCE FOR RECOVERY OF TAXES ETC

Amendments made: 2, page 390, line 29, leave out 'other than excluded matters'.

Amendment 3, page 390, line 31, leave out 'other than excluded matters'.

Amendment 4, page 390, line 32, leave out sub-paragraphs (3) and (4).

Amendment 5, page 391, line 18, leave out sub-paragraph (4).

Amendment 6, page 393, line 15, at end insert—

(ca) if the foreign claim relates to an agricultural levy and the steps are ones to be taken in or in relation to Scotland, the Commissioners concurrently with the Scottish Ministers;'.

Amendment 7, page 393, line 42, leave out sub-paragraph (2).

Amendment 8, page 395, line 26, leave out sub-paragraph (3).—*(Mr Gauke.)*

Third Reading

9.16 pm

Mr Gauke: I beg to move, That the Bill be now read the Third time.

During the course of the debates on this Finance Bill we have spent some time combing through the details of our plans to put the economy back on course. It is a Bill that will help ensure the stability of our financial sector, protect the most vulnerable in society from the worst effects of the downturn, make Britain a better place to do business and stimulate private sector growth. We are clearly the Government who are setting the agenda on the need for a tax system that encourages growth, by cutting corporation tax, improving research and development tax credits, extending enterprise investment schemes and increasing the entrepreneurs' relief.

To be fair, after three months of debate we have not seen much policy from the Opposition. Of course, the right hon. Member for Morley and Outwood (Ed Balls)

proposed a temporary cut in VAT in the middle of our proceedings, although I cannot but draw the House's attention to the fact that he then failed to table an amendment to that effect until it was too late. It fell to the hon. Member for Carmarthen East and Dinefwr (Jonathan Edwards), who I am delighted to see here this evening, to table such an amendment. However, at that point the official Opposition abstained and failed to support the very policy for which they had been campaigning the week before. I would like to think that they were persuaded by the arguments made from the Dispatch Box that it was the wrong policy. Perhaps there is some cachet in being tax personality of the year after all, although on that evening not all Government Back Benchers were so easily persuaded by arguments from the Treasury Bench.

Hon. Members will be aware that this is the first full Bill in which we have demonstrated our commitment to the principles of tax policy making that were set out in last year's Budget. To paraphrase Bananarama, it ain't just what you do, it's the way that you do it. I am sure hon. Members are aware that the Treasury Committee published its report on our new approach to tax policy making on 15 March, and that they will have noted the principles of good taxation set out by my right hon. Friend the Chancellor in his Budget speech. Like the Committee, he gave his views on what the key elements of our tax system should be. It should support growth and encourage competition; be certain and predictable; be simple to understand and easy to comply with; and be fair, reward work, support aspiration and ask the most from those who can most afford it. Those principles are central to the policy making process that is reflected in the measures that we see in the Bill.

The Bill supports growth in our economy, and will help to provide businesses with the most competitive tax system in the G20. We set out our plans for achieving that in "The Corporate Tax Road Map", which was published last November. We are providing business with a clear understanding of our overall direction of travel; setting out the timetable for major areas of reform; and enabling businesses to have the confidence they need to invest, create new jobs and drive the recovery. John Cridland, director-general of CBI said, quite simply:

> "This Budget will help businesses grow and create jobs. The Chancellor has made clear the UK is open for business."

The Bill delivers some of the major changes: a cut in corporation tax to 26% this year and 25% next year, towards a rate of 23% in 2014, which will be the lowest corporation tax rate in the G7; cuts in the small-profits rates of tax; interim reforms of the controlled foreign corporation rules, before a full reform next year; and simplification of the rules relating to corporate capital gains. Those will help to deliver on making Britain competitive internationally, although that is not the only driver of growth: we are supporting British businesses through changes to the enterprise investment R and D tax credit schemes, making them more generous; we have doubled the rate of entrepreneurs relief; and we are increasing the disposal time for short-life assets to eight years.

We set out most of the measures in the Bill last year, just as we set out most of the measures for next year in Budget 2011. We will consult on draft legislation in the autumn to allow time to hear from interested parties and, as I have said, we have set out future changes in a number of areas, including for corporate taxes. Certainty is what British businesses need most, and that is what this Government are giving them.

On simplification, we recognised the spaghetti bowl of complexity in the tax system, so last summer we set up the Office of Tax Simplification to advise us on how to untangle matters. It has made substantial progress and has already examined the reliefs within the tax system. Following its recommendations, we have identified more than 40 reliefs for abolition, of which seven are repealed by the Bill. We recently launched a consultation on the remainder to ensure that taxpayers have sufficient notice of the changes, with a view to legislating next year. Furthermore, the OTS has made recommendations on the operational integration of income tax and national insurance contributions, and we announced in the Budget that we will take forward work on that. A simpler tax system is an easier tax system, and it reduces costs for business and the Government, although it may leave me with less to read on my quiet evenings in.

The final principle outlined by the Chancellor and echoed by the Treasury Committee is that of fairness. We have increased the personal allowance by £1,000, and will increase it to £10,000. We are making real steps in every year in this Parliament. We have cut fuel duty by only 1p, as opposed to the 6p increase that the previous Government would have imposed. We are freezing vehicle excise duty for hauliers, and there will be an inflation-only increase in vehicle excise duty for all other motorists.

We are supporting pensioners through the triple guarantee on state pensions and by removing the requirement to annuitise, and we are helping charities through changes to the substantial donors rules. We are taking action on tax avoidance to address issues that have spiralled out of control. In particular, we have introduced legislation to tackle disguised remuneration—the practice whereby well paid individuals disguise their remuneration as loans that are never repaid, which results in a loss to the Exchequer. That measure will raise more than £700 million a year, and I am genuinely surprised and disappointed that it did not receive Opposition support in Committee. We have also introduced the bank levy to encourage banks to behave in a less risky manner, while ensuring that they pay their fair share. The tax system must be fair, and this Government are ensuring that that is so.

When I thought that I would be making this speech on 4 July, I found it easy to weave in references to American independence, in which taxation played such a large part. The date of 5 July is a little less well known for historical events, although of course it was the date in 1948 on which the NHS was launched. My research on this day uncovered a further event of note, although I shall refrain from calling it historical—were the right hon. Member for Delyn (Mr Hanson) here, I would wish him a very happy birthday. I thank him for his constructive engagement during the passage of the Bill in Committee and on Report, as I do the hon. Members for Bristol East (Kerry McCarthy) and for Nottingham East (Chris Leslie). I hope that the right hon. Gentleman has found the time to celebrate. I would like to thank him for his good humour during the Bill. I would also like to take this opportunity to pass on my congratulations to an official who has been supporting me throughout

[Mr Gauke]

the Bill and who is celebrating her 30th birthday today and showing her dedication to the cause. It may be her 30th birthday but she is still with us in the Chamber today.

We have a plan for deficit reduction that has been internationally endorsed, and we are sticking to it. We have a plan for growth—growth that will be driven by investment and exports, growth that is sustainable and growth that supports entrepreneurs throughout the country. The Bill puts in place the right conditions to allow British business to flourish, and I commend it to the House.

9.25 pm

Chris Leslie: May I join the Minister in congratulating the Bill team on their hard work and unstinting efforts, especially in Committee, where unfortunately I was unable to join them? However, it has been a delight to revisit these issues on Report over the past couple of days. I would like to pay tribute to my right hon. Friend the Member for Delyn (Mr Hanson), whose birthday it is today—I do not know where he is at the moment, but I am sure that he is watching proceedings avidly.

I should also say happy birthday to the NHS and to the official who has been helping the Minister. I am told that 30 is the new 20. I thank my hon. Friend the Member for Bristol East (Kerry McCarthy), and also my hon. Friend the Member for West Ham (Lyn Brown). The Whips are often unsung in these matters, but we would not be here without their support and assistance—and tugging of jackets at various moments! I am not familiar with Bananarama's greatest hits but the Minister, given his new personality award, might like to tell me a little more about them. I gather that "True Confessions" in 1986 was one of their greatest hits, but "Please Yourself" came in 1993—I think that somewhere between the two defines his approach to the Finance Bill.

Coming in at just under 400 pages, the third Finance Bill of the year, with a huge number of amendments, is a complex measure, but for all its detail and complexity, I am afraid that it represents a missed opportunity to tax the banks fairly and to support job creation across the UK. Those omissions make this a sub-standard and ill-judged Bill. Of course, like every country we need to get the deficit down, but the Government are creating a vicious cycle in our economy because they are cutting too far and too fast—hitting families and costing jobs. More people out of work and on benefits will make it harder to get the deficit down. In fact, the Government are now set to borrow £46 billion more than they had planned.

The Government said they would cut the deficit by cutting spending, but putting people on the dole and suppressing growth is a waste of money and a waste of their potential. Instead, the Government need a plan B. They ought to follow our balanced deficit plan, which puts jobs first. Of course, although we need tough decisions, getting people off the dole and back into work is the best way to reduce the deficit. As we have made clear today, rather than giving the banks a tax cut, the Government should adopt Labour's plan for a tax on bankers' bonuses and use the money to fund apprenticeships, getting young people into work and supporting small business.

I am afraid that the Bill jeopardises job creation and fails to support existing jobs. The rushed decision to make a tax raid on North sea oil means that companies are reconsidering their future in Britain, and puts investment and jobs in jeopardy. Of course the Government should seek windfall profits at a time of high fuel prices, but they have rushed that decision without consultation or proper consideration of the longer-term economic consequences. By slashing the investment allowances by £2.6 billion, the Government are penalising those companies that invest, particularly small businesses and businesses in the manufacturing sector. Again, that is putting jobs at risk and holding back growth.

The Bill leaves a number of unresolved and unanswered questions. In Committee, the Government said the child trust fund replacement for looked-after children was still being considered by the Department for Education, but that there was no fixed time frame for implementation. The Minister has been unable to put on record whether any progress has been made on that issue, which is a pity.

Clause 26, which deals with disguised remuneration employment income provided through third parties, has stood out as being particularly badly drafted. It is long and complex, and has been subject to no fewer than 88 last-minute amendments. Businesses are still raising concerns about its scope and interpretation. However, although the drafting of clause 26 was unclear, we did not oppose the principle, and it would be wrong if our position on it were further misrepresented. All we wanted to know was whether the provisions would catch some genuine transactions and whether Ministers were working properly with businesses and professionals to clarify those issues.

The amendments made on Report to clauses 34 and 48 were about closing avoidance loopholes that HMRC have detected. We support those amendments of course, but we have raised concerns about avoidance in respect of the foreign profits clauses. We also had concerns about the loss of tax revenue to developing countries—something on which the Government claim to have conducted only an "initial analysis". It is a shame that the Government have passed legislation when they cannot give a figure for the impact on developing countries' tax bases—an assessment that we called for before implementation. We can therefore only hope that the poorest countries in the world are not unintentionally harmed by that measure.

To conclude, as well as leaving a number of questions unanswered and creating uncertainty, the Bill represents a missed opportunity to get banks to pay a fairer share of tax to society, through a stronger bank levy and a repeat of the bank bonus tax. Tragically, it is also a missed opportunity to tackle unemployment and get people into work—further evidence that this Government fail to understand that the best way to secure growth and get the deficit down is to get people off the dole.

9.31 pm

Stephen Williams: I shall make some brief remarks in this Third Reading debate on yet another Finance Bill. Unlike the hon. Member for Nottingham East (Chris Leslie), who is lucky not to have sat through every stage of the Bill, I have endured all of it, from the Budget and Second Reading right the way through to the upstairs

and downstairs stages. I too congratulate my hon. Friend the Minister on being named tax personality of the year, which is indeed an exalted position. The tax personality of the year should, of course, know that 5 July is the end of a tax month; in fact, it is also the end of the first quarter of the traditional tax year, so he could have mentioned that too. I can only assume that the judges made their decision before they heard his Bananarama joke. Unfortunately you were absent at that point, Mr Speaker, so you will have to look in *Hansard* to see what I am talking about.

In the spirit of cross-Chamber harmony, I too briefly congratulate the right hon. Member for Delyn (Mr Hanson) on his birthday. He has also been with us for all stages of the Finance Bill, apart from this one. I can only assume that he has thought of somewhere better than the Chamber of the House of Commons from which to watch the final stage of the Bill.

This is a good opportunity to weigh up the credibility of both the official Opposition and the coalition Government, after all the various stages of the Bill. We have heard many times that the Labour Opposition believe that fiscal tightening and a reduction in the budget deficit are needed. However, although we have heard from many Opposition Members about the cuts that they oppose, we have not heard from any of them about the cuts that they favour. We have also heard about their difficulties with the various tax changes that the coalition Government are making. As my hon. Friend the Minister pointed out, the Opposition pulled a rabbit out of the hat in the middle of our proceedings when the shadow Chancellor announced a great new policy with a flourish. His policy was that the Opposition would, after all, oppose the VAT increase to 20%. However, first the Scottish National party gave the Opposition an opportunity to vote against the increase and they abstained, and then Plaid Cymru gave them another opportunity and they abstained again. Indeed, the Opposition could have given themselves an opportunity to vote against the increase, but they failed to get their amendment in on time. That is two official abstentions and one botched attempt to oppose the Government's policy, so the next time any Labour MP says that they oppose the rise in VAT, they will not have much credibility.

The Opposition also even opposed tightening a tax avoidance measure in Committee, and this morning the last vestige of Labour credibility—if Labour had any—in dealing with the economy was stripped away by the hon. Member for Nottingham East, when Labour refused to support the extension of special drawing rights arising from Britain's contribution to the IMF. Of course, that was part of the initiative launched by the former Prime Minister, the right hon. Member for Kirkcaldy and Cowdenbeath (Mr Brown), when he supposedly saved the world—I think that was the phrase—at the London G20 summit in 2009. And today, his successor spokespersons for the Labour party refuse to support the spirit of internationalism in dealing with bail-outs around the world.

Chris Leslie: I hope the hon. Gentleman will allow me to put on record something that he admits has been conspicuous by its absence—namely, the fact that the UK's subscription to the IMF is rising from, I think, £10.7 billion to more than £20 billion. I hope he will explain that figure to his constituents and tell them, at a time when we are also on the hook for the other European bail-out arrangements, why we should be paying twice in that regard. I would be interested to hear his point of view.

Stephen Williams: I would be happy to invite the hon. Gentleman, as well as any other hon. Members and my own constituents, to read my blog, where I explained exactly that point straight after this morning's debate. The explanation is of course a movement between the Government's reserves and the reserves that we denominate in special drawing rights at the IMF. That does not involve additional Government borrowing or additional cuts, as the hon. Gentleman very well knows. What we saw this morning was the Labour party making a cheap, opportunistic point on a very serious issue.

Chris Leslie: I am grateful to the hon. Gentleman for being so nice about me just a moment ago. The Minister refused to tell us this morning, but does the hon. Gentleman know how much British taxpayers' money is on the hook, via our IMF support for Greece? How many pounds sterling are on the hook? Does he know what our liability is?

Stephen Williams: The hon. Gentleman will have heard exactly what I heard this morning from the Financial Secretary to the Treasury, which was that, in its whole history since 1945, the IMF has never lost its money because it is always the first creditor to be paid. Our money is therefore not at risk, but our providing it is essential in order to ensure that the international economy stabilises. That is also in our own national interest.

I have dealt with the Labour party's credibility, but what about that of the coalition Government? The points that the hon. Gentleman has just made lead me neatly to compare this country with Greece. During the passage of the Bill, we have seen the sad events in Athens, with the Greek Government having to make difficult and unpopular decisions. Greece's bond rating, which reflects people's willingness to lend to it, is CCC, while ours is AAA, even though our budget deficit is much higher than that of Greece. The difference is that our Government have a credible plan for repairing our public finances, and that is what gives us credibility in world markets and at home.

The Finance Bill and the Budget have also confirmed one of the most important measures that the coalition Government will introduce—namely, making the income tax system fairer. That was the No. 1 commitment that my Liberal Democrat colleagues and I stood on in the general election. We believe that work should pay, and that the lowest-paid employees in this country should be shielded from income tax. I am therefore pleased that the Bill takes another step towards making our pledge of £10,000 of tax-free income come true during the lifetime of this Parliament.

The Bill also puts in place a bank levy, so that the bankers will pay something back towards the problems that they helped to create during the last Government's period in office. The budget is now under control. That is why the coalition Government were formed in the first place. Many of us might have thought at the time that it was a somewhat unlikely coalition, but it was put together to take these difficult decisions, to repair our public finances, to bring back international confidence

[Stephen Williams]

and to give confidence to our own constituents that our country could get back on track. The difficult decisions have now been made, and we will see the job through.

9.39 pm

Jonathan Edwards: I will not take up much of hon. Members' time this evening. I regret to inform the Treasury that we will vote against the Government. Leaving aside our concerns about the speed and depth of the cuts, our main concern as a party is obviously the effect of the Budget on Wales. Given the economic headwinds that Wales faces, the Treasury might be interested to know that all four parties in the National Assembly, including the Conservative party and the Liberal Democrats, have today signed a joint declaration calling for an immediate reform of the Barnett formula, borrowing powers for the Welsh Government, including the ability to raise capital funds via bonds, and fiscal responsibility in respect of taxation powers. Although 5 July is not usually a historic day, I would say it is today because all the Unionist parties have adopted Plaid Cymru's economic policies. I understand that the Treasury Minister will meet the First Minister on Monday and I hope he will embrace this fresh mandate from the people of Wales.

Question put, That the Bill be now read the Third time.

The House proceeded to a Division.

Mr Speaker: I ask the Serjeant at Arms to investigate the delay in the No Lobby.

The House having divided: Ayes 285, Noes 225.

Division No. 317] **[9.40 pm**

AYES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Alexander, rh Danny
Ames, Mr David
Andrew, Stuart
Bacon, Mr Richard
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Barker, Gregory
Baron, Mr John
Barwell, Gavin
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bradley, Karen
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, rh Mr Simon
Burrowes, Mr David
Burstow, Paul
Burt, Alistair
Burt, Lorely
Byles, Dan
Cable, rh Vince
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, Neil
Carswell, Mr Douglas
Cash, Mr William
Chishti, Rehman
Chope, Mr Christopher
Clappison, Mr James
Clark, rh Greg
Clarke, rh Mr Kenneth
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crockart, Mike
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorries, Nadine
Doyle-Price, Jackie
Drax, Richard
Duddridge, James
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Field, Mr Mark
Foster, rh Mr Don
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Gauke, Mr David
George, Andrew
Gibb, Mr Nick
Gilbert, Stephen
Goodwill, Mr Robert
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Damian
Greening, Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gyimah, Mr Sam
Halfon, Robert
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Oliver
Heath, Mr David
Hemming, John
Henderson, Gordon
Hendry, Charles
Hinds, Damian
Hoban, Mr Mark
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Howarth, Mr Gerald
Howell, John
Huhne, rh Chris
Hunter, Mark
Huppert, Dr Julian
Hurd, Mr Nick
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Jones, Andrew
Jones, Mr Marcus
Kawczynski, Daniel
Kelly, Chris
Kennedy, rh Mr Charles
Kirby, Simon
Knight, rh Mr Greg
Laing, Mrs Eleanor
Lamb, Norman
Lancaster, Mark
Lansley, rh Mr Andrew
Latham, Pauline
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Mr Edward
Lewis, Brandon
Liddell-Grainger, Mr Ian
Lloyd, Stephen
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Luff, Peter
Lumley, Karen
Macleod, Mary
Main, Mrs Anne
May, rh Mrs Theresa
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Mensch, Louise
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Mills, Nigel
Mitchell, rh Mr Andrew
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Mulholland, Greg
Mundell, rh David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Ottaway, Richard
Paice, rh Mr James
Parish, Neil
Patel, Priti
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew

Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pugh, John
Raab, Mr Dominic
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reevell, Simon
Reid, Mr Alan
Rifkind, rh Sir Malcolm
Robathan, rh Mr Andrew
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Sharma, Alok
Shelbrooke, Alec
Shepherd, Mr Richard
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soames, Nicholas
Soubry, Anna
Spelman, rh Mrs Caroline
Spencer, Mr Mark
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Syms, Mr Robert
Teather, Sarah
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Uppal, Paul
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Ward, Mr David
Watkinson, Angela
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Williams, Mr Mark
Williams, Stephen
Williamson, Gavin
Willott, Jenny
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Simon
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Ayes:
Stephen Crabb and
Miss Chloe Smith

NOES

Abbott, Ms Diane
Abrahams, Debbie
Ainsworth, rh Mr Bob
Alexander, Heidi
Ali, Rushanara
Allen, Mr Graham
Ashworth, Jon
Austin, Ian
Bailey, Mr Adrian
Bain, Mr William
Balls, rh Ed
Banks, Gordon
Barron, rh Mr Kevin
Beckett, rh Margaret
Begg, Dame Anne
Benn, rh Hilary
Benton, Mr Joe
Berger, Luciana
Betts, Mr Clive
Blackman-Woods, Roberta
Blears, rh Hazel
Blenkinsop, Tom
Blunkett, rh Mr David
Bradshaw, rh Mr Ben
Brennan, Kevin
Brown, Lyn
Brown, rh Mr Nicholas
Brown, Mr Russell
Buck, Ms Karen
Byrne, rh Mr Liam
Campbell, Mr Alan
Campbell, Mr Gregory
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clark, Katy
Clarke, rh Mr Tom
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Connarty, Michael
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Crausby, Mr David
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cryer, John
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Curran, Margaret
Dakin, Nic
Danczuk, Simon
Davidson, Mr Ian
Davies, Geraint
De Piero, Gloria
Denham, rh Mr John
Dobson, rh Frank
Docherty, Thomas
Donohoe, Mr Brian H.
Doran, Mr Frank
Dowd, Jim
Doyle, Gemma
Dromey, Jack
Dugher, Michael
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Engel, Natascha
Esterson, Bill
Farrelly, Paul
Field, rh Mr Frank
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Francis, Dr Hywel
Gapes, Mike
Gilmore, Sheila
Glass, Pat
Glindon, Mrs Mary
Godsiff, Mr Roger
Goggins, rh Paul
Goodman, Helen
Greatrex, Tom
Green, Kate
Griffith, Nia
Gwynne, Andrew
Hain, rh Mr Peter
Hamilton, Mr David
Hamilton, Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Healey, rh John
Hepburn, Mr Stephen
Heyes, David
Hilling, Julie
Hodgson, Mrs Sharon
Hoey, Kate
Hopkins, Kelvin
Hosie, Stewart
Howarth, rh Mr George
Hunt, Tristram
Irranca-Davies, Huw
James, Mrs Siân C.
Jamieson, Cathy
Jarvis, Dan
Johnson, rh Alan
Johnson, Diana
Jones, Graham
Jones, Helen
Jones, Susan Elan
Joyce, Eric
Keeley, Barbara
Kendall, Liz
Khan, rh Sadiq
Lammy, rh Mr David
Lavery, Ian
Lazarowicz, Mark
Leslie, Chris
Lewis, Mr Ivan
Llwyd, rh Mr Elfyn
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
MacNeil, Mr Angus Brendan
Mactaggart, Fiona
Mahmood, Shabana
Mann, John
Marsden, Mr Gordon
McCabe, Steve
McCann, Mr Michael
McCarthy, Kerry
McClymont, Gregg
McCrea, Dr William
McDonagh, Siobhain
McDonnell, John
McFadden, rh Mr Pat
McGovern, Alison
McGovern, Jim
McKechin, Ann
McKenzie, Mr Iain
McKinnell, Catherine
Meacher, rh Mr Michael
Meale, Sir Alan
Mearns, Ian
Michael, rh Alun
Miliband, rh David
Miller, Andrew
Mitchell, Austin
Morden, Jessica
Morrice, Graeme *(Livingston)*
Morris, Grahame M. *(Easington)*
Mudie, Mr George
Munn, Meg
Murphy, rh Paul
Murray, Ian
Nash, Pamela
O'Donnell, Fiona
Onwurah, Chi
Osborne, Sandra
Owen, Albert
Pearce, Teresa
Perkins, Toby
Raynsford, rh Mr Nick
Reed, Mr Jamie
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Ritchie, Ms Margaret
Robertson, Angus
Robinson, Mr Geoffrey
Rotheram, Steve
Roy, Mr Frank
Roy, Lindsay
Ruane, Chris
Ruddock, rh Joan
Sarwar, Anas
Seabeck, Alison
Shannon, Jim
Sharma, Mr Virendra
Sheerman, Mr Barry
Sheridan, Jim
Shuker, Gavin
Simpson, David
Skinner, Mr Dennis
Slaughter, Mr Andy
Smith, rh Mr Andrew
Smith, Angela
Smith, Owen

Spellar, rh Mr John
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Tami, Mark
Thomas, Mr Gareth
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turner, Karl
Umunna, Mr Chuka
Vaz, rh Keith
Vaz, Valerie
Walley, Joan
Watts, Mr Dave
Weir, Mr Mike
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Wicks, rh Malcolm
Williams, Hywel
Williamson, Chris
Wilson, Sammy
Winnick, Mr David
Winterton, rh Ms Rosie
Wishart, Pete
Wood, Mike
Woodcock, John
Woodward, rh Mr Shaun
Wright, David
Wright, Mr Iain

Tellers for the Noes:
Lilian Greenwood and Phil Wilson

Question accordingly agreed to.

Bill read the Third time and passed.

Business without Debate

BUSINESS OF THE HOUSE (POLICE (DETENTION AND BAIL) BILL)

Ordered,

That, in respect of the Police (Detention and Bail) Bill, notices of Amendments, new Clauses and new Schedules to be moved in Committee may be accepted by the Clerks at the Table before the Bill has been read a second time.—*(Mr Heath.)*

BUSINESS OF THE HOUSE (SOVEREIGN GRANT BILL)

Ordered,

That, in respect of the Sovereign Grant Bill, notices of Amendments, new Clauses and new Schedules to be moved in Committee may be accepted by the Clerks at the Table before the Bill has been read a second time.—*(Mr Heath.)*

COMMITTEE ON MEMBERS' ALLOWANCES

Motion made,

That Standing Order No. 152G (Committee on Members' Allowances) shall be amended as follows—

(1) in line 2, leave out 'Allowances' and insert 'Expenses'; and

(2) leave out lines 3 to 17 and insert 'to consider such matters relating to Members' expenses as may be referred to it by the House;'.—*(Sir George Young.)*

Hon. Members: Object.

PAY FOR CHAIRS OF SELECT COMMITTEES

Resolved,

That the Resolution of the House of 30 October 2003, relating to Pay for Chairs of Select Committees (No. 2), shall be further amended by leaving out 'the Committee on Members' Allowances'.—*(Sir George Young.)*

REVIEW OF PARLIAMENTARY STANDARDS ACT 2009

Motion made,

That, further to the instruction to the Committee on Members' Allowances of 12 May, it be an instruction to the Committee on Members' Expenses to report to the House on the review of the Parliamentary Standards Act 2009 by 31 December 2011.—*(Sir George Young.)*

Hon. Members: Object.

DELEGATED LEGISLATION

Motion made, and Question put forthwith (Standing Order No. 118(6)),

REHABILITATION OF OFFENDERS

That the draft Rehabilitation of Offenders Act 1974 (Exceptions) (Amendment) (England and Wales) Order 2011, which was laid before this House on 16 May, be approved.—*(Angela Watkinson.)*

Question agreed to.

Mr Speaker: With the leave of the House, we shall take motions 10 and 11 together.

Motion made, and Question put forthwith (Standing Order No. 118(6)),

BETTING, GAMING AND LOTTERIES

That the draft Gambling Act 2005 (Gaming Machines in Adult Gaming Centres and Bingo Premises) Order 2011, which was laid before this House on 7 June, be approved.

That the draft Categories of Gaming Machine (Amendment) Regulations 2011, which were laid before this House on 7 June, be approved.—*(Angela Watkinson.)*

Question agreed to.

EUROPEAN UNION DOCUMENTS

Motion made, and Question put forthwith (Standing Order No. 119(11)),

ROADMAP TO A SINGLE EUROPEAN TRANSPORT AREA

That this House takes note of European Union Document No. 8333/11 and Addenda 1-3, a White Paper: Roadmap to a Single European Transport Area–Towards a competitive and resource efficient transport system; and supports the Government's aim to ensure that the European Commission's proposals are practical and proportionate and avoid excessive regulatory burdens on business, while respecting the principles of subsidiarity.—*(Angela Watkinson.)*

Question agreed to.

PETITIONS

Dismissal of Ian Faletto, Lymington Stationmaster

10.2 pm

Mr Desmond Swayne (New Forest West) (Con): The excellent and award-winning stationmaster of Lymington was sacked for removing a shopping trolley from the line before a train could collide with it. The vicar of Pennington collected 8,400 signatures and sought to deliver them to South West Trains, but in an act of shocking discourtesy to the travelling public, the company refused to take them. It is therefore my privilege to present to this House the petition of the vicar of Pennington, which calls on this honourable House to enlist the support of the Department of Transport to intercede with South West Trains to reconsider this shocking injustice.

Following is the full text of the Petition:

[The Humble Petition of Revd Alex Russell, Vicar of Pennington,

Sheweth that a great injustice has been done by the dismissal of Ian Faletto Stationmaster at Lymington.

Wherefore your Petitioner prays that your Honourable House calls upon the Government to request that South West Trains reconsider their decision in the light of his many years of exemplary service to the public

And your Petitioner, as in duty bound, will ever pray, &c.]

[P000928]

Redevelopment of Rushden Hospital Site

10.4 pm

Mr Peter Bone (Wellingborough) (Con): To follow that is impossible, but my petition is of more importance to my constituents, because the hospital site, where there is of course no longer a hospital, has always been an area where it was planned that we should eventually have a hospital. Unfortunately, the NHS plans to sell it off and 270 local residents have signed a petition, led by Sheila Vickers. I shall read the petition where the point is well made:

The Humble Petition of residents of Rushden, Northamptonshire and the surrounding areas,

Sheweth,

that the proposed revised redevelopment of the Rushden Hospital site for housing is unpopular, ill-advised and detrimental to the residents of Rushden; that over 25% of the residents of Rushden petitioned the House of Commons for a new outpatient facility in the town, the majority wanting the new facility on the Rushden hospital site; that the proposal to build housing on the site instead of an NHS facility is unacceptable and the impact on the surrounding roads of a large housing development and the density of the development and the proposed cut-through to the Greenacre Drive Estate is wholly detrimental to local residents and notes that a similar proposal for housing development on this site was not approved by East Northamptonshire District Council.

Wherefore your Petitioners pray that your Honourable House urges the Secretary of State for Communities and Local Government to urge the Department of Health to withdraw the revised planning application and further urges him to request that the District Council of East Northamptonshire and the County Council and the Primary Care Trust work together to provide a suitable health facility on the site.

And your Petitioners, as in duty bound, will ever pray, &c.

[P000937]

Food Security Strategy

Motion made, and Question proposed, That this House do now adjourn.—*(Mr Newmark.)*

10.6 pm

Laura Sandys (South Thanet) (Con): The vast majority of Members in the House have a lot of respect for the Minister of State, Department for Environment, Food and Rural Affairs, my right hon. Friend the Member for South East Cambridgeshire (Mr Paice) and his colleagues for the knowledge and strategic vision that they bring to their roles. The last year has shown a marked difference from previous years, with agriculture policy being based on fact and experience. My right hon. Friend has also been clearly focused on the issue that I intend to raise in this debate—UK food security.

I do not come from a farming background; to be frank I know little about agriculture per se, but I know about rising food prices. This year we have seen a 4.9% rise in food prices, and that impacts on my constituents as much as on those of my right hon. Friend. I believe that food inflation could seriously undermine our growth targets and have an impact on consumer spending in the wider economy. Although I doubt whether there is anyone up at this time of night in the Treasury, there might be one insomniac who is taking food inflation as seriously as we are.

I recognise that food security has risen up the Government's agenda. It was given prominence in the defence and security review. In the Department for Environment, Food and Rural Affairs White Paper, the Minister announced that a group would be established to look at food security, and the Government Office for Science published an exceptionally insightful Foresight report on food security globally. I was also pleased to see DEFRA's announcement, following the G20, which pledged to give greater transparency to commodity markets through the establishment of an agriculture market information system.

However, I propose to the Minister that we can and still need to do more to ensure long-term food security, to provide greater resilience of supply and greater ability to hedge this country against shocks and price volatility. I would like to highlight to the Minister the fact that some policy measures that are being used to build greater energy security might be a useful guide to ensuring greater food security.

Mr Mark Spencer (Sherwood) (Con): I congratulate my hon. Friend on securing this important debate. She has identified the importance of energy, but does she agree that modern technology has a role to play? I hope she will join me in encouraging the UK Government to embrace new technology and allow UK farmers to produce more food so that we are all well fed.

Laura Sandys: Indeed. There are four key planks in energy policy that we should be looking to adopt in food policy, one of which, is innovation and new technologies. From an energy perspective, security of supply, price and affordability, tackling demand and, as my hon. Friend said, the introduction of new technologies are fundamental. We should examine the same suite of policies when we look at food security.

[Laura Sandys]

Security of supply is critical to this country. We import more than 50% of our food, and we are extremely dependent on international markets working. Fair trade, transparent markets and secure shipping lanes are all important, but in the past five years these norms have been severely challenged by international developments, climatic changes and population increase, as well as changing food expectations globally. As in the case of energy, we are facing the increased politicisation of the trade and greater uncertainties globally.

Jim Shannon (Strangford) (DUP): Does the hon. Lady share my concern and that of many others in the House about regulations in Europe and other parts of the world? Here at home we provide a top quality product that can sell anywhere, whereas in other parts of Europe and of the world, similar legislation does not exist. That puts producers there at an advantage over us, as we try to do the best we can in every case.

Laura Sandys: I welcome the intervention. That is particularly key in animal welfare matters. Yes, there are issues in relation to international standards and we need to ensure consideration of food safety and market equity. Perhaps I will come to that later in the debate.

In 2008 the food crisis that occurred started a trend towards something very worrying for a country that imports 50% of its food—protectionism. Indonesia, India, Egypt, Russia and the Ukraine all curbed their rice and wheat exports in response to domestic food inflation. What was most concerning was that those countries were able to mitigate domestically the price hikes that others faced around the globe. This has become an incentive for exporting countries to adopt further restrictions in the future. Although we might want to trust in global food markets, we must recognise that exporter countries will find it almost impossible to export food if their domestic populations are starving. I do not believe that our food supply is secure, and it is becoming more and more unstable.

With our level of import dependency, has there been any assessment of what impact an increase in protectionism would have on domestic costs, and is that seen as a strategic threat? The National Security Council has incorporated food security in its key priorities. Can the Minister give me an update and outline the work that is going on through that channel? Most importantly for both his Department and my interest, are there as many officials in the Treasury examining the impact of food insecurity and food inflation as there are looking at the global energy sector?

In order to mitigate some of the impacts of global insecurity in the energy sector, we have decided that increasing domestic resilience and domestic production is important. Do we have a similar strategy for food? Although I am most certainly not suggesting that we look to become self-sufficient, are we happy to be so dependent on international and more volatile imports?

The second point relates to price and affordability, which is extremely pertinent to all Members as it impacts on each and every one of our constituents. We all recognise that food prices will rise, but we must also be clear that that will have significant social implications, including impacts on nutrition, health and education. Are we thinking strategically enough about the impact of food price increases on young people and the elderly, for instance? In the energy sector we look at capacity mechanisms that help us hedge price volatility, such as increased storage to secure supply at times of global price rises and shocks. Such mechanisms could help us to manage the price volatility that has such an impact on our constituents and cushion us from protectionism and the politicisation of food exporting countries.

I urge the Minister to look again at issues relating to the food poor in the same way as we look at fuel poverty. An individual is classed as fuel poor if more than 10% of their income is spent on fuel. Does DEFRA have a similar measure to indicate food poverty? Those on low incomes will be worst affected by food price rises. I had a constituent come to one of my surgeries a couple of weeks ago. He is on jobseeker's allowance and had a heart attack about a year ago. He has been told specifically by his doctor that he must eat fresh fruit and vegetables every day, but there is no way that he can afford to do so. Just as our constituents have campaigned for the Treasury to help shoulder the burden of rising fuel costs, we will see a similar response to food price rises if we do not take action to reduce volatility and control price.

The third point is that we also have the power to use food better and ensure that we get better value for the food we produce. We currently waste 30% of the food we produce, so much more can be done to get better value from the food we grow. This will take a cross-Government effort to tackle supermarket procurement, supermarket products and food labelling, such as the sell-by dates that make customers feel anxious and throw food away far too early. On of my bugbears, which I know the Department shares, is fish discards, which we must also tackle. I urge the Department to have constructive conversations with the Food Protection Agency, which many feel is too risk averse.

We also need to focus on other Departments and look, for instance, at education in schools on how to use food more effectively, explaining that we can use all meat products, including offal. The Department of Health should use its procurement power to demand better use of food. We cannot go on ploughing food into the soil because it does not look pretty enough, or discarding large parts of carcases because we have forgotten how to cook certain meat cuts. We as consumers must learn again how to keep food fresh and stop chucking good food in the bin.

Will the Minister give a commitment that we will address food waste and look at a cross-Government programme to ensure that the 30% we currently waste is reduced? I would also be delighted to set up with the Minister a little company that I have thought up, called Ugly Foods Ltd. I think that we could do rather well, and perhaps even create a profit centre for the Government, by selling all the food and produce that the supermarkets reject.

My fourth point is about innovation, which my hon. Friend the Member for Sherwood (Mr Spencer) referred to earlier. We should be looking at food production and technology as one of the most exciting growth areas for this country. I know that the Minister shares this belief, so why is agriculture, agronomy and food production not included as a growth sector in the Department for Business, Innovation and Skills? Why do we consider careers in the food sector to be careers of the past? I believe that they are the careers of the future. I would

also like him to examine what food technology assets we have that can be exported, because that seems to be an important trigger for getting the Treasury and BIS interested.

Food insecurity is almost never raised in this House. We have delegated to global markets and domestic supermarkets the responsibility to deliver cheap food to our constituents, but I am not sure that that will be enough in the future, because inflation targets are at risk and food poverty will increase. I urge the Government to look again at an holistic approach to food security in which we start to see that in the food production sector we have real opportunities that could contribute to a more secure and profitable food sector in the United Kingdom.

10.20 pm

The Minister of State, Department for Environment, Food and Rural Affairs (Mr James Paice): I congratulate my hon. Friend the Member for South Thanet (Laura Sandys) on securing this debate. In many ways, it deserves a longer time span than she has achieved, because this subject is hugely important, and I congratulate her on choosing it. I hope that in the next few minutes I can reassure her on a number of her points, and in passing I also thank her for her kind personal remarks to me.

The Government believe that food security is a vital strategic issue for this country, so the opportunity to spend a few minutes discussing it is very welcome. My hon. Friend will be aware that a few weeks ago the Government's chief scientific adviser published the final report of the Foresight future of food and farming project, and it identified the scale of the challenge that food security poses—the very points that my hon. Friend made. The food system in this country is consuming the world's natural resources at an unsustainable rate, and the report also highlighted the most important challenges that we face if we are to balance the competing pressures and demands on the global food system in order to ensure that we can feed ourselves.

My hon. Friend also referred quite rightly to our domestic food industry, and I want to reassure her that we believe that farming and food are very important to the UK economy. The whole food chain contributes some £88 billion per annum, or 7% of GDP, and 3.7 million jobs—no small contribution on anybody's measurement. As a sector, it contributes to the delivery of the Government's long-term economic objectives on trade, green jobs, and growth and development, and, slightly contrary to my hon. Friend's remarks, the UK food and drink industry was highlighted in phase one of the Government's growth review as an important area for growth. I passionately believe that that is the right place for it to be.

Jim Shannon: I understand that in the United Kingdom 20% of agricultural land is not in agricultural use today. Does the Minister have any intention of using that land for agriculture and food production?

Mr Paice: I am afraid that I have no idea where the hon. Gentleman has got his statistics from; they are completely strange to me. I will certainly look into them after this debate, but I have no knowledge of a significant area of land having been taken out of agricultural production in the United Kingdom.

The Department for Environment, Food and Rural Affairs worked very closely, and continues to work, with the industry to ensure that our views are captured by the Department for Business, Innovation and Skills, and I assure my hon. Friend the Member that we certainly intend that to continue.

We will concentrate—particularly within the growth review—on the rural economy, and one of our main themes will be realising the value of natural capital. That includes a strand concentrating on the potential to increase competitiveness in the agri-food sector. We will ensure also that food and drink is included in other areas of the review, such as logistics, skills and mid-sized businesses.

The Government are also taking action to support British farming and to encourage sustainable food production by helping to enhance the competitiveness and, as my hon. Friend said, the resilience of the whole food chain while minimising our impact on natural capital. The Government have been keen to lead, and on the sustainable procurement of food, for example, our recently announced Government buying standards will help to ensure that food procured by central Government meets sustainable standards of production equivalent to the UK's requirements, when that does not lead to an overall increase in costs. Full details were provided in the recent announcement.

Steps have also been taken to improve market information and transparency by establishing an agriculture market information system to promote greater shared understanding of food price developments. My hon. Friend rightly said that UK food security cannot be delivered merely by a narrow, self-interested national protectionist stance or by recommending self-sufficiency. She rightly reminded us that that is not unique to the UK but should apply to every country. Several countries around the world have adopted protectionist measures. Argentina did so a few years ago with the beef sector, as did the Russians, more recently, with grain, although they have recently relaxed their measures, and there are several other examples. I firmly believe that they are doing their own consumers down by taking that approach, which, in the long term, does not help the global market.

International trade has an important role to play in providing food security not only in the UK but elsewhere. We are a trading nation in a global market. The UK is a significant exporter of wheat, lamb, dairy products, breakfast cereals and beef. Our food security depends on access to the world market, and it is important to emphasise that our domestic food industry needs to be able to compete on the world stage. In 2010, 25 countries together accounted for 90% of our food supply, and 49% of it was supplied from within the UK; we could not produce some products because they are not suitable for our climate. Currently the UK produces the equivalent of 72% of our indigenous foods and 59% of our food overall; we then export 10% of it, hence the 49% I mentioned. Supporting exports of UK food and food products will contribute to rebalancing our trade position. Reform, not subsidy, will achieve these goals.

In the recently published natural environment White Paper to which my hon. Friend referred, the Government made a commitment to bring together Government, industry and the environmental partners to reconcile how we will achieve our goals of improving the environment and increasing food production. I assure her that I believe

[Mr Paice]

passionately that that is possible. I do not believe—some farmers challenge me about this—that it is an either/or situation; we can do both.

My hon. Friend referred to food waste, and she was right to do so. We recognise that addressing that across the entire food chain will be critical in building a sustainable food supply. As part of our commitment to a "zero waste" agenda, three weeks ago DEFRA published a review of waste policy that highlighted various actions to be taken to reduce food waste, including developing a responsibility to deal with the hospitality and food service sector, with a strong focus on preventing food waste; tackling food waste across the public sector; and exploring further the role of incentives in reducing food waste and ensuring that it is managed in the most sustainable way possible.

We will also continue to work with the food industry and others in areas such as improved supply chain management; improved product design, including simple things such as resealable packaging; and providing the right advice and information to help consumers, including clear information on matters such as portion sizes, freezing food and using leftovers. We believe that through these actions, we will help industry and consumers to waste less food and save money—but I must emphasise that this is not something that Government can do on their own.

Mr Spencer: Does the Minister agree that it is also important to encourage local authorities to provide areas for allotments so that members of the public can not only grow their own food there but use them to understand food production and add to their own education?

Mr Paice: My hon. Friend is entirely right. We want not only to encourage local authorities to provide allotments—and there are massive waiting lists across the country for them—but to encourage other organisations, such as charities and those in the private sector, to provide land for them, whether as part of permanent or temporary arrangements. There are plenty of pieces of disused land in our inner cities. Although the land itself might not be appropriate, it could be used for mini-allotments based on containerised soil, so that people can start to grow some of their own food. Such food is more wholesome and fresh and, as we all know, contributes to people's health and their environment.

Tessa Munt (Wells) (LD): I am concerned about the number of people, particularly young people, who are going into farming. We must do something to stem the tide of people who are leaving farming, particularly dairy farming in my area. Does the Minister have any ideas about how we could encourage more people to come into farming, particularly given the sale of the county farms?

Mr Paice: I am grateful for my hon. Friend's intervention. I do not have much time to answer it, but I am happy to do so privately. I believe that the most important way to encourage young people into farming and food production is to ensure that the industry is respected and recognised as a vital part of our economy. No Government can turn the economics of agriculture around in the ways that my predecessors could. We do not fix prices or intervene in those ways, and quite rightly. However, we can ensure that the industry is recognised as a vital part of the British economy, and that it is a worthwhile career choice. I am happy to discuss that matter further with my hon. Friend.

My hon. Friend the Member for Sherwood (Mr Spencer) referred to allotments. I was just coming on to the issue of growing food in our schools, which is equally as important. We need to ensure that our schools are part of this project. The Secretary of State recently launched the food growing in schools task force. The task force, which is led by Garden Organic, will make recommendations on the need for a food growing area to be integrated into every school in the UK. I have had many dealings with schools that are twinned with individual farms. Pupils not only go on physical visits but, through DVD technology, the farm can go to the school. Such twinning arrangements allow for children to be frequently updated on how the crops or livestock are progressing, so that they can learn more about how food is produced.

My hon. Friend the Member for South Thanet was right to refer to food prices. Of course we acknowledge that some people struggle to afford a healthy diet. The Government provide a means-tested nutritional safety net for extremely low-income families through the Healthy Start initiative, which offers vouchers that can be spent on milk and plain fresh and frozen fruit and vegetables at participating retailers. It supports more than half a million nutritionally vulnerable pregnant women, babies and young children. We are trying to help.

We also routinely monitor trends in the affordability of food through domestic retail food price inflation and movements in the drivers of domestic retail food prices. It is important to recognise an issue that this House often does not understand. Since the removal of production-linked support in 2005, after decades of politicians across the political spectrum demanding an end to the common agricultural policy propping up prices, farm crops and livestock have been traded in a global marketplace. It is those markets that dictate our food prices, along with exchange rates, oil prices and wider commodity issues.

My hon. Friend also referred obliquely to the meeting of G20 Agriculture Ministers. The issue of international trade and price volatility was central to that meeting. I assure the House that the UK will take global leadership on this issue. We are committed to promoting better functioning of agriculture markets to help mitigate future price spikes, and that commitment is demonstrated through the important steps taken towards the development of better-functioning markets at the first ever meeting of G20 Agriculture Ministers.

My hon. Friend referred to the link between food and energy. We, too, recognise the strong dependency of our food supply on energy supply and transport infrastructure. As she suggested, the Government have a co-ordinated approach to the supply and resilience elements of food security. I will not go into great detail about it tonight, but I can assure her that my officials work closely with colleagues in all relevant Departments in response to the risks to our food security and other parts of our national infrastructure. The Department for Environment, Food and Rural Affairs also continues to build an evidence base on all aspects of the food supply chain.

The Government have made a sustainable and profitable food and farming sector the No. 1 business objective of DEFRA. We believe passionately in the industry, which,

as I have said, is a vital part of the British economy and British life, particularly in rural communities. I congratulate my hon. Friend on securing the debate and on her contribution to it, and I hope I can reassure her that the Government are totally committed not just to British food and farming but to British food security, which is of interest to us all.

Question put and agreed to.

10.36 pm

House adjourned.

House of Commons

Wednesday 6 July 2011

The House met at half-past Eleven o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

NORTHERN IRELAND

The Secretary of State was asked—

Security Situation

1. **Graham Evans** (Weaver Vale) (Con): What recent assessment he has made of the threat to security in Northern Ireland posed by residual terrorist groups. [63167]

6. **Jake Berry** (Rossendale and Darwen) (Con): What recent assessment he has made of the threat to security in Northern Ireland posed by residual terrorist groups. [63173]

7. **Karl McCartney** (Lincoln) (Con): What recent assessment he has made of the security situation in Northern Ireland; and if he will make a statement. [63174]

8. **Glyn Davies** (Montgomeryshire) (Con): What recent assessment he has made of the threat to security in Northern Ireland posed by residual terrorist groups. [63175]

The Secretary of State for Northern Ireland (Mr Owen Paterson): With your permission, Mr Speaker, I believe that the House will want to pay tribute to Sir Oliver Napier, whose funeral was held yesterday. He was a founding father and leader of the Alliance party, and a member of the power-sharing Executive in 1974. He led the way towards inclusive politics, and was widely respected across the entire community. He will be much missed.

The threat level in Northern Ireland remains at severe. Despite the overwhelming community rejection of violence, the terrorist groups continue to pose an indiscriminate threat to the safety of police officers and the general public, who want their lives to be free of fear, disruption and intimidation.

Graham Evans: The violent scenes that we have witnessed in part of east Belfast in recent days are obviously a matter of great concern. Will my right hon. Friend join me in sending our support and gratitude to the Police Service of Northern Ireland for its restraint, courage and success in combating that disorder as well as the continuing terrorist threat in Northern Ireland?

Mr Paterson: I am grateful to my hon. Friend for his question and I wholly endorse his comments. I happily put on record the Government's deep appreciation of the restraint and skill with which the PSNI handled the recent disturbances.

However, I would put out a public appeal to all those who are considering expressing their views over the next few days. They, too, should show restraint. I remind them that the rule of law will prevail, and that this week, significant prosecutions have resulted from charges against those who broke the law a year ago.

Jake Berry: Does my right hon. Friend agree that close co-operation between the PSNI, the Garda, and Ministers here, in Belfast and in Dublin, is essential in combating the ongoing terrorist threat? Will he join me in congratulating the Garda on its recent discovery of an arms cache and arrests in County Louth?

Mr Paterson: It is almost impossible to stress how closely we are now working. Last week, I met Eamon Gilmore, the Tánaiste and Minister for Foreign Affairs and Trade, and I had several discussions in the last week with the Minister for Justice, Equality and Defence. I also recently saw the Garda commissioner. The Garda is to be wholly congratulated on its recent raid at Hackballscross in County Louth, where a significant amount of lethal matériel was apprehended. I am delighted to confirm that the co-operation with the PSNI gets better from month to month.

Karl McCartney: Does my right hon. Friend agree that at a time of such pressure on the public finances, the exceptional deal to the give the PSNI an extra £200 million over the next four years is a clear demonstration that this Government will always stand by Northern Ireland?

Mr Paterson: I am grateful to my hon. Friend for giving me the chance to remind the House that we endorsed £50 million last year and a further unprecedented £200 million over the next four years. We are absolutely determined to bear down on the current threat, and I am delighted that Matt Baggot, the Chief Constable, to whom I spoke this morning, confirmed that we

"have the resources, the resilience and...the commitment"

to meet that threat.

Glyn Davies: All of us in the House are concerned about the recent violence in east Belfast and acknowledge the challenges facing the PSNI. Does my right hon. Friend agree that there is a very significant role for the Northern Ireland Executive in tackling the underlying causes that fuel that violence?

Mr Paterson: I am grateful to my hon. Friend and constituency neighbour for his question. The problem cannot be contained by security activity alone, however well co-ordinated and well funded by the PSNI and the Garda. Ultimately, this must be sorted out on the ground, by local politicians working with local people. That was confirmed in the Independent Monitoring Commission report that said:

"The main responsibility for dealing with these challenges rests with the Assembly, the Executive and local politicians, working in conjunction with community leaders, churches, the law enforcement and other public institutions, and ultimately, with the...whole community".

Dr William McCrea (South Antrim) (DUP): In 2004, Jane Kennedy, the then Northern Ireland Office Minister, told the House that an inventory of all decommissioned weapons would be published when the Independent International Commission on Decommissioning had

completed its work. The IICD stood down on Monday, but no inventory was published. Will the Secretary of State tell the House why that pledge was not honoured, and does he accept that that will affect public confidence?

Mr Paterson: The IICD made it clear why it did not publish an inventory. We would like to be in the position to publish this data, as the then Member for Liverpool, Wavertree, Jane Kennedy, was back in 2003-04, but the success of the IICD has been its independence, and it is for it to decide—it is entirely within its remit—where it puts this information. It is now in the hands of the US Secretary of State and cannot be divulged without the prior agreement of the Irish and British Governments.

Ms Margaret Ritchie (South Down) (SDLP): I acknowledge the information that the Secretary of State has just given us about dissident activity, the report published by the Independent Monitoring Commission last Monday and the fact that the level of dissident activity is now higher than when it published its first report in 2004. The report stated that loyalist groups were finding it difficult to contemplate going out of business. In that context, does he agree that whatever we do to bring the paramilitary activity to a peaceful conclusion, it will not be achieved by throwing money at gang leaders, as has been suggested in east Belfast over the past few weeks?

Mr Paterson: I just quoted from the IMC report showing that these problems will not be resolved by one simple solution. They have to be resolved on the ground by working with local people at the closest level. That means down to community groups and local politicians. It is not for us to lay down the law from Westminster. That is now in local hands.

Mr Laurence Robertson (Tewkesbury) (Con): Will the Secretary of State give us some guidance on the extent to which the police and his office are getting co-operation from all communities in identifying those responsible for the ongoing terrorist activities on both sides of the divide?

Mr Paterson: I am grateful to the Chairman of the Northern Ireland Affairs Committee. The police are conducting a review and a serious investigation into the disturbances last week, and it would be wrong to pre-empt what they discover. However, once we have the information from the police, we will make further decisions.

Government Spending

2. **Chris Evans** (Islwyn) (Lab/Co-op): What assessment he has made of the effects on the service sector in Northern Ireland of reductions in Government spending. [63168]

The Minister of State, Northern Ireland Office (Mr Hugo Swire): Tackling the deficit remains the Government's biggest priority, and Northern Ireland has its part to play in achieving that outcome. My right hon. Friend the Secretary of State and I are working closely with the Northern Ireland Executive to boost private sector growth and investment and to help rebalance the economy.

Chris Evans: I am sure that the Minister will have seen that 59,500 people are signed on the dole in Northern Ireland. Whenever anyone losses their job, it is a tragedy for their family and causes hurt and pain. What are the Government going to do about it?

Mr Swire: I welcome the hon. Gentleman's interest in Northern Ireland, and I hope that it will continue. I hope also that he will join me in celebrating the jobs that the service sector in Northern Ireland has attracted. The New York stock exchange has attracted 400 new jobs; Citigroup financial services will attract 500 jobs over the next five years; and the law firm Allen and Overy has attracted 300 jobs in Belfast. To answer his question directly, I would say that Northern Ireland is a great place for the service industries. It is open and we want more investment, and I hope that he and his party will join us in making that happen.

Mr Shaun Woodward (St Helens South and Whiston) (Lab): Well that all sounds very good, but in the past 12 months, the Northern Ireland claimant count has increased by 7%. That is the biggest increase in the UK and 21 times the national average. The Minister will know that the Northern Bank/Oxford Economics survey has now dramatically downgraded economic growth forecasts in Northern Ireland to 1.1% from a previous forecast of 1.9%. The Northern Ireland economy needs help now. What is the Minister going to do?

Mr Swire: It is regrettable that the Secretary of State is talking Northern Ireland down—*[Interruption.]* The independent Office for Budget Responsibility's recent updated fiscal and economic forecasts show that the Government's plans will deliver sustainable growth in each of the next five years with employment rising by 1.1 million by 2015 across the UK and the deficit falling. That of course includes Northern Ireland. The unemployment rate for Northern Ireland was down by 0.8% over the quarter and the number of unemployed people in Northern Ireland was estimated at 61,000—down 6,000 over the quarter. It is because of the Government's determination to tackle the deficit and the legacy we inherited from a Government of which the right hon. Gentleman was part that these figures are good.

Mr Woodward: Regrettably, the only thing that is going down is an economic forecast from 1.9% to 1.1%. Undoubtedly the Minister will update his brief in due course. The Secretary of State proposes a change in corporation tax rates to help in the long term. I seek clarification. We know that the immediate impact of the cut in the block grant will be the loss of tens of thousands of jobs in the public sector, especially in education. However, if the policy in the medium term creates jobs, it follows that there will be additional revenue from income tax and a decrease in welfare payments. He wants the public sector, especially in education, to take the pain now, but in the future, if those benefits flow from increases in jobs and tax revenues, will the Treasury keep the money or will it go to the people of Northern Ireland?

Mr Swire: The right hon. Gentleman is right to raise the issue of corporation tax. There has been widespread consultation on the issue, and all the political parties in Northern Ireland support devolving the power to Northern Ireland. We believe that it will bring growth and jobs;

equally, we believe that it is important to rebalance Northern Ireland's economy, regardless of the situation that we inherited. Like me, the right hon. Gentleman represents an English constituency, and he will be aware that Northern Ireland receives about 25% more in spend per head of the population than England. It is therefore important that we rebalance Northern Ireland's economy and allow it to grow.

Fuel Smuggling

3. **Robert Halfon** (Harlow) (Con): What recent assessment he has made of the extent of petrol and diesel smuggling from the Republic of Ireland into Northern Ireland. [63169]

The Minister of State, Northern Ireland Office (Mr Hugo Swire): Her Majesty's Revenue and Customs leads the work to crack down on fuel smuggling and fraud, working closely with the Irish authorities. The Organised Crime Task Force, which is chaired by the Northern Ireland Justice Minister, estimated in its 2011 threat assessment that there is an annual tax loss of £200 million from fuel fraud and legitimate cross-border fuel shopping.

Robert Halfon: Estimates suggest that the Government actually lose between £280 million to £300 million a year to fuel smuggling and laundering in Northern Ireland. That pushes up fuel taxes for everyone, which is deeply unfair. Does my right hon. Friend agree that extending rural fuel pilots to the new economic zones would cut smuggling and save the taxpayer an absolute fortune?

Mr Swire: I agree that we need to save the taxpayer an absolute fortune, and I have had discussions about this issue with both the Northern Ireland Justice Minister and the Exchequer Secretary to the Treasury. I recently brought to the attention of the Exchequer Secretary and the Financial Secretary to the Treasury—who is here with us today—the comments of the hon. Member for North Antrim (Ian Paisley), who has some ideas about various companies that can help with the traceability of fuel. However, I would also point out to my hon. Friend that the "Cross-Border Organised Crime Assessment 2010" said:

"Changes in exchange and duty rates have made this...less profitable over the past few years than it would have been previously."

David Simpson (Upper Bann) (DUP): We have just heard about the amount of money that Her Majesty's Government are losing in revenue to fuel smuggling and laundering. The Minister will be aware of recent findings of large amounts of fuel on the border. Can he please update us on the fuel duty escalator and the possible introduction of a pilot scheme in Northern Ireland?

Mr Swire: I think that I have just answered that question, which was not dissimilar to that asked by my hon. Friend the Member for Harlow (Robert Halfon). In direct answer to the point about co-operation across the border, relations are extremely good, as is true for all our relations with the Republic of Ireland, not least with the Garda. We are working in close co-operation, hence the success of the Organised Crime Task Force and HMRC in driving down fuel smuggling.

Tourism (VAT)

4. **Mark Durkan** (Foyle) (SDLP): What recent representations he has received on the rate of VAT applied to tourism activities in Northern Ireland. [63170]

The Minister of State, Northern Ireland Office (Mr Hugo Swire): Northern Ireland has enormous attractions for tourists and we strongly support efforts to encourage them to visit. The hon. Member for South Down (Ms Ritchie) raised the issue of VAT rates at a recent meeting with my right hon. Friend the Secretary of State, but these matters are not our direct responsibility.

Mark Durkan: The Minister of State should be aware that as of last week, VAT in the tourism sector in the south of Ireland has been reduced to 9% for 18 months. Similar steps have been taken in France and Germany. Will he and the Secretary of State use their standing with their colleagues in the Treasury to commend a sectorally targeted VAT cut for tourism throughout the UK?

Mr Swire: The hon. Gentleman knows that the EU average for VAT is 20.8%, whereas VAT in the UK is 20%. Germany's lower rate is simply a mechanism to redistribute money from the centre to the Länder, as Germany has many local tourist—or "bed"—taxes. We would all like lower taxation and we would all like the deficit to be addressed, which is what we are seeking to do, but this is not just about the rates of VAT. London hotels are doing better than they have done for some time, there are more tourist visitors to Northern Ireland than there have been for some time and the hon. Gentleman's city of Londonderry will be city of culture in 2013. We need to offer people value for money and good hospitality—that I am sure we can do—and the issue of VAT will then become secondary.

Ian Paisley (North Antrim) (DUP): On future taxation policy, will the Secretary of State tell us whether the electricity White Paper that is soon to be published will contain proposals to address the fact that Northern Ireland has a single electricity market, linked with the Republic of Ireland? Will it address the implications of those arrangements for providers and users of energy in Northern Ireland, in that they could influence the market disproportionately?

Mr Swire: The hon. Gentleman is very cunning to have got that question in. The Treasury will have heard his remarks, and I shall make certain that the relevant Treasury Minister gets back to him to address those pertinent points.

Disturbances (Belfast)

5. **Mrs Mary Glindon** (North Tyneside) (Lab): What assessment he has made of the role of dissident republicans in recent disturbances in the Short Strand area of Belfast; and if he will make a statement. [63171]

The Secretary of State for Northern Ireland (Mr Owen Paterson): The Government utterly condemn all those involved in the localised violence in part of east Belfast

a fortnight ago. It would be unwise for me to comment on the role played by specific groups while the police investigation is ongoing, but I know that the Police Service of Northern Ireland is determined to bring those responsible to justice.

Mrs Glindon: Will the Minister accept that the unanimous condemnation by all the parties in Stormont shows that dissidents of all traditions might have the power to damage the peace process but not to derail it?

Mr Paterson: I am happy to concur wholeheartedly with the hon. Lady's comment. Northern Ireland has moved on by a huge distance, and everyone can now express their legitimate political aims and pursue them by democratic means. There is absolutely no place for political violence in Northern Ireland today.

Stephen Pound (Ealing North) (Lab): On behalf of the whole House, may I congratulate the Minister of State on his upgrading of my right hon. Friend the Member for St Helens South and Whiston (Mr Woodward) to his new role of Secretary of State for Northern Ireland? I am not entirely sure whether that was a prediction, but it is certainly one that we would support. Further to the question from my hon. Friend the Member for North Tyneside (Mrs Glindon), the Secretary of State will be aware that even below the most placid surface, dark cold undercurrents flow, and that we have to address the issue of the sectarian legacy. What is he doing to support groups such as Co-operation Ireland and other peace-builders?

Mr Paterson: I am grateful to the shadow Minister, who is on perky form this morning. I have regular meetings with the chairman of Co-operation Ireland; I am actually seeing him again today. However, dealing with community groups is very much in local hands. I have had recent discussions with the First Minister and the Deputy First Minister, and I am seeing both of them again tomorrow. This is very much a local issue to be sorted out on the ground according to local circumstances. *[Interruption.]*

Mr Speaker: Order. There are far too many private conversations taking place in the Chamber. We need to be able to hear the Secretary of State.

Jim Shannon (Strangford) (DUP): Given the ease with which guns were produced at the Short Strand interface, does the Secretary of State understand the annoyance and anger at the fact that the inventory of the weapons destroyed by the Independent International Commission on Decommissioning was not made known? Does he agree that the people of Northern Ireland have a right to know the full extent of the destruction of weaponry that has taken place? The Conservatives and Labour have agreed on that, and the inventory has also been lodged in Washington.

Mr Paterson: I am fully aware of the concerns behind the hon. Gentleman's question, but we have to take the advice of those very experienced independent professionals, who have pulled off an extraordinary task. I pay tribute to General de Chastelain and his colleagues for what they did, and if it is their professional opinion today that it would not be helpful to publish that inventory, we have to take that advice seriously, as do the Irish Government. That is why the inventory has been placed with the American Secretary of State, where it will rest. No one will see it until the British and Irish Governments together decide that the time is appropriate.

Public Expenditure Reductions

9. **Toby Perkins** (Chesterfield) (Lab): What assessment he has made of the effect on economic growth in Northern Ireland of reductions in public expenditure. [63176]

The Minister of State, Northern Ireland Office (Mr Hugo Swire): As I said earlier to the hon. Member for Islwyn (Chris Evans), tackling the deficit has to be the Government's biggest priority, and Northern Ireland must play its part. My right hon. Friend the Secretary of State and I are working with Northern Ireland Ministers to attract growth and investment and to help rebalance the economy.

Toby Perkins: Northern Bank's quarterly economic forecast states that Northern Ireland's construction sector has hit a new low and is facing its fourth year of decline. It has already suffered some of the worst job losses anywhere in the country. Do the 10,000 people who could now lose their jobs, on top of those who have already done so, have any cause for optimism, given the complacency that the Minister showed in his earlier answer?

Mr Swire: I do not think that I showed complacency in my earlier answer. We are fully aware of the effect of the recession on the construction industry not only in Northern Ireland but in the whole of the United Kingdom. It has had a real effect in many of the border areas where people used to go down to the building sites of Dublin and earn their money that way. That is a serious issue for all kinds of reasons. The fact that we came to the aid of the Republic of Ireland has allowed us to have far greater involvement in its investment decisions affecting Northern Ireland, not least those of the banks, as well as in other issues of mutual interest.

Dr Alasdair McDonnell (Belfast South) (SDLP): Does the Minister agree that air passenger duty is helping to strangle economic recovery in Northern Ireland? Does he have any plans to persuade the Treasury to make changes to it?

Mr Swire: As the hon. Gentleman knows, there has been a consultation process on air passenger duty, which is continuing, and we have discussed the issue with the Finance Minister at Stormont. These are issues that we take very seriously, not least in respect of what I describe as the economic umbilical cord—the link to New York by Continental airlines. We are keen to see that continue. A number of companies, including the New York stock exchange, came to invest in Northern Ireland because of that air route. As I say, we are taking this extremely seriously and we are batting for Northern Ireland.

Human Trafficking

10. **Mr Peter Bone** (Wellingborough) (Con): What recent discussions he has had with the First Minister on the level of cross-border human trafficking to and from Northern Ireland. [63177]

The Minister of State, Northern Ireland Office (Mr Hugo Swire): Data on the exact level of cross-border trafficking is not available, but there is clearly a cross-border element in many cases. I spoke yesterday to the Northern Ireland justice Minister and I know that he has been working closely with authorities in the Republic of Ireland to tackle this despicable crime.

Mr Bone: I thank the Minister for his response. People are being trafficked across the border with bogus papers. Unfortunately, they are being trafficked from this country into the Republic of Ireland. The Republic of Ireland is discovering trafficked people whose papers are so obviously bogus that they should never have been admitted to the United Kingdom in the first place. This is an issue that we really need to look at.

Mr Swire: My hon. Friend is, of course, absolutely right. The Minister for Immigration is working closely with his counterparts in the Irish Republic to ensure that we jointly strengthen our external borders against threats such as human trafficking gangs. I would like briefly to pay tribute, if I may, to my hon. Friend's work on the all-party group and, indeed, to that of our former colleague, Anthony Steen and the Human Trafficking Foundation, which I hope to accompany to Northern Ireland. My hon. Friend has much to add to the debate. *[Interruption.]*

Several hon. Members *rose—*

Mr Speaker: Order. I want to hear Mr Gregory Campbell.

Mr Gregory Campbell (East Londonderry) (DUP): Thank you, Mr Speaker. The ease with which cross-border trafficking between Northern Ireland and the Republic can occur is quite obvious and apparent to everyone. Will the Minister ensure that liaison with the Republic of Ireland's authorities is stepped up to ensure that those who are being trafficked can be helped, given the problems that they are facing?

Mr Swire: We all want to hear the hon. Gentleman—I hope others heard him better than I did. The little that I heard was about cross-border co-operation. I can assure him that we have had some recent successes in Northern Ireland, as he will have seen from the newspapers. We work extremely closely with the authorities in the Republic. This is an issue that affects us all. It is a despicable thing, and I draw the attention of all Members to the Joseph Rowntree Foundation's report "Forced labour in Northern Ireland", which has recently come out and bears reading.

Economy

11. **Mr Adam Holloway** (Gravesham) (Con): What recent assessment he has made of the Northern Ireland economy. [63178]

The Secretary of State for Northern Ireland (Mr Owen Paterson): Northern Ireland is an excellent place to do business and enjoys world-class aerospace, engineering and health technology companies, but the Northern Ireland economy is still too over-reliant on the public sector, so we are working together with the Northern Ireland Executive to help rebalance it and to boost private sector growth.

Mr Holloway: Will my right hon. Friend ensure that internal squabbles in the Assembly do not undermine the consultation?

Mr Paterson: I am delighted to report that the consultation, which ends on Friday, has received the overwhelming endorsement of all five political parties. The leaders in the Executive came to Kelvatek for the launch of that very successful consultation. My right hon. Friends the Prime Minister and the Chancellor of the Exchequer have been to Northern Ireland to see what is happening for themselves—as has my hon. Friend the Exchequer Secretary, who is going again tomorrow—and we will respond in the autumn.

Sammy Wilson (East Antrim) (DUP): Does the Secretary of State agree that if the Northern Ireland economy is to be helped through the devolution of corporation tax, that must come at a fair, reasonable and acceptable price rather than a price that is detrimental to economic growth?

Mr Paterson: As the hon. Gentleman knows, the Treasury document makes it clear that every 2.5% reduction in corporation tax requires a £60 million to £90 million reduction in the block grant. That constitutes 0.5% of the block grant, which many economists and businesses consider to be a very modest investment.

PRIME MINISTER

The Prime Minister was asked—

Engagements

Q1. [63869] **Mr Ronnie Campbell** (Blyth Valley) (Lab): If he will list his official engagements for Wednesday 6 July.

The Prime Minister (Mr David Cameron): I am sure that the whole House will wish to join me in paying tribute to Highlander Scott McLaren of The Highlanders, 4th Battalion, The Royal Regiment of Scotland. This week I witnessed at first hand the sacrifice of our soldiers. I pay tribute to the bravery and dedication of this particular soldier, who was lost in such tragic circumstances. Our thoughts will rightly be with his family and his friends at this very sad time, but we pay tribute to him and all those like him who serve our country so magnificently in Afghanistan and elsewhere.

This morning I had meetings with ministerial colleagues and others. In addition to my duties in the House, I shall have further such meetings later today.

Mr Campbell: I echo the sentiments that the Prime Minister has expressed. As a father whose son is serving in the Royal Marines and doing his duty in Afghanistan, I can tell the House that those in my position dread the

knock on the door saying that their son has been lost in action. Our sympathies obviously go to Scott's father, mother and family at this time.

Is it right that yesterday we gave £10 billion to the bail-out of the banks in Greece, that we gave £7 billion to the bail-out in Ireland, and that we—the British taxpayers—give £100 billion a year to the banks in this country for insurance and other purposes? Why does the Prime Minister not get on his bike, go down to see his friends in the City, and sack a few spivs and speculators and bankers—

Mr Speaker: Order. We are grateful to the hon. Gentleman. We have got the gist.

The Prime Minister: Let me say first that it is this Government who have imposed a levy on the banks so that they pay more every year than they paid in bankers' bonus tax under the last Government. As for Greece, I kept us out of a European bail-out, and as for Ireland, its economy is so close and so integrated with ours that it is right for us to give it support. That, I think, is the right approach, but this Government are being tough in ensuring that the banks pay their fair share.

Q2. [63870] **Mr David Burrowes** (Enfield, Southgate) (Con): Severe droughts, conflicts and food prices have combined viciously in the horn of Africa, creating desperate hunger and threatening the lives of millions. Given that aid agencies are short of funds, what are the Government doing to help?

The Prime Minister: As ever, the Department for International Development is being extremely effective. It is working very quickly to try to help in this appalling crisis, in which 10 million people face the threat of starvation. That demonstrates once again that we are right to maintain and increase our spending in this area, difficult as the arguments sometimes are. Our difficulties here and elsewhere in Europe are nothing in comparison with what is being experienced by people who face starvation and death unless we help them.

Edward Miliband (Doncaster North) (Lab): May I join the Prime Minister in paying tribute to Highlander Scott McLaren of The Highlanders, 4th Battalion, The Royal Regiment of Scotland? He was a young man who was serving our country, and died in the most horrific circumstances. I am sure the thoughts of the whole House are with his family and friends.

The whole country has been appalled by the disclosures about phone hacking: the 7/7 victims, the parents of Holly Wells and Jessica Chapman, and, of course, the phone of Milly Dowler. That anyone could hack into her phone, listen to her family's frantic messages and delete them, giving false hope to the parents, is immoral and a disgrace. Given the gravity of what has occurred, will the Prime Minister support the calls for a full, independent public inquiry to take place as soon as practical into the culture and practices of British newspapers?

The Prime Minister: Let me be very clear: yes, we do need to have an inquiry—possibly inquiries—into what has happened. We are no longer talking about politicians and celebrities; we are talking about murder victims—potentially terrorist victims—having their phones hacked into. What has taken place is absolutely disgusting, and I think everyone in this House, and indeed this country, will be revolted by what they have heard and seen on their television screens.

Let me make a couple of points. First—people need to know this—a major police investigation is under way. It is one of the biggest police investigations currently under way in our country, and crucially—I hope Opposition Members will listen to this—it does not involve police officers who were involved in the original investigation that so clearly did not get to the truth. It is important that we have inquiries: inquiries that are public; inquiries that are independent; and inquiries that have public confidence.

It seems to me that there are two vital issues that we need to look into. The first is the original police inquiry and why that did not get to the bottom of what has happened, and the second is the behaviour of individual people and individual media organisations and, as the right hon. Gentleman says, a wider look into media practices and ethics in this country. Clearly, as he says, we cannot start that sort of inquiry immediately because we must not jeopardise the police investigation, but it may be possible to start some of that work earlier. I am very happy to discuss this with him, with other party leaders, and with the Attorney-General and the Cabinet Secretary, to make sure that we get this right and lessons are learned from what has become a disgraceful episode.

Edward Miliband: Let me say to the Prime Minister that I am encouraged that he does now recognise the need for a full public inquiry into what happened. He is right to say that it can be fully completed only after the police investigation has taken its course, but, as he also said, that may take some years. It is possible, as I think he implied, for the Prime Minister to start the process now, so may I make some suggestions in that context? He should immediately appoint a senior figure, potentially a judge, to lead this inquiry, make it clear that it will have the power to call witnesses under oath, and establish clear terms of reference covering a number of key issues: the culture and practices of the industry; the nature of regulation, which is absolutely crucial; and the relationship between the police and the media. I wonder whether he can respond on those points.

The Prime Minister: I want to respond positively, and let me do so. First, on the two issues I mentioned—the conduct of the earlier police inquiry and the broader lessons about ethics in the media—I do not think it is possible to start any form of investigation into the former until the police investigation is completed, because I think there would be a danger of jeopardising the current police inquiry. Responding positively to what the right hon. Gentleman said, I do think it may be possible to make a start on other elements, and, as I have said, I do not want us to rush this decision; I want us to get it right, having discussed it with other party leaders, the Attorney-General and the Cabinet Secretary. All too often, these sorts of inquiries can be set up too quickly without thinking through what actually needs to be done.

Edward Miliband: I think the Prime Minister is implying that this can start moving now, and I think it is very important that it does so; just because we cannot do

everything does not mean we cannot do anything. It is very important that we act. A year ago to the day, the Prime Minister appointed the Gibson inquiry to look into the treatment of detainees by the intelligence services, with criminal cases still pending.

Let me ask the Prime Minister about what happens in the meantime, pending this public inquiry. We have consistently said that the BSkyB bid should be referred to the Competition Commission and not dealt with in the way the Culture Secretary has done. The Prime Minister must realise that the public will react with disbelief if next week the decision is taken to go ahead with this deal at a time when News International is subject to a major criminal investigation and we do not yet know who charges will be laid against. Does the Prime Minister agree that the BSkyB bid should now be referred to the Competition Commission, to provide the breathing space that is required?

The Prime Minister: First, let me answer the right hon. Gentleman's point about Gibson, because this is a good and fair point. We established the Gibson inquiry but it has not been able to make much progress until criminal proceedings have been brought to an end. There is a good reason for this; clearly you do not want to jeopardise a police operation, and you do so if you start questioning witnesses through a public inquiry process at the same time as they are being questioned through a police process. That is the reason for doing this, but, believe me, I want us to get on with this issue, and the faster we can set up other elements of an inquiry, the happier I will be.

On the issue of BSkyB, what we have done is follow, absolutely to the letter, the correct legal processes. That is what the Government have to do. My right hon. Friend the Secretary of State for Culture, Olympics, Media and Sport has a quasi-judicial role and he has to follow that. I note that the leader of the Labour party said yesterday that the issue of competition and plurality is "a separate issue" from the very important issue we are discussing today. What I would say is that these processes must be followed properly, including by Ofcom, and it is Ofcom that has the duty to make a recommendation about a "fit and proper person". Those are the right processes; this Government will behave in a proper way.

Edward Miliband: I am afraid that that answer was out of touch with millions of people up and down this country. The public will not accept the idea that, with this scandal engulfing the *News of the World* and News International, the Government should, in the coming days be making a decision outside the normal processes, for them to take control of one of the biggest media organisations in the country. I know that this is difficult for the Prime Minister, but I strongly urge him to think again and send this decision to the proper authorities—the Competition Commission. As I say, this would provide breathing space for legitimacy and for the proper decisions to be made.

The Prime Minister: I would say to the right hon. Gentleman that the decision making has been through the proper processes, that it is right that the Government act legally in every way and that that is what they have done. One of these is an issue about morality and ethics, and a police investigation that needs to be carried out in the proper way—they have total independence and must do that. The other is an issue about plurality and competition, where we have to act under the law. Those are the words he used yesterday and, in just 24 hours, he has done a U-turn in order to try to look good in the Commons.

Edward Miliband: This is not the time for technicalities or low blows. We have said consistently, throughout this process, that this bid should be referred to the Competition Commission—that is the right way forward. The Prime Minister, instead of engaging in technicalities, should speak for the country on this issue, because this is what people want him to do. I hope that he will go off from this Question Time and think again, because it is in the interests of the media industry and the British public that this is properly referred to the Competition Commission in the way that all other bids are dealt with.

What we also know, as well as that we need a public inquiry and that we need the BSkyB bid referred to the Competition Commission, is that these were not the actions of a rogue individual or a rogue reporter, but part of a wider, systematic pattern of abuses. The public see a major news organisation in this country where no one appears prepared to take responsibility for what happens. Nobody is denying that Milly Dowler's phone was hacked and nobody is denying that it happened on the watch of the current chief executive of News International, who was editor of the newspaper at the time. Will the Prime Minister join me—if he believes in people taking responsibility—in saying that she should take responsibility and consider her position?

The Prime Minister: First, let me deal with the issue of technicalities. I have to say to the right hon. Gentleman that when you are dealing with the law, you have to look at the technicalities because there is something called due process that you have to follow. That is necessary for any Government and I am sure that he understands that. As for News International, everyone at News International must ask themselves some pretty searching questions and everyone at News International is subject to one of the largest police investigations under way in this country. I think that we should let the police do their work. They must follow the evidence wherever it leads and if they find people guilty of wrongdoing, they should have no hesitation in ensuring that they are prosecuted.

Edward Miliband: I do not know from that answer whether the Prime Minister says that the chief executive of News International should stand down or not. I am clear: she should take responsibility and stand down. These events show a systematic set of abuses that demonstrates the use of power without responsibility in our country and it is in the interests of our democracy and the public that such issues are sorted out. With the biggest press scandal in modern times getting worse by the day, I am afraid the Prime Minister has not shown the necessary leadership today. He has not shown the necessary leadership on BSkyB or on News International. Is it not the case that if the public are to have confidence in him, he must do the thing that is most difficult and accept that he made a catastrophic judgment in bringing Andy Coulson into the heart of his Downing street machine? *[Interruption.]*

The Prime Minister: What people—*[Interruption.]*

Mr Speaker: Order. I apologise for interrupting the Prime Minister, but the Prime Minister should not have to shout to be heard and neither, for that matter, should the Leader of the Opposition. It is thoroughly disorderly and the Prime Minister will now be heard.

The Prime Minister: Thank you, Mr Speaker. I take full responsibility for everyone I employ and everyone I appoint and I take responsibility for everything my Government do. What this Government are doing is making sure—the public and I feel appalled by what has happened, and the fact that murder victims and terrorist victims have had their phones hacked is quite disgraceful. That is why it is important that there is a full police investigation with all the powers the police need. That is why it is important that we have those inquiries to get to the bottom of what went wrong and the lessons that need to be learned. That is why we also need to inquire as to how we can improve the ethics and morals of the press in this country and ensure that they improve for the future. That is what needs to be done, that is what the Government are doing and we do not need to take lectures from the right hon. Gentleman about it.

Q3. [63871] **Nicky Morgan** (Loughborough) (Con): Year 9 pupils at Limehurst high school in my constituency have joined hundreds of other pupils to work on the "Send my Sister to School" campaign. Will the Prime Minister add his support to this cause and should not this campaign remind us that good education, here or overseas, transforms children's lives and their life chances?

The Prime Minister: I am delighted to welcome the campaign that my hon. Friend mentions and her personal support for it. The fact is that across our world 39 million girls are out of school and even if they are in school, the gender gaps we still see are appalling. We in the UK, through our aid budget, are securing schooling for 11 million children by 2015. That is more than we educate in the UK, but we will be able to do it at 2.5% of the cost. This is a good investment for Britain and for British taxpayers that will ensure that we reduce inequality in our world.

Q4. [63872] **Mr Gareth Thomas** (Harrow West) (Lab/Co-op): Will the Prime Minister explain whether he thinks that the cost of his NHS reforms, which are set to rise even further—as we now know thanks to the revelation that a new super-quango will be created in the NHS—might be partly responsible for the funding squeeze affecting health services in Harrow? That has put at particular risk services at the popular Alexandra avenue polyclinic in my constituency.

The Prime Minister: What we have seen since this Government have taken office is more than 2,000 more doctors but 4,000 fewer managers. We are cutting bureaucracy by a third—*[Interruption.]* I know they do not like to hear it, but if we had followed their plans and cut NHS spending, the number of doctors, nurses and operations would be going down. Just this morning, we have seen the figures for the number of diagnostic tests in the UK going up. That is because of the investment that is going in under this Government.

Q6. [63874] **Mike Freer** (Finchley and Golders Green) (Con): The Prime Minister will be aware of the news this morning that Portugal's debt has been downgraded to junk status. Does he not agree that it is a warning to every Member of this House that we cannot put off difficult decisions and that the only plan B is bankruptcy?

The Prime Minister: My hon. Friend is entirely right: plan B stands for bankruptcy. We can see what happens if Governments do not get a grip of their debt and their deficit. That is what this Government are doing, but the Labour party has learnt nothing.

Q7. [63875] **Karl Turner** (Kingston upon Hull East) (Lab): Does the Prime Minister agree that the maximum sentence for the offence of dangerous driving does not properly reflect the potential harm caused to victims, some of whom are left paralysed and brain-damaged? Will he support me and Labour Front Benchers in moves to increase the maximum sentence to seven years?

The Prime Minister: I know that the hon. Gentleman speaks with great personal knowledge about this not just because of a constituency case that he wrote to me about but because of his work as a barrister before he came to this place. I do believe there is a problem when there is a high sentence, rightly, for causing death by dangerous driving, but only this two-year sentence in cases such as the one he brought to my attention in which someone was damaged permanently for life, and yet the maximum sentence was two years. In our Sentencing (Reform) Bill we are looking at this issue and we hope to make some progress.

David Morris (Morecambe and Lunesdale) (Con): Does the Prime Minister agree with me that the alleged bail-out mentioned by the Opposition of £10 billion is not that and that if we are not in the IMF we will not be a global player? Does he also agree that the Opposition need reminding that in the 1970s the IMF bailed out their Government?

Mr Speaker: I know that the Prime Minister will want to deal with the first part of the question, but not the second part because it was disorderly.

The Prime Minister: I absolutely agree with what my hon. Friend said. It was remarkable yesterday that the Labour party put itself in the position of opposing our involvement in the IMF. Britain is a serious global economy and we should take responsibility for serious global issues, including through the IMF.

Q8. [63877] **David Simpson** (Upper Bann) (DUP): Does the Prime Minister agree that details of all the weapons and explosives decommissioned in Northern Ireland should be made public as promised? Will he agree to have negotiations with the Irish Government to move forward to the Americans to see that that happens?

The Prime Minister: The point is that the Independent International Commission on Decommissioning did not provide us with an inventory. It was an independent body and that was a decision for it to take—difficult as I know that is. It stated:

"We would not wish, inadvertently, to discourage future decommissioning events by groups that are actively engaged today, nor to deter groups that have decommissioned their arms from handing over any arms that may subsequently come to light".

This is difficult and we are all having to do difficult things, in Northern Ireland as elsewhere in the world, in order to bring conflict to an end and keep conflict at an end. That is what the independent commission's report was doing.

Mr Adrian Sanders (Torbay) (LD): Is not the real issue about delaying an inquiry that the public have little confidence in the Metropolitan police where investigations concerning News International are concerned? May I remind the Prime Minister of the question I asked him on 27 April about whether he would have

"a full judicial inquiry and, in particular, look at the relationship between the Metropolitan police and News International?"—[*Official Report*, 27 April 2011; Vol. 527, c. 168.]

The Prime Minister: Clearly, this is a very important issue. My right hon. Friend the Home Secretary has discussed it with the Metropolitan Police Commissioner this morning and they want to continue with the investigation that is under way. But let me try to reassure the House and the hon. Gentleman about this because even before we get to the point about independent and public inquiries, what the public need to know is that the police are going to go about their job properly in this investigation, so they do need to know that this is an investigation completely separate from the previous investigation. As it stands today, it is one of the largest police investigations going on anywhere in our country.

Q9. [63878] **Teresa Pearce** (Erith and Thamesmead) (Lab): Victims of knife crime in London have increased by more than 8% in the past three months. On the streets of London we have children carrying knives and other children afraid of the journey to and from school. Last Friday, on a busy shopping parade, a 16-year-old constituent of mine was stabbed to death. Two children have been arrested in connection with that. What will the Prime Minister do to ensure that the Mayor of London gets a grip on this problem, which was one of both the Mayor's and the Prime Minister's election promises?

The Prime Minister: The case that the hon. Lady raises is an absolutely tragic one and there are still too many victims of knife crime, particularly among young people in our cities and particularly in London. What we are doing is creating a new offence with a mandatory prison sentence to send a very clear message to those who carry knives. The offence will apply to those with a knife who threaten and endanger others in a public place. That will send a clear message to those who possess a knife that if they threaten anyone, they will go to jail.

Mr Christopher Chope (Christchurch) (Con): Does my right hon. Friend agree that those who pay back early their student loans are doing the right thing and should be encouraged? If so, how is that consistent with the Government's policy, which is apparently one of discouraging people from paying back early, and indeed of penalising them for early repayment of student loans?

The Prime Minister: I urge my hon. Friend to look carefully at the detail of our proposals. We want a progressive system in which people who earn more pay back more, which is why nobody pays anything until they earn £21,000, and people do not start to pay back in full until they earn £35,000. We propose that people who pay back, say, £3,000 a year in earnings should not be discouraged, because in many ways that is the right thing to do.

Q10. [63879] **Toby Perkins** (Chesterfield) (Lab): In opposition, the Prime Minister made it clear that Hizb ut-Tahrir should be banned, but last week he fell back on exactly the same explanations that he refused to accept when they were given to him by the previous Prime Minister. What has changed?

The Prime Minister: We have banned the Tehrik-e-Taliban—we have taken action. As my right hon. Friend the Lord Chancellor will hastily testify, it is endlessly frustrating that we are subject to so many legal requirements, but I am afraid that we have to be a Government under the law. *[Interruption.]*

Mr Speaker: Order. The House will want to hear Mr Robert Halfon.

Q11. [63880] **Robert Halfon** (Harlow) (Con): Thank you, Mr Speaker. Given that the Olympics and the diamond jubilee will take place next year, is the Prime Minister aware that immigration and special branch officers at Stansted airport are concerned that the common travel area channel in its current form allows illegal migrants, Islamists and terrorists into the country without their passports being checked? Will he take urgent steps to close that loophole immediately?

The Prime Minister: My hon. Friend makes an important point. Passport-free travel between the UK, the Crown dependencies and the Republic of Ireland has been in place for many years, and it offers real economic and social benefits. I accept that those routes can be open to abuse, and we are determined to resolve that. The UK Border Agency is working closely with Ireland and others to make sure that that happens, but we want to try to do so without disadvantaging people who have been able to take advantage of that common travel area up to now.

Q12. [63881] **Mrs Mary Glindon** (North Tyneside) (Lab): The Secretary of State for Communities and Local Government and the Secretary of State for Work and Pensions have both said that British employers should employ British workers, so will the Prime Minister stop the Department for Work and Pensions offshoring existing jobs in North Tyneside to Bangalore?

The Prime Minister: Of course I will look closely at the case that the hon. Lady makes, but every Government—*[Interruption.]*

Mr Speaker: Order. I want to hear the Prime Minister's answer, and so does the House.

The Prime Minister: We need to make sure that our welfare reforms encourage those people who sit on welfare and who could work actually to go out to work.

Under the Labour Government, yes, we had economic growth, but there were 5 million working-age people living on benefits. That is not good enough, and we are going to change it.

Q13. [63882] **Andrew Bingham** (High Peak) (Con): Does the Prime Minister agree that birthing centres in rural areas provide a valuable and irreplaceable service to the local community, and every effort should be made to retain them—a message that hundreds of my constituents and I are sending to Derbyshire County NHS as it considers the future of the Corbar birthing centre in my constituency of High Peak?

The Prime Minister: I absolutely agree with my hon. Friend. We want to see maternity networks so that mums can make a choice about where they give birth, whether in a community setting, midwife-led, or whether in a district general hospital with all the paraphernalia of consultants and the rest of it. It should be a choice made by them with their GP and others on what is right for their needs.

Margaret Beckett (Derby South) (Lab): Is the Prime Minister aware that yesterday, when Bombardier had to announce the redundancy, among others, of skilled engineers and designers, the company made public for the first time the fact that it had offered to establish a new academy in this country for the design and manufacture of cars for the next generation of high-speed trains for the UK and across the world—a global centre of excellence, providing more jobs and jobs with even higher skills. He will not have had time to familiarise himself with the details, but will he undertake to look into that with care to give substance to the commitment that he made in my constituency to British manufacturers?

The Prime Minister: I will look carefully at what the right hon. Lady has said about this issue. I want to see more British jobs in manufacturing as, indeed, we are seeing across the country. In the case of the Bombardier train contract, the procurement process was designed and initiated by the Government of whom she was a member. We are bound by the criteria that they set out, so we have to continue with the decision that has been made according to those criteria. Separately, we are setting out to ask what more we can do under the rules to make sure that we boost manufacturing and not have situations like this in future.

Q14. [63883] **Bob Blackman** (Harrow East) (Con): Twelve days ago a young constituent of mine was the victim of a vicious knife attack. Last weekend another 16-year-old young man was also the victim of a knife attack. Will my right hon. Friend join me in condemning this upsurge in gang-related violence and confirm that those who carry knives will face a custodial sentence if apprehended?

The Prime Minister: As I said to the hon. Member for Erith and Thamesmead (Teresa Pearce), it is important that we send a clear message about this. We are doing that with the new offence which carries a mandatory sentence. That is a signal to anyone who is contemplating carrying a knife, but we should be frank with ourselves in the House and in the country that purely looking at the issue from a criminal justice perspective is not the answer. We have to ask ourselves why so many young children are joining gangs, and why our families and communities are not doing more to keep them close and prevent the carrying of knives. That is something that runs right across Government and across our society as well.

Mr Ben Bradshaw (Exeter) (Lab): It is simply not the case, as the Prime Minister claimed earlier, that the Government have followed the normal process in relation to the News Corp takeover of BSkyB. Why does he believe that the assurances that News Corp executives have given are any more credible than the assurances they gave over phone hacking?

The Prime Minister: The point is that we have followed the correct legal processes. If you do not follow the correct legal processes, you will be judicially reviewed, and all the decisions that you would like to make from a political point of view will be struck down in the courts. You would look pretty for a day, but useless for a week. *[Interruption.]*

Mr Speaker: Order. If the House can overcome its collective mirth, it will give a hearing to Mr Ian Swales.

Ian Swales (Redcar) (LD): Last Friday I visited Grangetown school in my constituency, which is the 17th most deprived primary school in the country. Will the Prime Minister join me in congratulating the school and community on their work to convert an area of demolished houses into a school playing field, and will he ensure that the Government continue their pupil premium policy to support the school's excellent work?

The Prime Minister: I congratulate the hon. Gentleman on the support that he is showing to his local primary schools. I believe that the pupil premium, which will pump billions extra into education, particularly for the most deprived children in the most deprived parts of our country—*[Interruption.]* It will make a huge difference to our schools. For all the noise from the Opposition, they had 13 years to introduce a pupil premium. What did we get? Absolutely nothing.

Afghanistan

12.32 pm

The Prime Minister (Mr David Cameron): With permission, Mr Speaker, I would like to make a statement on Afghanistan.

From the outset this Government have sought to take a more hard-headed, more security-based approach to our mission. As I have said, we are not there to build a perfect democracy, still less a model society. Yes, we will help with the establishment of democratic institutions. Yes, we can improve infrastructure, develop education, encourage development. But we are in Afghanistan for one overriding reason: to ensure our own national security by helping the Afghans to take control of theirs.

This means building up the Afghan security forces so we can draw down British combat forces, with the Afghans themselves able to prevent al-Qaeda from returning and posing a threat to us and to our allies around the world. This is particularly poignant today, on the eve of the sixth anniversary of 7/7—an attack that was inspired by al-Qaeda and executed by extremists following the same perverted ideology that underpinned the 11 September attack in 2001.

Three hundred and seventy-five British servicemen and women have died fighting in Afghanistan to help strengthen that country and keep Britons and Britain safe from another 9/11 or 7/7. Thousands more, including many civilians, have risked their lives, and hundreds have been injured fighting for the security of our nation. They have been part of an international coalition involving 48 countries with a specific UN mandate, working at the invitation of a democratically elected Government. Though there have been many, many difficult times, we should be clear about what has been achieved.

In 2009, my predecessor as Prime Minister told the House that some three quarters of the most serious terrorist plots against Britain had links to Afghanistan and Pakistan. We must always be on our guard, but I am advised that the figure is now significantly reduced. International forces have been bearing down on al-Qaeda and their former hosts, the Taliban, in both Pakistan and Afghanistan. In Pakistan, Osama bin Laden has been killed and al-Qaeda significantly weakened. In Afghanistan, British and international forces have driven al-Qaeda from its bases and, although it is too early to tell for certain, initial evidence suggests that we have halted the momentum of the Taliban insurgency in its heartland in Helmand province.

We are now entering a new phase in which the Afghan forces will do more of the fighting and patrolling, and our forces more training and mentoring. As President Obama said in his address last month, the mission is changing from "combat to support." When we arrived there was no one to hand over to—no proper army, no police force. In many places across the country the Afghan security forces now stand ready to begin the process of taking over security responsibility.

Success in Afghanistan requires a number of critical steps. The first is to ensure that Afghan security forces are able to secure their own territory. There have been well-known problems, especially with the Afghan police, but there has been real progress in the past two years. General Petraeus went out of his way to praise the recent performance of Afghan forces in a number of complex and dangerous operations. The Afghan forces are growing rapidly and are ahead of schedule to meet the current target of having 171,600 in the Afghan army and 134,000 in the Afghan police by the end of October this year. They are now deploying in formed units and carrying out their own operations.

There have been some real successes. Afghan national security forces have prevented insurgents from reaching many of their targets, and just eight days ago, when a major hotel was attacked in Kabul, they dealt with the situation. This was a major, sophisticated attack. They dealt with it professionally and speedily, calling in assistance from a NATO helicopter only to deal with insurgents on the roof. As General Petraeus stressed to me, they acquitted themselves extremely well. It is this growing strength and capability that will allow us over time to hand over control of security to Afghan forces and draw down our own numbers.

We remain committed to the objective, shared by President Karzai and the whole of NATO, that the Afghans should assume lead security responsibility across the whole country by the end of 2014. Last month President Obama announced that the US will withdraw 10,000 of its forces from Afghanistan by the end of this year and complete the removal of the US surge—some 33,000—by the end of next summer. At the time of the US surge, the UK increased its core force levels by an extra 500. For our part, I have already said that we will withdraw 426 UK military personnel by February 2012. Today I can announce that the UK will be able to reduce its force levels by a further 500, from 9,500 to 9,000, by the end of 2012. This decision has been agreed by the National Security Council on the advice of our military commanders.

These reductions reflect the progress being made in building up the Afghan national security forces. Indeed, it is worth noting that for every US soldier who leaves as the surge is removed, two Afghans will take their place. This marks the start of a process that will ensure that by the end of 2014 there will be nothing like the number of British troops who are there now, and they will not be serving in a combat role. This is the commitment I have made, and this is the commitment we will stick to.

Having taken such a huge share of the burden and performed so magnificently for a decade, this country needs to know that there is an end-point to the level of our current commitment and to combat operations. This decision is right not only for Britain but for Afghanistan. It has given the Afghans a clear deadline against which to plan and has injected a sense of urgency into their efforts.

Although there is a clear end-point to our military combat role, after 2014 the UK will continue to have a major strategic relationship with Afghanistan: a development relationship, a diplomatic relationship and a trade relationship. Above all, we have a vital national security interest in preventing Afghanistan from once again becoming a safe haven for international terror, so although our forces will no longer be present in a combat role we will have a continuing military relationship.

We will continue to train Afghan security forces. In Afghanistan I announced plans for a new officer training academy, which President Karzai specifically asked me for, and which I am proud Britain is able to deliver. We intend to lead the academy from 2013, in addition to maintaining our current role in the officer candidate

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school, which is due to merge with the academy in 2017. We will continue our efforts to help Afghanistan build a viable state, but our support cannot be unconditional.

In my meeting with President Karzai, I made clear the Afghan Government's responsibility to ensure that British taxpayers' money is spent well and spent wisely. I emphasised to President Karzai just how important it is that he personally grips the problems with the Kabul bank and the need for a new International Monetary Fund programme. I also urged him to support due democratic process and to tackle corruption, and I made it very clear that, although Britain wants to stand by Afghanistan beyond the end of our combat mission, we can do so only on the basis that Afghanistan must help itself, too.

Almost all insurgencies have ended with a combination of military pressure and political settlement, and there is no reason why Afghanistan should prove any different. As we strengthen the Afghan Government and security forces, so we will back President Karzai's efforts to work towards an Afghan-led political settlement. The death of bin Laden presents the Taliban with a moment of real choice. Al-Qaeda are weakened; their leader is dead.

Last month, the United Nations adopted two separate sanctions regimes, creating a clear distinction that separates the Taliban from al-Qaeda. Local peace councils have now been established in almost all of Afghanistan's provinces. These have already allowed more than 1,800 people from 17 provinces to be enrolled on the scheme for reintegration, so we should take this opportunity to send a clear message to the Taliban: now is the time to break decisively from al-Qaeda and to participate in a peaceful political process.

In this task, we need Pakistan's assistance. As I discussed with President Zardari last week, that process is now as much in Pakistan's interests as Britain's or Afghanistan's, because the Taliban pose a mortal threat to the state of Pakistan as well.

There is no reason why Afghanistan should be destined to remain a broken country. It has abundant mineral wealth and fertile agricultural land, and it stands at the crossroads of Asia's great trading highway. It has succeeded in the past when not wracked by conflict, but Afghanistan still has many challenges ahead.

There are real security issues and a lack of Government capacity, but 10 years ago Afghanistan was in the grip of a regime that banned young girls from schools, hanged people in football stadiums for minor misdemeanours and banished radios and any form of entertainment—while all the time incubating the terrorists who struck on 9/11 and elsewhere.

Afghanistan, for all its imperfections, has come a long way. Today, it is no longer a haven for global terror, its economy is growing and it has a Parliament, a developing legal system, provincial and district governors and the basic building blocks of what could be a successful democracy.

In Helmand province, which with Kandahar, we should remember, was a stronghold of the Taliban and the insurgency, there is now a growing economy, falling poppy cultivation and many more effective district governors. The fact that President Karzai has been able to choose Lashkar Gah as one of the areas to include in the first phase of transition is a sign of the transformation that we have helped to bring about there.

As we enter this new phase of transition, I am sure the whole House will want to join me in paying tribute to our servicemen and women who have made such incredible sacrifices to defend our national security. While we have been going about our daily lives, they have been out there day and night, fighting in the heat and the dust and giving up the things that we all take for granted.

That is the true character of the British Army, and it is why we are so incredibly proud of all our forces and the families who support them, and why we are so grateful for everything that they do for us. I commend this statement to the House.

Edward Miliband (Doncaster North) (Lab): I join the Prime Minister in paying tribute to our forces, who serve with such dedication and such heroism in Afghanistan, and let me just say to him that, whatever differences separate us on other issues, I commend the substance and the tone of his statement today and, indeed, his approach to the issue of Afghanistan.

As we prepare to remember tomorrow the victims of the attacks of 7/7, we are all reminded of why we are engaged in Afghanistan: to secure our security at home. That is why Opposition Members continue to support our forces in Afghanistan. We continue to support also the Prime Minister's intention to end the British combat role in Afghanistan by the end of 2014. It is right that we make it clear to the Afghan Government and their security forces that they need to step up and take responsibility for the future of the country, and it is right that we make it clear to the British people that this is not a war without end.

This year and next we must maintain the combination of military pressure, the accelerated build-up of the Afghan security forces and the work on basic governance and justice. I support the Prime Minister's plan to maintain British troop levels above 9,000, as they have been for the past two years, for this fighting season and the next. That will give our forces the best chance of consolidating the situation before the process of transition to Afghan control accelerates in 2012 and 2013, when our forces can start to come home in greater numbers.

May I first ask the Prime Minister about our troop commitments? Will he assure the House that if our reductions go slower than those of other countries—in particular, America—that will not cause British forces to take on a disproportionate share of the burden in Helmand? Can he assure the House that detailed plans for troop draw-down will always be based on military advice and conditions on the ground? I am sure that he can give that assurance. We ask our troops to do a difficult job in testing circumstances. Will the Prime Minister assure the House that our armed forces will continue to receive all the equipment they need in the months ahead, including the 12 Chinooks he promised but for which the order has still not been placed?

The bravery and professionalism of our armed forces deserve to be given the best chance of success. As the Prime Minister said in his statement, that will be realised only if we see political progress in Afghanistan. The political track is as important as the decisions on troop numbers and military strategy. As I understand it, there are still talks about talks. I am sure the Prime Minister

will agree that much work needs to be done between now and the Bonn conference in December, and indeed after it, if we are to make the most of this opportunity. I have some specific questions on that issue.

First, to build on the excellent work of Stefan di Mistura, the UN special representative, will the Prime Minister press for the Security Council to appoint a senior figure, perhaps Mr di Mistura or someone from the Muslim world, to be empowered to mediate between the Afghan Government, ISAF and those members of the Taliban who renounce violence? Such a figure could help to secure the commitment of countries in the region to support a new political settlement, reflecting their shared interest in long-term stability in Afghanistan.

Secondly, although it must remain a red line that the Taliban and others must commit to a peaceful political process, the constitution need not be set in stone. Will the Prime Minister press the Afghan High Peace Council to consider constitutional reform, including a more devolved Afghan state, which I believe is one demand that could unite people with political differences? Those steps need to be taken now so that by the time of the Bonn conference in December the ground has been prepared and real progress can be made.

As we look to a stronger Afghanistan, we all recognise that there are issues of governance and the rule of law. Will the Prime Minister say more about the ongoing scandal over the Kabul bank? I welcome that he raised the issue with President Karzai. Does he agree that this problem symbolises the inability of the Afghan Government at times to distance themselves from practices that threaten to undermine the Afghan economy and international development assistance? Will he tell us more about the role that Britain is playing to get the Afghan Government to take the necessary steps to tackle the crisis in the Kabul bank and allow the International Monetary Fund to resume its proper support?

Finally, I turn to Pakistan. We all accept that long-term stability in Afghanistan depends on stability in Pakistan. When I met President Zardari last week, I commended the hard work and sacrifice of the Pakistan security forces in tackling violent extremism in the north-west of the country. As the Prime Minister said in his statement, the situation in Pakistan continues to be serious. There is a danger that the bringing to justice of Osama bin Laden, which should be welcomed on all sides, will not have that effect in Pakistan. What steps is the Prime Minister taking to put British support for counter-terrorism in Pakistan at the heart of our relationship with the Pakistan Government?

We all want to see British troops come home at the earliest opportunity, not least the family and friends of those who are currently serving in Afghanistan. However, we also want the campaign to be concluded in a way that ensures that their service and sacrifice has not been in vain, and that Afghanistan and the wider region move into a stable future, rather than once again posing a serious threat to our security and that of other countries. I welcome today's statement as a step along that path. I say to the Prime Minister that I will continue to work with him on Afghanistan so that we can redouble our efforts on the military and political fronts to give Afghanistan the stability it needs for the future.

The Prime Minister: I am grateful to the right hon. Gentleman for his response to the statement and for the very good cross-party support not only for the mission but for how we are proposing to draw down and bring it to an end. He is right to say that the combination of military pressure, the build-up of the ANSF and a political process can enable us to meet our objective.

The right hon. Gentleman asked some specific questions, the first of which was on troop commitments. Yes, we are withdrawing troops more slowly than the US, but of course the US had a surge of about 33,000 troops. Its enduring number is more like 70,000, so obviously it makes sense for our draw-down to be proportionately smaller. It is important for us to have the draw-down in the way I have said.

The right hon. Gentleman said, quite rightly, that we must be careful as the draw-down takes place that we do not put a disproportionate burden on the remaining British troops. I am very clear that we must not enter into large new operational areas. We should continue the excellent work that we are doing in Helmand province, handing over progressively to the Afghans. Indeed, we are seeing the transition of Lashkar Gah and it might well be possible to transition other parts of Helmand province in a very effective way before the end of the process.

On the issue of equipment, one thing that struck me on the visit from which I have just returned, and indeed on visits over the past couple of years, is that there is now a real sense among our troops that they have the equipment they need. The body armour is much improved, as is the quality of vehicles, such as Mastiffs. There is no use of Snatch Land Rovers outside bases any more, and what has taken place is very positive. Obviously some of that action was initiated under the previous Government, and it has been continued under this Government. Funding the urgent operational requirements in Afghanistan is working well. Clearly we need to ensure that we have helicopter capacity and that Chinooks and the rest go ahead.

On talks, the right hon. Gentleman mentioned the need for a new international figure. I feel that perhaps the time for that has passed. I think that we now need an Afghan-led process. There are now much more effective discussions taking place between Afghanistan and Pakistan, with a much more positive attitude on both sides. We should do what we can to give that every possible support.

The right hon. Gentleman talked about the High Peace Council. I met former President Rabbani, and I think he is doing extremely good work in that process. We should not be completely hung up on every element of the current Afghan constitution, but it is important to give a reassurance to the Government, Parliament and people of Afghanistan that there is not some secret agenda to carve their country up. There is not. We want to see a strong and stable Afghanistan, with everyone within it playing a part in its future.

On the Kabul bank, we are very clear about what is necessary. We need a forensic audit of what went wrong and what happened, and we need the recapitalisation of the central bank so that the financial system is properly supported. The UK is massively involved in that process, and we are working for a positive outcome. We need it, because otherwise funds cannot flow into organisations in Afghanistan in the way that they need to.

The right hon. Gentleman is entirely right to commend the Pakistani security forces for what they have done in the north-west frontier and elsewhere. On the British

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relationship with Pakistan, what is important at a time when it is clearly under huge challenge is obviously to talk about our counter-terrorism relationship, but also to stress all the parts of our relationship and explain that we are there for a democratic and peaceful Pakistan for the long term, just as we want to have a long-term relationship with Afghanistan. Both those countries fear, and have good evidence from the past, that some in the west will walk away. We must convince them that our long-term interests are to be with them and stand with them.

Nicholas Soames (Mid Sussex) (Con): May I join the Prime Minister in paying tribute to the magnificent performance of the men and women of all three services and all those who support them in Afghanistan? May I particularly commend the decision that he has pushed forward to have an officer training school in Afghanistan and provide the personnel to be instructors? The British Army is brilliant at that and will do it very well. May I suggest that he might also consider whether our resources might extend to doing the same thing to provide help in training civil servants?

The Prime Minister: My hon. Friend is absolutely right, and I misspoke—I referred to the spirit of the British Army, but I should have talked about all the British armed services. It is very striking when one is there just how many RAF personnel, and indeed how many Navy personnel, are in Afghanistan, not least the Marines. I had the great pleasure of being able to speak to both the UK Royal Marines and the US Marine Corps—an odd thing to do on Independence day, but I struggled through none the less.

My hon. Friend is right to mention what we are calling "Sandhurst in the sand", which I think is the right proposal for British involvement in the future. Clearly there is also a case for doing more on civil service training, and we will look at that as well.

David Miliband (South Shields) (Lab): May I beseech the Prime Minister to reconsider his rejection of the idea of a UN mediator? His own arguments about the record of the Afghan Government, and indeed its present activities, show why an independent figure from the Muslim world needs to be engaged there, with the Afghan Government as a party but also with western nations and neighbours as parties.

Secondly, will the Prime Minister pick up the idea of a council of regional stability? Although he is right to mention Pakistan, the truth is that stability in Afghanistan requires the engagement of all its neighbours, not just the Pakistanis. The dangers in Afghanistan relate not just to the presence of the Taliban in the political system but to some of the northern and other groups. A council of regional stability is essential to provide the type of support for a stable Afghanistan that we all want to see.

The Prime Minister: I listen carefully to the right hon. Gentleman, who has considerable experience in this. I agree very much about ensuring that Afghanistan's neighbours are fully involved. One point I would make, though, is that from what I have seen there is no shortage of ideas for new processes to wrap around that. The problem is a lack of commitment. We need to see real commitment from the Afghans to work with the Pakistanis and real commitment from the Pakistanis to work with the Afghans.

President Karzai made the very reasonable point to the Pakistanis when he visited recently that there must be an ability to allow Taliban who want to talk to go to talk, but that those Taliban who do not want to talk must be arrested and confronted by the Pakistanis. It seems to me that it is about commitment. We can wrap all the processes in the world around it, and I will certainly look at what the right hon. Gentleman says, but in the end what we should be about is encouraging real commitment to make the peace process work.

Sir Menzies Campbell (North East Fife) (LD): May I endorse the points that have just been made about the need for regional involvement in stability? The Prime Minister went to some lengths to explain what the United Kingdom would do after the withdrawal of combat forces. What confidence does he have that other countries—for example, members of NATO or the European Union—will be willing to contribute in a similar way?

The Prime Minister: I think there is good evidence that there is a real commitment in NATO. Many NATO partners say that we joined this together and should leave together. There is a growing understanding that what needs to be done in cases such as this is to have an enduring relationship rather than just a short-term relationship. That argument is well understood, and the commitment that other NATO members have made to the training positions in Afghanistan is a pretty positive story.

Mr David Winnick (Walsall North) (Lab): As someone who takes a somewhat different view on Afghanistan, may I make it quite clear that I pay tribute, as I have previously, to the British troops involved for their bravery?

Will the Prime Minister continue to reject the arguments of those who oppose ending the British combat role in the next four years? As far as I am concerned, I would like to see it done earlier. Is there not a very strong feeling in this country that, after 10 years, the British people want out?

The Prime Minister: I think what the British people want is some certainty about the length of the mission and what it involves. My belief is that because we have been in Afghanistan since 2001 and in Helmand province since 2006, it is reasonable to say to people that we are going to be there until the end of 2014 in large numbers and in a combat role, but that after that the numbers will be lower and we will not be in a combat role. That gives people in our own country some certainty, but it also puts some pressure on the Afghans to ensure that they have really worked out how they need to take their responsibilities. The advice that I receive from our military commanders is that this is doable. Yes, it is challenging, but it is on track to be achieved.

Mr James Arbuthnot (North East Hampshire) (Con): I welcome what my right hon. Friend said about the modest withdrawal of troops next year, and, along with my hon. Friend the Member for Mid Sussex (Nicholas

Soames), I also particularly welcome what the Prime Minister said about the officer training academy in Afghanistan. Will the military relationship after 2015 extend beyond that academy to training, mentoring, logistics and other support?

The Prime Minister: Yes, it will. Let us look at the numbers—we are talking about roughly 120 British personnel for the training academy, supplemented by other countries' personnel. Indeed, the US has agreed to put, I think, $38 million into the training academy. Clearly we want to do more over and above that, and the National Security Council will discuss precisely how much we should commit and how much we will spend. Yes, of course we will be going over and above that as part of an important relationship to help Afghanistan build and maintain its capacity.

Mr Alistair Darling (Edinburgh South West) (Lab): May I join the Prime Minister in expressing my condolences to the family of Scott McLaren, who was killed in such tragic circumstances earlier this week? He came from Edinburgh. His loss of life is a reminder to us of the sacrifice being made in Afghanistan by so many young people from this country.

When the Prime Minister spoke of drawing down troop levels next year, I think I am right in saying that he meant reducing our troops to the numbers that we had at about the beginning of 2009. However, I was unclear about what will happen after 2014. Are we talking about maintaining such a significant presence after that time? I appreciate that the troops will be in a different role and doing different things, but the House will want to have some idea whether we are talking about maintaining such a significant presence, and also of where other countries stand on that.

The Prime Minister: The right hon. Gentleman asks a totally appropriate and legitimate question. What I have said is that the numbers are going down to 9,000 by the end of 2012. We must then work out the right number for 2013 and into 2014. I have said that after that, we will not be in Afghanistan in anything like the same number, nor in a combat role. I am not in a position now to give a figure for, as it were, the enduring commitment, through 2015 and beyond and the training role, which involves the officer training academy and other training work. We are not in a position yet to put a figure on that, but it will obviously be way down from the figures that we talk about today.

Richard Ottaway (Croydon South) (Con): The Prime Minister reaffirmed today that the stated policy objective in Afghanistan is to deny al-Qaeda a base from which it can attack the UK and other British interests. From that, it is fair to assume that he continues to receive intelligence that al-Qaeda remains a threat in Afghanistan. I know that this is difficult, but will he consider how that information and intelligence can be shared with the House?

The Prime Minister: Obviously, the whole process of sharing intelligence is a difficult vexed issue, and there are some difficult recent historical connotations. What I said in my statement is that there was a time when the lion's share of plots that threatened people in UK came from the Afghanistan-Pakistan region. The number of such plots has come down significantly since then. Clearly, al-Qaeda has been absolutely hammered in Pakistan—it has lost a huge number of its senior leaders—and it has nothing like the presence in Afghanistan that it had when it was hosted by the Taliban in 2001. Our aim should be not just to exclude al-Qaeda from Afghanistan, but to ensure that the Afghans can go on ensuring that exclusion without the support of foreign troops. That is our real enduring aim.

Hugh Bayley (York Central) (Lab): I express my admiration for the service personnel, including the men and women of York's 2 Signal Regiment, whom I met in Afghanistan when I went with the NATO Parliamentary Assembly three weeks ago. As our troops come home we will, thanks to the NATO training mission, leave behind very strong, and very well-trained and armed, Afghan national security forces. However, at the current rate of progress we will also leave behind fragmented politics. Given the history of military dictatorship and authoritarian states in the region, I believe that Afghanistan could go the same way. What are our Government doing to try to prevent that from being the medium-term outcome?

The Prime Minister: The hon. Gentleman makes a very good point. The more mechanical task of training the Afghan army and police is now going very well. There were errors and mistakes in the early days, but I think that they have been ironed out. I was very struck by what General Petraeus and Lieutenant-General Rodriguez said about the quality of the Afghan army. Clearly, the long pole in the tent—as they like to call it—is how strong, sustainable and vigorous is the quality of Afghan governance and democracy. The moment there is a stand-off between the Executive on the one hand and the Parliament in the other, we must settle those issues.

As I said, I do not think that we will achieve perfection—Afghanistan is a country without a long-standing democratic history—but we must help to put in place basic democratic institutions and functioning government. The British effort is hugely geared towards that task.

Bob Stewart (Beckenham) (Con): Given that for many years our Government negotiated with the Provisional IRA while we were still fighting, I suspect that at some level, we will be negotiating with the Taliban. Will my right hon. Friend the Prime Minister agree that one of the most important things that we must put forward in any negotiations with the Taliban is that al-Qaeda should never become part of Afghanistan if the Taliban were ever to form a Government, or part of a Government, in that country?

The Prime Minister: My hon. Friend is right. Let me make two points. First, this must be an Afghan-led process. This is about the Afghans trying to bring together in their country all the elements that should form a part of its future. Clearly, if the Taliban separate themselves from al-Qaeda, and if they are prepared to give up violence and accept the basic tenets of the Afghan constitutions, those are end conditions. If they can do that, there is the potential for a political process that can speed the end of this conflict. Clearly, we must go ahead on the basis that we are building the Afghan army and continuing with very tough operations to take out Taliban insurgents, but that there is also the opportunity

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for a political integration process at the low level, and a reconciliation process at the high level, that can speed the end of the conflict, and we can end up with a more stable and peaceful Afghanistan.

Mike Gapes (Ilford South) (Lab/Co-op): The Prime Minister referred to the recent attacks on the hotel in Kabul, which is well inside several security rings. Are there not worrying indications that the Taliban are infiltrating parts of Afghanistan where they previously had not been? How confident can we be that the Afghan authorities and President Karzai will be a in a position of complete control over the internal security of Afghanistan by the end of 2014?

The Prime Minister: The hon. Gentleman makes a good point about the capacity of the Afghan Government and the scale of the Afghan security forces, which is improving all the time. The point I would make is that there has been rather unfair press about the hotel. In fact, the Afghan security forces were able to clear it of insurgents rapidly. There was of course a regrettable loss of life, but the operation was fast and effective. They drove the insurgents on to the roof, where they were effectively taken out with the assistance of NATO. We saw a similar attack on a hotel in Mumbai, and we have seen suicide attacks in other countries. All I can say is that people who are pretty tough nuts, such as General Petraeus and Lieutenant-General Rodriguez, were very impressed by what the Afghan security forces did. We should be talking that up, not talking it down.

Mr Bernard Jenkin (Harwich and North Essex) (Con): Although my right hon. Friend, and indeed President Obama, are under all kinds of pressures to speed up the withdrawal from Afghanistan, and although that would be the wrong reason to withdraw, may I commend my right hon. Friend on setting a timetable, because that is how to accelerate the political process in Kabul and make President Karzai sit up and engage in the some of the talks that are already taking place? I also agree with my right hon. Friend that it would be quite wrong to internationalise that process. It must be done through the tribal structures and Loya Jirgas in Afghanistan, by and for Afghans. It is not something that we can supervise from the UN.

The Prime Minister: I thank my hon. Friend for his question; perhaps I can adjudicate between the two poles in the House. The process must be Afghan led. We do not want a bad, tribal, poorly thought-through carve-up that will lead to future instability. Clearly, there must be a proper reconciliation process, but what I have seen—a timetable has perhaps assisted with this—is a very positive engagement from Afghanistan in Pakistan on their shared future. We can push, encourage and work with those two countries, but in the end they must make decisions together on how they will be more secure.

Ann Clwyd (Cynon Valley) (Lab): Everybody would welcome the fact that peace negotiations are seriously under way. May I ask the Prime Minister for assurances that the rights of women will not be sold down the river? Those rights have been hard fought for. We do not want to see women once again imprisoned in their homes, and children—girls—not allowed to go to school. Will he ask the President to include women in his negotiating team? Many women are fearful of what will happen in Afghanistan in future, and they deserve such assurances.

The Prime Minister: The right hon. Lady makes a very good point. I would stress that prominent Afghan women are involved in that reconciliation process through the high peace council, which is run by former President Rabbani. Clearly, nobody wants a return to the days of the Talibanisation of Afghanistan, but we must accept that if we want a speedier end to the insurgency and long-term stability in Afghanistan, what President Karzai has referred to as his "lost cousins"—those who have lost their way—must be brought back into the body of Afghanistan. We found that fantastically difficult with Irish republican terrorists, but none the less, people who were previously committed to violence, maiming and bombing people are now sitting in government in Stormont. The same process must happen in Afghanistan, difficult though it is.

Mr John Baron (Basildon and Billericay) (Con): May I press the Prime Minister again on the importance of talks with the Taliban being non-conditional? Non-conditional talks with the IRA helped to bring about peace in Northern Ireland, and I suggest that the US wish for al-Qaeda and the Taliban to sever all ties should be part of a settlement rather than a precondition.

The Prime Minister: My hon. Friend is right, in that what matters is the end of the process. If we can get into a political process in Afghanistan with people who have separated from al-Qaeda, given up violence and accepted the basic tenets of the Afghan constitution, that will be a success. However, we cannot shade or fudge the idea of letting armed terrorists into government. We need to have some red lines in our minds about what is possible and appropriate, otherwise we will not end up with stability or any form of functioning state.

Caroline Lucas (Brighton, Pavilion) (Green): The Prime Minister will know of increasing concern about the use of drones in Afghanistan and elsewhere, particularly about the risk that they will strike civilians. Just yesterday it was confirmed that a drone had killed four Afghan civilians and injured two others. Given that military officials are saying that almost one third of the Royal Air Force could be made up of drones within the next 20 years, will he review the use of this policy?

The Prime Minister: Of course it matters hugely that we avoid civilian casualties, whether in Afghanistan or in Libya. However, I do not think that the answer is to turn our face away from the modern technology that can now pinpoint people who are doing us harm. The technology being used in Afghanistan, including drones and other aerial ISTAR—intelligence, surveillance, target acquisition and reconnaissance—cameras, has been hugely effective in driving back the Taliban insurgency and taking out people who are doing us harm.

Bob Russell (Colchester) (LD): 16 Air Assault Brigade recently returned from its fourth deployment to Afghanistan, much good having been achieved. I urge caution over the speed of the withdrawal of British troops in case all that good work comes to nothing. In

particular, I draw the Prime Minister's attention to what happened in the summer of 2008, when the four battalions of the Parachute Regiment joined forces to transport a turbine to the Kajaki dam. Three years later, it still has not been connected up.

The Prime Minister: My hon. Friend makes a good point. I do not want us to jeopardise the success achieved so far. From my many conversations with our service personnel, many of whom are going back to Afghanistan for a second, third or, as he said, even a fourth time, it seems to me that morale is extremely high, and that there is a sense that we are achieving good things in Afghanistan. However, I think that we need to focus on what is effective. One problem has been that we should have applied earlier the effective measures of counter-insurgency that we are now pursuing—protecting the larger population centres and ensuring that the main transport routes are open. Some of what we have done in years gone by might have had important symbolism for Afghans, but the real symbolism lies in protecting large population centres so that people can go about their daily lives.

Paul Flynn (Newport West) (Lab): Does the Prime Minister support the campaign by his own constituents and many families of the bereaved for the processions that bring the bodies of the fallen back to this country to be rerouted through urban areas so that local people can publicly express their respect, the families can express their grief and the country can be reminded of the true cost of war?

The Prime Minister: I am glad that the hon. Gentleman has raised this issue. Obviously, as the constituency MP, I take a close interest in it. I have tried to allow for the greatest possible consultation with the armed forces, the MOD and local councils in Carterton town and across West Oxfordshire district council. I believe that we have arrived at a sensible route with a far better centre for families within the airbase. Money is also being spent on a proper memorial garden where families will be able to show their respects to their loved ones. A lot of thought has gone into this, and of course we must keep it under review and ensure that it is done in the right way. However, there is sometimes a great danger—whether it is the local MP or the Prime Minister—of stepping in without allowing people to determine what is a good outcome that will be well done. Let us see how it works in practice before we jump to conclusions here.

Dr Julian Lewis (New Forest East) (Con): If we are to achieve a political settlement involving the Taliban, there must be an incentive for the Taliban to negotiate. At the moment, however, there is no such incentive. Has the Prime Minister received any indication from our American allies that they are contemplating the preservation of a long-term strategic base and bridgehead area in the region that would demonstrate to the Taliban, in any future Government in which they participate, that the return of al-Qaeda or other international terrorist organisations would not be tolerated and could easily be punished?

The Prime Minister: My hon. Friend makes a good point. However, I think that there is an incentive to join a political process, because Taliban mid and high-level leaders are being killed in ever larger numbers. Actually, we are now seeing, in some cases, lowering morale among the Taliban within Afghanistan because their "brave" mid and high-level leaders are cowering over the border in Pakistan. That is what has happened, and we need to keep up that pressure. Of course we need to work with the Afghans so that they have the long-term capability to go on dealing with the insurgency, if it continues—even in a minor way—along the lines that he suggests. However, no one should think that the Taliban are not under pressure; they are under huge pressure because of the surge and the effectiveness of the operations in which we are also engaged.

Mr Frank Roy (Motherwell and Wishaw) (Lab): Will the Prime Minister guarantee that as we draw down troops in Afghanistan, we will not draw down the number of people who provide security for the diplomatic teams that will be left in the country?

The Prime Minister: Obviously it is hugely important that we secure those who work in our embassy. I had the great good fortune of meeting many people who work in the Kabul embassy, which is now one of our biggest embassies. They have to make huge compromises to work in such a difficult location, and their security needs to be absolutely at the top of our agenda.

Rory Stewart (Penrith and The Border) (Con): It takes wisdom to set a date for withdrawal, but it takes enormous courage to stick to that date. Will the Prime Minister reassure us that no amount of guilt at lost lives, over-optimistic promises from generals or fear of lack of progress will ever shake his resolve that Britain will be entirely out of combat operations by the end of 2014 at the very latest?

The Prime Minister: I can give my hon. Friend that assurance because it is important to give people a sense of an end time to these combat operations. As he said, it is always difficult to change the lay-down of British armed forces. I think that the early decision I made to focus on central Helmand and to get out of Sangin has been hugely important in ensuring that we have the right concentration of forces on the ground to do the job that we need to do. It is always difficult to come out of somewhere, but it is an important measure to make us more effective. That does not mean that lives have been lost in vain, however, and the Americans continue to do excellent work in Sangin. Nevertheless, we have to make hard-headed and difficult decisions for the long-term good of our armed forces and country.

Keith Vaz (Leicester East) (Lab): In his discussions with President Karzai, did the Prime Minister raise the issue of the exodus of thousands of Afghanis from Afghanistan? As he knows, I have raised this matter in the House before. Fifty thousand Afghanis crossed the border between Turkey and Greece last year. Although he accepts that the threat from al-Qaeda is receding in Afghanistan, it is increasing in Yemen. What are we going to do about country shopping by al-Qaeda?

The Prime Minister: The right hon. Gentleman is entirely right. One of the roles of the National Security Council is to sit down and look at the scale of the threat that we face, and where that threat is coming from. Clearly the threat picture is changing, in that the number

[The Prime Minister]

of threats coming out of the Pakistan-Afghanistan area is receding, and the number coming from Yemen and Somalia is growing. The nation has to work out how smart we can be in combating that threat. That means learning lessons from Iraq and Afghanistan about how best to combat extremism and violence in those countries. I am determined—with the good advice of the Home Affairs Committee, I am sure—to learn those lessons.

Angie Bray (Ealing Central and Acton) (Con): I welcome today's statement, and in particular the Prime Minister's reminder to President Karzai that his Government must be responsible for ensuring that British taxpayers' money is spent wisely and well. Can the Prime Minister reassure British taxpayers that measures are in place to ensure that that happens?

The Prime Minister: I can give that assurance, but clearly not everything has been satisfactory up to now. The situation with the Kabul bank has been appalling, but we now have it moving towards a solution, because there will be a forensic audit and recapitalisation of the bank. However, we need to put in place procedures within the Afghan Government so that there is not the level of corruption and wasted money that there has been.

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab): I fully accept the Prime Minister's argument that he cannot be entirely precise about how many of our troops will be in Afghanistan by the end of 2014. However, I am somewhat surprised that he can be so certain that they will be there in a non-combat role. If the progress made over the next few years is not as positive as he anticipates, surely he would not allow our troops there to be placed in a situation where security could not be secured, and which might require them still to have a limited combat role.

The Prime Minister: Let me turn the hon. Lady's question the other way round. If we are still in Afghanistan in 2014 in our current numbers and still in a combat role, clearly there would be something fundamentally wrong with the strategy that we would be pursuing. The point is that we have a programme and a plan. It involves the build-up of the Afghan national security forces, which is going well, it involves working with our allies, which is going well, and it involves close co-operation between us and the Afghans, all of which can be done. That is what we should focus on, and that is the programme that we will deliver.

Rehman Chishti (Gillingham and Rainham) (Con): I welcome the Prime Minister's statement. Does he agree that a key element in achieving long-term stability in Afghanistan and Pakistan will be providing good quality basic education, which will give people hope and opportunities, and lead them away from entering into sectarian and ethnic violence?

The Prime Minister: My hon. Friend is entirely right. If we look at the huge population growth in Pakistan in particular, and the fact that more than 10 million children are now out of school, we have to ask what sort of future will they grow up into and what sort of extremism will they be prey to. That is why, in spite of the frustration sometimes felt at Afghanistan being unable to do more on education itself, we are right to have the targeted programme that we do, in order to put more Pakistani children through school.

Dr William McCrea (South Antrim) (DUP): I welcome the Prime Minister's statement, and pay tribute to the bravery and dedication of our soldiers and security personnel in Afghanistan. Will he ensure, however, that we will withdraw from Afghanistan at a time when we have achieved our overriding goal of ensuring our national security, as he has stated in the House today?

The Prime Minister: The answer to that is yes. Our goal is that Afghanistan can secure itself from al-Qaeda and terrorist bases without the need for British or other forces. That is the goal, and that is why building up Afghanistan's security apparatus is so central. All the other things that we have talked about today—schooling, development, education—are important, but security is the absolute key.

Stephen Gilbert (St Austell and Newquay) (LD): I welcome the Prime Minister's focus on an Afghan-led political solution, but in honour of the 375 brave British service personnel who have died in Afghanistan, that solution must include the rights of women, rights for other minorities, religious freedom and a commitment to developing democracy. Can he assure me that in detailed talks, those will be some of his red lines with the Taliban?

The Prime Minister: Those things are guaranteed through the Afghan constitution, and Afghanistan has made huge steps forward. Knowing President Karzai as I do, I know that he would not agree to an Afghanistan that was miles away from the sort of human rights and development goals that my hon. Friend wants to see progressed. However, we have to have a hierarchy, as it were, and the hierarchy of need from the UK's point of view is to focus on security and the Afghan Government's capacity to secure their own country. Other things have to take their place behind that.

John Woodcock (Barrow and Furness) (Lab/Co-op): The Prime Minister seems to be guaranteeing that the 12 extra Chinooks will be ordered. Is that right?

The Prime Minister: What I am saying is that we have made announcements about Chinooks being ordered, and we will stick to those announcements.

Mary Macleod (Brentford and Isleworth) (Con): Britain can help to achieve peace and stability in Afghanistan by leaving a lasting long-term legacy. I welcome my right hon. Friend's announcement today about the officer training school, but does he not agree that for education for all, especially young girls, is also important?

The Prime Minister: I do agree: if we want to see long-term stability in Afghanistan, that cannot be possible by excluding half the population from being educated. Indeed, if we look right across north Africa and the middle east, the empowerment and education of women is important not just for human rights, but for economic development and for peace and progress.

Jim Shannon (Strangford) (DUP): I welcome the Prime Minister's statement to the House today. Back in March, round about St Patrick's day, several hon. Members, including me, had the opportunity to visit Afghanistan, and in particular Lashkar Gah. At that time, we met some of the people from the police training college. One could not fail to be impressed by their energy, enthusiasm and commitment. However, they needed a $6 million new college, yet they told us that there was no start date or completion date for it. If there is to be a handover of security, the police will need training. Can the Prime Minister give us a commitment on the start and completion dates of the police training college in Lashkar Gah?

The Prime Minister: I shall make two points to the hon. Gentleman. First, the police training college in Lashkar Gah is up and running, and it is working. I have visited it myself, and it is taking huge steps forward. One of the tragedies of the situation is that police training was the responsibility of other countries. Britain has had to take on some of those responsibilities directly, and we have done so very well. He will be interested to know that Lashkar Gah town will be one of the first places in Afghanistan to effect a transition. It is imminent: indeed, already today, security in Lashkar Gah is basically provided by Afghans for Afghans. Having been to Lashkar Gah many times over the last five years, I find that fact pretty staggering and pretty encouraging, and I think others should too.

Mr Philip Hollobone (Kettering) (Con): Given that the raw material for such a high proportion of the illegal drugs on Britain's streets starts in Afghanistan, what progress is being made on getting farmers to grow something other than poppy, and is the Prime Minister confident that the Afghan Government will continue that work once we have left?

The Prime Minister: We are seeing progress on that, and Britain has invested in the wheat seed distribution project in Helmand. However, one of the lessons that I have learned from going to Afghanistan repeatedly over the last five years is that we can talk all we like about destroying crops and the rest of it, but if we want to do something about poppy cultivation the real key is building roads, because we have to enable the Afghans to get their produce to market. If they do not have legitimate produce to get to a legitimate market, the drug dealers will prey on them, give them their poppy seed and collect their poppy at the end of the harvest, and the job is done. This is about roads and government capacity as much as it is about the criminal justice system.

Thomas Docherty (Dunfermline and West Fife) (Lab): Given the Prime Minister's remarks about the need to build Afghanistan's political structures, he will have seen today's media reports, so can he confirm whether the UK is considering sending senior civil servants or senior Officers of this House to Kabul on either a permanent or a temporary basis?

The Prime Minister: I had the great honour of meeting the Speaker of the Afghan Parliament. As I understand it, there will be good and strong relations between this Parliament and the Afghan Parliament, which is beginning to establish itself—but I will leave decisions on what Mr Speaker wants to do to Mr Speaker.

Graham Jones (Hyndburn) (Lab): I welcome the Prime Minister's comments about education in Afghanistan, but can he update the House on how much progress has been made from investing in schooling and education over the years, and on where that leaves us now?

The Prime Minister: The hon. Gentleman asks a good question. I shall write to him with the specific figures for the number of Afghans in school in Helmand province and elsewhere. I think that he will see very good progress, but I will write to him with the exact details.

Sunday Trading (Amendment)

Motion for leave to bring in a Bill (Standing Order No. 23)

1.28 pm

Mark Menzies (Fylde) (Con): I beg to move,

That leave be given to bring in a Bill to require the Secretary of State to permit local authorities to vary restrictions on Sunday trading on a temporary basis; and for connected purposes.

The objective of this measure is to provide a temporary and modest economic stimulus during the period of the Olympic games. This will be an exceptional period. Britain has invested billions in the games, and we must maximise the revenue opportunities from the hundreds of thousands of new tourists who will come into Britain at the time. My desire is therefore to help to offset the huge cost of the event by ensuring that every opportunity is taken to boost the economy during those six weeks or so.

I support Sunday opening. Large stores are restricted to opening for six hours, between 10 am and 6 pm; smaller shops are allowed to open for longer. Scotland has complete deregulation. This is about showing that England and Wales are open for business. We need to create a provision for events such as the Olympics, and we need to offset the financial costs involved. I am a supporter of the games, which will bring hundreds of thousands of international tourists and global opinion formers into the United Kingdom.

I want to make it clear from the start that the effects of this measure would be temporary in nature, as it would apply to only about half a dozen Sundays. This would be a small adjustment that could make a huge difference to thousands in the retail trade. This is not a partisan issue; I know that many Members on both sides of the House support this common-sense proposal.

Many of my colleagues will have been to the Olympic park and seen the enormous amount of redevelopment there. Some of the largest regeneration projects in the UK have been undertaken in the run-up to London 2012. They include the construction of Europe's largest urban shopping centre. As the Prime Minister has said, we must utilise the potential that such a place provides for the country as a whole, by providing opportunities for the unemployed.

Millions of people will be visiting Britain in 2012; it will be the year to showcase our country to the world. We have an incredible opportunity to demonstrate what Britain is capable of, and this opportunity, not just for London but for the whole of the UK, is one that we must get right. I am also mindful of my own north-west. It is imperative that visitors are encouraged to return. Let us make allowances for people: for the shop workers who are desperate for overtime, for the ordinary worker, for the unemployed and for the consumer who wants more convenient shopping hours.

The preparation for the Olympics has already shown that we are able to adapt to the pace of change necessary to meet the big demands of a major international event. The royal wedding was a prime example of Britain at its best. So far, the major construction work has been on time and on budget, but it is also crucial to get the small things right. In the run-up to the 2012 games, London has no choice but to adjust. Allowances have already been made for Olympic car lanes, alterations to supermarket deliveries and changes to meet carbon emission targets. Let us make allowances for people: for the shop worker who is desperate for overtime during this exceptional period; for the employer who wants to adapt to cope with the millions of extra customers and a different pattern of trade; and for the average consumer who will want flexible shopping so that they can fully enjoy the games.

Certain areas of Britain, such as Oxford street in London, and Blackpool and the Lake district are tourist attractions in themselves. We must utilise the opportunity that the Olympics offer by giving businesses the chance to extend opening hours to consumers on the Sundays up to and during these exciting events. This is a once-in-a-lifetime opportunity to showcase the best of the UK's culture, creativity and industry. It is anticipated that Britain will receive hundreds of thousands of extra visitors per day. They will include 14,700 athletes, alongside the 20,000 accredited journalists. Tens of thousands of global opinion formers will be visiting our country. Scotland already has freer Sunday trading hours. England and Wales therefore need to be prepared for the challenges that these additional visitors will place on the country.

As the Department for Culture, Media and Sport has said, we must

"boost national self-confidence, enhance the UK's reputation abroad"

and

"attract high value inward investment."

It is vital that we have the necessary services and facilities for the largest number of visitors that Britain will ever have seen. Olympic events will be going on at all times of the day. What a missed opportunity it would be if tourists with money in their pockets leaving an event late on a Sunday afternoon were to find the shops closed. The Olympic games also coincide with the annual summer holidays for schools and universities in England and Wales. Those young people will fill the temporary jobs that will be created during the Olympic games, not to mention the numerous temporary jobs created by local businesses. This is a fantastic opportunity to encourage our young people into work, and to improve their future employment prospects.

The Olympic games will bring benefits to areas across the UK. These include Old Trafford in my own north-west, a world famous football stadium that will be used to host nine football matches during the games. It is situated next to the Trafford Centre, a hugely popular shopping venue. During the passage of my Bill, we can deal with the powers for the Welsh Assembly and local authorities that might not choose to take advantage of this temporary measure. I do not wish to compel local authorities to have additional Sunday trading hours that they do not want.

Britain is a nation of many sporting events. The football and rugby Saturday and the summer Wimbledon are just some examples of the many events that attract thousands of visitors to the UK from across the globe. It is important that communities should be able to provide the flexibility for such events, so as to maximise economic gain. It makes little economic sense to make basic amenities unavailable to tourists and citizens alike during the games. At a time when the Government must focus on rebuilding the economy, creating jobs and boosting the disposable income of our people, we must not waste the unique opportunities that this major

event will provide. What more powerful legacy could there be than creating opportunities for people to get jobs and earn some money?

With the retail sector booming in central London, having been boosted by foreign tourists, we must ensure that all our shops are able to deal with the increased demand. We must adjust their hours to cope with the fact that many people will stay at home and watch television because they wish to maximise the hours on a summer Sunday evening. I wish to give similar opportunities to my constituents in the north-west. One reason for this measure is the increase in tourism. The London Olympics are set to be worth at least £100 million in extra revenues to the UK retail sector, and we must meet this demand. We are not the first nation to face this issue. The French Parliament recently passed a measure to give local authorities in popular tourist destinations the power to extend Sunday trading hours. This is an example of how Sunday trading legislation can adapt to meet local demands.

I am committed to preserving the tradition of Sunday as a family day and ensuring the rights of shop workers. Having worked in the retail sector all my life, I am a champion of the primary legislation that sets in stone those rights, and it is rightly sacrosanct. No worker should ever be put in a position of having to work on a Sunday against their wishes. I believe that there is a real need for this temporary economic boost, however, and that we therefore need to reassess the current provisions. It makes little sense to impose Sunday trading limits on shop workers and the retail industry when transport, pubs and restaurants can be responsive when demand arises.

This measure is not a radical change. It is a practical, temporary tweaking of the common-sense provisions that have already been accepted by Parliament in 1994. It is an economic stimulus measure. Certain occasions demand that shops open for longer on a Sunday. Scotland has been sensible in this regard for many years, and this provision will have only positive benefits for our local economies. This move comes at a significant time in the history of our country with the coming of the Olympic games in 2012. England and Wales have demonstrated that they can adapt to the challenges that major events pose. Let us send a message that Britain is open for business and let us use this opportunity to maximise revenues from tourists. We have shown that we can get the big things right; let us not make the mistake of ignoring the smaller details.

1.37 pm

Dr Thérèse Coffey (Suffolk Coastal) (Con): Thank you for giving me this opportunity to speak against the Bill, Mr Speaker. I recognise that the House is keen to move on to the next subject, however, so I shall not press the motion to a Division.

It is perhaps unusual to hear a speech from a woman opposing a proposal for more time to shop. I suggest, however, that the Bill that my hon. Friend the Member for Fylde (Mark Menzies) is introducing would have unintended consequences. He started to make a convincing case for extending Sunday hours generally, and I am not sure why he is trying to restrict his proposal to the Olympics if he believes that it would be helpful as an economic stimulus. He also said that only the larger stores are currently restricted. I encourage him to think again about his measure, so that we can once again reinforce the role of small, independent stores or smaller high street stores in boosting economic activity.

My hon. Friend suggested that the provisions would have only a temporary application. I am rather nervous about that, because such provisions usually set us on the road to permanent change. He also mentioned new employment opportunities, but stores in the Westfield shopping centre and similar places will not take on extra shop workers just to deal with an extra 24 hours of work spread across six Sundays.

I believe that my hon. Friend's Bill sends out the wrong message. The Olympics will be a once-in-a-generation—perhaps once-in-a-lifetime—opportunity for everyone in this country to participate in and enjoy. He said that people could not be compelled to work on a Sunday, but I think he will find that that is no longer true. I will not press the motion to a vote today, but I give him notice that I will oppose the Bill as it passes through its parliamentary stages.

Question put and agreed to.

Ordered,

That Mark Menzies, Conor Burns, Rehman Chishti, Philip Davies, Thomas Docherty, Stephen Gilbert, Daniel Kawczynski, Chris Kelly, Andrew Rosindell, Iain Stewart, James Wharton and Priti Patel present the Bill.

Mark Menzies accordingly presented the Bill.

Bill read the First time; to be read a Second time on Friday 25 November 2011, and to be printed (Bill 217).

Business of the House (Today)

Motion made, and Question proposed,

That Standing Order No. 54 (Consideration of estimates) be applied to proceedings at this day's sitting as if paragraph (2) were omitted.—*(Sir George Young.)*

1.40 pm

Sir Alan Beith (Berwick-upon-Tweed) (LD): Will the Leader of the House confirm that, because the following motion will reduce the time available for the estimates debates tabled by Select Committees, an opportunity will be provided to debate the Prevent strategy—likely to be the one squeezed out today—at a later date?

The Leader of the House of Commons (Sir George Young): I am grateful to the right hon. Gentleman for that question and I can give him that assurance. He is entitled to injury time and it will be provided.

Question put and agreed to.

Phone Hacking

Emergency debate (Standing Order No. 24)

Mr Speaker: We come now to the emergency debate on phone hacking at the *News of the World*. The House will observe that in light of the level of interest, I have, at this stage, imposed a seven-minute limit on Back-Bench contributions which is scheduled to take effect after the contributions from the Front Bench—from the Minister and the shadow Minister—and obviously after the opening contribution of the hon. Member for Rhondda (Chris Bryant). I simply make the point that that limit will be reviewable depending upon the length of early contributions to the debate.

1.42 pm

Chris Bryant (Rhondda) (Lab): I beg to move,

That this House has considered the matter of whether there should be a public inquiry into the phone hacking at the News of the World; and the conduct of the Metropolitan Police Service between 2006 and 2011.

At 8.50 am tomorrow, it will be six years since the London bombings, which saw 52 people murdered and 700 injured. Today we hear that the police are investigating whether the mobile phones of several of those who lost family members in those attacks were hacked by the *News of the World*. One such family member spoke—very movingly, I thought—on the "Today" programme this morning. Another has been in touch with me and there may be several others. In addition, I am told that the police are looking not just at Milly Dowler's phone and the phones of the families of Holly Wells and Jessica Chapman, but at the case of Madeleine McCann and of 15-year-old Danielle Jones, who was abducted and murdered in Essex in 2001 by her uncle, Stuart Campbell.

The charge sheet is even longer, unfortunately. I am told that the *News of the World* also hacked the phones of police officers, including those investigating the still unsolved murder of Daniel Morgan. This is particularly worrying considering the collapse of the long-delayed trial of the private investigator, Jonathan Rees, who also worked for newspapers, earlier this year. Scandalously, it also seems that the *News of the World* targeted some of those police officers who were, at various times, in charge of the investigation into the *News of the World* itself. We can only speculate, Mr Speaker, on why they would want to do that.

These are not just the amoral actions of some lone private investigator tied to a rogue *News of the World* reporter; they are the immoral and almost certainly criminal deeds of an organisation that was appallingly led and had completely lost sight of any idea of decency or shared humanity. The private voicemail messages of victims of crime should never, ever have become a commodity to be traded between journalists and private investigators for a cheap story and a quick sale, and I know that the vast majority of journalists in this country would agree with that.

If we want to understand the complete moral failure here, we need only listen to the words of Mr Glenn Mulcaire himself:

"Working for the News of the World was never easy. There was relentless pressure. There was a constant demand for results. I knew what we did pushed the limits ethically. But, at the time, I didn't understand that I had broken the law at all".

To be honest, the ethics are the big issue here, just as much as whether the law was broken. The journalists and the private investigators should be ashamed of what happened. But so, too, should those who ran the newspaper. It is simply no excuse to say they did not know what was going on. Managerial and executive negligence is tantamount to complicity in this case. I believe that if Rebekah Brooks had a single shred of decency, she would now resign. God knows, if a Minister were in the spotlight at the moment, she would be demanding their head on a plate.

Let me be clear, though. The *News of the World* is not the only magician practising the dark arts. In 2006, the Information Commissioner produced a devastating report, "What price privacy now?", which detailed literally hundreds—in fact, thousands—of dubious or criminal acts by journalists or agents of national newspapers: illegally obtaining driving licence details, illegal criminal records or vehicle registration searches, telephone reverse traces and mobile telephone conversions. He listed 1,218 instances at the *Daily Mail* and *The Mail on Sunday* alone, 802 at *The People* and—I say sadly as a Labour Member—681 at the *Daily Mirror*. Earlier this year, the new Information Commissioner revealed that many patients' records held by the NHS are far from secure from the prying eyes of journalists. That is the most private information possible about members of the public.

Nicholas Soames (Mid Sussex) (Con): Does the hon. Gentleman agree that I share with him—indeed, I have debated it with him across the Floor of the House—an appreciation of the Information Commissioner's excellent report, "What price privacy now?"? Does he also agree that, regardless of party politics, it is shameful that the Government of the day did not take action when that report was published in the first place?

Chris Bryant: I will come on later to make some remarks, with which I hope the hon. Gentleman will agree, about how we have all failed in this process. I believe that the whole political system has failed in this. I take my own share of the blame for that. I asked Rebekah Wade questions about this a long time ago, but in the end the whole of the political system in this country did not take action. Now is our chance to do so.

Dr Julian Huppert (Cambridge) (LD) *rose—*

Chris Bryant: I am not keen to give way too often, as I am aware that many others want to speak.

This issue is not just about what went on at the *News of the World*; it is also about the behaviour of the Metropolitan police. In the course of the limited investigation of 2006, which led to the conviction of Glenn Mulcaire and Clive Goodman, the police secured a vast amount of information. They could have—and, I believe, should have—interrogated that information so that it became evidence. They could have approached all those affected. They could have contacted the mobile phone companies to ensure their customers were better protected. Unfortunately, they did none of those things.

Mr David Hanson (Delyn) (Lab): My hon. Friend may recall that as Police Minister at the time, I answered an urgent question on 9 July 2009, and put down a written ministerial statement on 14 July and again on 21 July in good faith. Included in one of the ministerial statements was this comment made by the Metropolitan police:

> "The Metropolitan Police has also confirmed that it does not consider that there is anything else substantive in relation to additional evidence or information that would justify it re-opening the original investigation."—[*Official Report*, 14 July 2009; Vol. 496, c. 11WS.]

Uncomfortable though that might be for the police—and, possibly, for myself and my right hon. Friend the Member for Kingston upon Hull West and Hessle (Alan Johnson), who was Home Secretary at the time—does that not justify having an investigation of the police performance at that time?

Chris Bryant: It pains me to say this as well, but the honest truth is that a lot of lies have been told to a lot of people. When police officers tell lies or at least half-truths to Ministers of the Crown so that Parliament ends up being misled, I think it amounts to a major constitutional issue for us to face. I hope that there will end up being a full investigation into that element and that we will come to the truth, but at the moment what hangs around is a very dirty smell. We need the Metropolitan police to be trusted—not just in London but across the whole of the United Kingdom. That is why we need to fight on this issue.

Did the reason that nothing happened have anything to do with the closeness between the Metropolitan police and the *News of the World*? After all, we know for a fact that Assistant Commissioner Andy Hayman, who was in charge of the investigation into the *News of the World*, now works for News International. We know that senior officers were wined and dined by senior *News of the World* executives at the very time, and occasionally on the very day, when they were making key decisions about whether any further investigation should proceed against that organisation. And we know that the *News of the World* paid police officers for information.

I say that categorically because, on 11 March 2003, in the Select Committee on Culture, Media and Sport, I asked Rebekah Wade, as she then was—Rebekah Brooks, as she now is—whether she had paid police officers for information. She said:

> "We have paid the police for information in the past."

I asked:

> "And will you do it in the future?"

She replied: "It depends." Andy Coulson, who was sitting next to her, said:

> "We operate within the code and within the law and if there is a clear public interest then we will."

I said:

> "It is illegal for police officers to receive payments."

Mr Coulson said:

> "No. I just said, within the law."

I do not believe that it is possible to pay police officers "within the law." That is suborning police officers, it is corruption, and it should stop.

In April this year, Rebekah Brooks was asked by the Chairman of the Select Committee on Home Affairs to clarify exactly what she had meant. She replied:

> "As can be seen from the transcript, I was responding to a specific line of questioning on how newspapers get information. My intention was simply to comment generally on the widely-held belief that payments had been made in the past to police officers. If, in doing so, I gave the impression that I had knowledge of any specific cases, I can assure you that this was not my intention."

[Laughter.] I see that the Attorney-General himself is smiling.

[Chris Bryant]

Even more worryingly, as we discovered only last night, News International has handed over copies of documents that appear to show that former editor Andy Coulson authorised a series of payments to police officers running into tens of thousands of pounds. That is News International saying, "Yeah but no but yeah but..." . The truth is, however, that News International was doing it, and cannot be allowed to get away with it. I know that the *News of the World* seems to be hanging Andy Coulson out to dry, but surely the buck stops at the top, and that is the chief executive.

Sir Alan Beith (Berwick-upon-Tweed) (LD): I agree with what the hon. Gentleman is saying. Can we also agree that, in our handling of this matter, we must not for a moment prejudice the possibility of successful prosecutions of people who did these things?

Chris Bryant: As I shall try to prove in my next few remarks, I think that that is absolutely essential. My hope is that people who committed criminality at the News of the World will end up going to prison. The last thing I want is for the debate, or any inquiry, to hamper the police investigation or any possible prosecution. I agree with the right hon. Gentleman about that.

Dr Huppert: Will the hon. Gentleman give way?

Chris Bryant: I will not, if Members do not mind. Many others wish to speak.

I know that there are those who argue that there cannot be a public inquiry during an ongoing investigation—and I noted the Prime Minister's earlier comments, when he seemed to vacillate in relation to when that process could or could not start—but I think they are wrong. Indeed, I consider it vital for the police investigation to be supplemented by a public inquiry. First, some of the issues that need to be addressed may not be criminal, but they do strike at the heart of what an ethical code for the media should look like in this country. Secondly, although I have confidence in the officers who are conducting the Weeting investigation, I fear that the rug could be pulled from under their feet at any moment, and there is no certainty about when their investigations will be completed. By the time they are done, many of those involved may have left the scene or, more worryingly, shredded the evidence—or, of course, discovered selective amnesia.

That is why it is vital that an inquiry be set up as soon as possible and as soon as practicable, led by a judge with full powers to summon witnesses who must give evidence under oath. Of course the inquiry should not sit in public until the investigations are complete—I hope that that answers the question asked by the right hon. Member for Berwick-upon-Tweed (Sir Alan Beith)—but an astute judge can easily manage the relationship between a police investigation and an inquiry, prepare evidence, and secure witnesses without compromising any criminal investigation or prosecution.

I am confident that the Prime Minister agrees with that. After all—as was mentioned earlier—a year ago today he announced an inquiry, to be led by Sir Peter Gibson, into allegations of the torture of detainees. He appointed two other members to it, and said that he hoped it would start by the end of last year and be completed within a year. Indeed, he expressly pointed out that he was setting up the inquiry despite the fact that criminal investigations were still ongoing. My right hon. Friend the Member for Blackburn (Mr Straw), the former Lord Chancellor—and Foreign Secretary, and holder of many other posts besides—has received a letter about the Gibson inquiry which makes the position very clear. It states:

> "The Inquiry has not yet started as we are still awaiting the conclusion of two related police investigations into the Security Service and SIS."

None the less, says the letter, "preparatory matters" are in hand. That is precisely what I believe should happen in this case.

Mr Jack Straw (Blackburn) (Lab): The inquiry into the torture allegations, led by Sir Peter Gibson—himself a former senior judge—has already been able to do a huge amount of work in private, so that if and when the police investigations and any proceedings that follow it are completed, the public part of the inquiry can start immediately.

Chris Bryant: I was going to make that point myself.

The Attorney-General (Mr Dominic Grieve) *rose—*

Chris Bryant: I give way to the Attorney-General, in the hope that he will make the same point as well.

The Attorney-General: The hon. Gentleman has taken the wind out of my sails in one respect. I was going to agree with him that it was possible to set up an inquiry. However, I am sure he will appreciate that it becomes extremely difficult for an inquiry to take any evidence while criminal proceedings may still be taking place. That is obviously one reason why the Gibson inquiry has not yet begun its work, which it was hoped would start at the end of last year. I certainly note the hon. Gentleman's comments about the possibility of setting up an inquiry, but it may not make much progress until the criminal investigations are over.

Chris Bryant: I am grateful to the Attorney-General for the way in which he has expressed himself. That is, in fact, a big concession. I think it important for us to make progress, not least because I think that the police themselves would like the sword of Damocles to hang over their necks, so that they know they must proceed and proceed apace. Also, when it comes to an inquiry—especially in this case—they sometimes have to look through the historiography of all the different documentation, and it is important to ensure that that is garnered now, privately.

I see no reason—other than a lack of will, or fear of what it might unveil—for the Government not to set up an inquiry, establish its terms of reference, and appoint its membership immediately.

Sir Menzies Campbell (North East Fife) (LD): Will the hon. Gentleman give way?

Chris Bryant: I am anxious not to give way too often, but of course I will give way to the right hon. and learned Gentleman.

Sir Menzies Campbell: I am extremely sympathetic to the position adopted by the hon. Gentleman, but an inquiry of the kind that he suggests would necessarily require any individual whose interest was affected by it to be legally represented, and any such individual would

have to be advised that he or she need not answer any question that might incriminate him or her. Were criminal proceedings to be completed, there would be no such opportunity for witnesses to refuse to answer questions.

Chris Bryant: I accept the tone of the right hon. and learned Gentleman's remarks, but I think that we have hesitated for too long. It is not that I want to rush to summary justice, but I do want to ensure that justice ends up being done. Documents could be seized now, and material could be tied down. Of course, many elements of the form that the inquiry would take need to be hammered out, and I suggest that the Prime Minister and my right hon. Friend the Leader of the Opposition could have fruitful discussions to ensure that that is possible.

I also believe that we need a public inquiry because Parliament—which has conducted its own Select Committee inquiries under the excellent chairmanship of the hon. Member for Maldon (Mr Whittingdale), Chairman of the Culture, Media and Sport Committee, and my right hon. Friend the Member for Leicester East (Keith Vaz)—has been systematically lied to throughout the process. The list of lies is, I am afraid, endless.

News International claimed that the phone hacking only started in 2004, but we now know for certain of instances relating to 2003 and 2002. News International claimed that it had run a full internal investigation. It is patently clear that if it did, it hid stuff from the police, and that otherwise it did not. News International claimed that it had always helped the police, but only private civil cases pursued by some brave individuals have forced its hand.

The police claimed that they had notified all the victims, and that specifically named people were not victims. We now know that not all the victims were contacted, and that some people who had expressly been told that they were not victims were victims. I think that even Assistant Commissioner John Yates now accepts that he has misled Parliament because he briefed *The Independent on Sunday* that he was furious at the "inadequate" and "unprofessional" research of those beneath him with the result that some of his public statements at the time were at odds with what has subsequently emerged. I am sorry, but leadership does not involve the leader being rude about their staff; it involves them taking responsibility for what they say to Parliament, and if they have misled Parliament, they should resign.

Keith Vaz (Leicester East) (Lab): My hon. Friend was an excellent witness when he came and gave evidence to the Select Committee on Home Affairs. However, the point is this: if a witness refuses to appear, it is very difficult to start the process of getting them before a Select Committee. A wider inquiry would have more powers than even a Select Committee.

Chris Bryant: That is my next sentence.

Many people out in the wider world may not care much whether Parliament is lied to—although I think we should—but this House came into existence to hold what was then the sole power in the land, the Crown and then the Government, to account. Where we now fail often, and sometimes miserably, is in holding the other powers in the land to account. We must do that properly from now on, and this is one such instance. We politicians have colluded for far too long with the media: we rely on them, we seek their favour, and we live and we die politically because of what they write and what they show, and sometimes that means we lack the courage or the spine to stand up when wrong has occurred.

We have let the Press Complaints Commission delude us into thinking that it is genuinely independent and has a bite that everybody is frightened of. Sometimes, we may even have fallen for the threats that have been made when we have spoken out. I know of several Members who have led this debate who have received threats.

We have let one man have far too great a sway over our national life. At least Berlusconi lives in Italy, but Murdoch is not resident in this country; he does not pay tax here and has never appeared before a Select Committee of this House. No other country would allow one man to garner four national newspapers, to be the second largest broadcaster, and to have a monopoly on sports rights and first-view movies. America, the home of the aggressive entrepreneur, does not allow that, and we should not.

Of course the proposed takeover of BSkyB should be put on ice while the police investigation is ongoing. The executive and non-executive directors have completely failed in their legal duty to tackle criminality in the company in question, and it must surely be in doubt, at least, whether some of them are fit and proper people to run a media company.

There are many other questions. Who is paying Glenn Mulcaire's legal fees now? Is News International paying them? Was Clive Goodman paid off handsomely when he came out of prison? What did Rebekah Wade, Andy Coulson and Les Hinton know, and when did they know it? Why has so much material suddenly appeared in News International's archives? I do not want to be partisan but there is one remaining question: did the Prime Minister ever ask Andy Coulson what really went on at the *News of the World* before he appointed him to work, on the taxpayers' bill, at No. 10 Downing street?

I hope that those who broke the law at the *News of the World* and those who covered it up will be brought to justice. I hope the Metropolitan police's now tarnished reputation will be restored. I hope the victims, especially the ordinary members of the public who were targeted, will get justice as well. I hope we will all get to know the truth, but even more importantly than all of this, I hope that the British media, who for so long have had a worldwide renown for craftsmanship, for tough intelligence and for robust investigative journalism, will rediscover their true vocation: to bring the truth to light truthfully, honestly, and legally. None of that will happen until we establish the whole unvarnished truth, and that, I believe, needs a public inquiry, and it needs it now.

2.4 pm

The Attorney-General (Mr Dominic Grieve): First, may I congratulate the hon. Member for Rhondda (Chris Bryant) on having secured this debate and thank him, on behalf of the House and on my own behalf, for his courage in raising these matters today? I am absolutely sure that the whole House shares his anxiety, shock and concern about the allegations that have arisen over the

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last couple of days in relation to phone hacking, just as we share his concern over the past allegations of phone hacking and many of the other matters he raised in his powerful speech.

The suggestion that has now emerged that the phones of Milly Dowler and some of the victims of the 7 July bombings were hacked into must fill any right-thinking person with revulsion, but I hope the hon. Gentleman will forgive me for the fact that, by virtue of being a Minister of the Crown, I am of necessity rather more circumscribed in what I can say at this Dispatch Box than he is in initiating this debate. I must, of necessity, be quite brief, because many of the issues he raised are of a rather delicate nature in view of the fact that criminal investigations are taking place. I shall come back to that in a moment.

Phone hacking is a serious crime and, as the House will be aware, the courts have previously imposed custodial sentences in two cases where it has occurred. The current police investigation is following further evidence, and the most recent allegations, to which we have referred, are being considered as part of that investigation.

It is precisely because of the gravity of the allegations now being made that the Prime Minister announced only a short time ago that there would be a fully independent public inquiry, or set of inquiries, into these matters, but that must not jeopardise any criminal investigation. It is therefore likely that much of the work of the inquiry will be able to start only once the police investigation and any prosecutions that might result from it are concluded. I say that while being mindful of the comments that have been made in the debate that it may be possible to move forward in some areas but not in others. Nevertheless, the burning desire of many people to see finality in this matter and truth to be revealed may take some time because of that, as I am sure the House will appreciate.

In the meantime, however, the Government will do all they can to progress matters further, such as by consulting on appropriate terms of reference, the composition of an inquiry, and whether there should be one inquiry or more than one. The House must bear in mind the fact that there are some very different issues to be considered here. The hon. Gentleman has raised issues about the conduct of the police, for example, and there are also issues about the conduct of the media. There will therefore doubtless be questions as to whether the consideration of these issues can best be merged into one inquiry or should be addressed separately. I merely highlight that point. There is an intention for there to be proper consultation on how to proceed.

Hazel Blears (Salford and Eccles) (Lab): The situation now appears to be that News International is investigating News International and the Metropolitan police are investigating the Metropolitan police. For public confidence, is there not a case to be made for at least some kind of independent supervision, perhaps by a different police force, into the Metropolitan police investigation, so that we can be satisfied that we really are getting to the heart of this matter? I have great confidence in the Met, but they will inevitably know some of the characters involved, so having another police force taking a view would be very helpful.

The Attorney-General: As the right hon. Lady knows, there are mechanisms for inquiries into the conduct of the police to be referred to the Independent Police Complaints Commission and for the IPCC to bring in outside police officers to investigate. As for the *News of the World*, how it wishes to co-operate with the police in their inquiries is entirely a matter for the *News of the World* itself. I would not therefore quite join her in saying that the *News of the World* is investigating itself. My understanding is that the *News of the World* has appointed independent counsel to try to provide—*[Interruption.]* No, I am sorry, but what the *News of the World* chooses to do is a matter for it.

The inquiry that is taking place is a criminal investigation conducted by the police into serious criminal allegations. The question as to how that is responded to by any organisation or individual is a matter for them. I draw neither assurance nor reassurance from the manner in which they choose to do it.

Helen Jones (Warrington North) (Lab): *The Guardian* has alleged today that News International knew of the existence of e-mails detailing payments to the police some time ago. If that is the case, will the Attorney-General tell the House whether Mr Coulson was aware of the existence of those e-mails before he resigned as the Prime Minister's spokesman? If so, did he consult the Prime Minister or any other Minister?

The Attorney-General: May I respectfully say to the hon. Lady that I am not sure that in my capacity as the Queens's Attorney-General that is a question to which I would necessarily have the immediate answer? What I can say to her is that a series of criminal investigations are taking place, along with wider inquiry, and the Government are committed, as I have just indicated, to there being an inquiry into the matter. I am sorry to disappoint her but, in any event, I do not think that this is a question that I am in a position to answer.

Kevin Brennan (Cardiff West) (Lab): As a former competition Minister, may I ask the Attorney-General whether, in his view, the Culture Secretary has the power, and always has had the power, to refer the News Corp takeover to the Competition Commission?

The Attorney-General: Well, may I say to the hon. Gentleman that my understanding—I checked this before the start of the debate—is that my right hon. Friend the Culture Secretary did refer the takeover to the Competition Commission?

The Secretary of State for Culture, Olympics, Media and Sport (Mr Jeremy Hunt): I was minded to.

The Attorney-General: He was minded to. As a result of having done so, a series of assurances were provided, which satisfied him. Thereafter, I suggest that the hon. Gentleman refers that question to my right hon. Friend.

Helen Goodman (Bishop Auckland) (Lab): Could the Attorney-General just tell the House from whom those assurances were received?

The Attorney-General: Those assurances were received from News International and were independently validated and referred to Ofcom. May I say to the hon. Member

for Cardiff West (Kevin Brennan) that we have to have a little care here? The process by which such a takeover is done follows what is a quasi-judicial procedure, as he is aware. Therefore, in those circumstances, my right hon. Friend's options in terms of what he had to do were quite severely circumscribed. If the hon. Gentleman feels that that was not properly conducted, I suggest that he raise that with my right hon. Friend directly.

Mr Straw: Would the Attorney-General not accept that now that the Secretary of State for Culture, Olympics, Media and Sport is in possession of information relating to the behaviour of News Corp which he could not possibly have been in possession of at the time he made his original decision, it must be open to him, as a matter of law, to reconsider his original decision and make the reference that is now sought?

The Attorney-General: My right hon. Friend is sitting next to me and I am sure he will have noted the comments that the right hon. Gentleman has made. He will therefore be in a position to respond to them, if he so wishes.

Mr Ivan Lewis (Bury South) (Lab): The right hon. and learned Gentleman said, in the middle of a quasi-judicial process, that the assurances have satisfied the Culture Secretary, so why is he in the middle of a consultation process, where he is not meant to have made his mind up yet and is still meant to be open-minded about whether to refer this to the Competition Commission? If the assurances have satisfied him, the consultation is a mockery.

The Attorney-General: My right hon. Friend said that he was minded to accept the assurances. He is sitting next to me so he is in a position to note the strong views that the hon. Gentleman and the right hon. Member for Blackburn (Mr Straw) have expressed, and I have no doubt that there will be opportunities for him to respond in due course.

Nicholas Soames: The Prime Minister made reference, very correctly, in his answers at Prime Minister's questions this afternoon to due process. It is clear that he was absolutely correct in making that point. Given that there is clear evidence of serious criminality on the part of some people at News International, would not due process also now include, in any event and without necessarily referring this to the Competition Commission, calling a pause pending further evidence?

The Attorney-General: My hon. Friend makes a perfectly reasonable point. I have no doubt that my right hon. Friend the Secretary of State will be in a position to note his comments and reflect carefully on whether the situation has changed in such a fashion. However, I come back to my original point, which was that Ministers of the Crown have to be rather careful about simply changing decisions on the hoof, in view of the fact that they are under legal obligations in respect of the way they take those decisions. With great respect to those who have intervened, whose interventions I am happy to field, the nub of this debate is phone hacking and not, at this stage, the takeover policies of the Government.

Sir Menzies Campbell: I believe that the Attorney-General is right when, as he has done so far, he confines the argument to the question of competition. But do not the Government, as the overall regulating authority, retain a discretion in relation to the management of this industry throughout the United Kingdom? Does not that discretion, for example, allow the Government to give consideration as to whether the directors of any company have been fulfilling their public obligations?

The Attorney-General: I have no doubt at all that my right hon. and learned Friend is correct in what he says, and those are matters that can be borne in mind by the Government in reviewing the process of this takeover bid and, indeed, the competition laws underlying it.

Keith Vaz: On the payment of police, which is now in the public domain as a result of the release of the e-mails last night, have there been any discussions between the Home Secretary and the Metropolitan Police Commissioner about this issue? Is everyone absolutely clear that the payment of police officers is a criminal offence?

The Attorney-General: I can assure the right hon. Gentleman that I think that nobody in this House, or anywhere else, is in any doubt that payments to police officers—unless they are payments made in relation to a police officer who may have some separate employment, as happens sometimes—in respect of their duties from some extraneous source is illegal. I await any Member of this House who might tell me about a circumstance to the contrary but, at the moment, I cannot think of one.

Dr Huppert: It is a pleasure to follow the Chair of the Select Committee on Home Affairs. Does the Attorney-General agree that there are real issues not only about poor behaviour by the media, but about public trust in the police? Does he also agree that we have to be sure that the police will investigate people regardless of how powerful they may be and what the consequences may be, and regardless of whether they have been taking illegal payments from them? That is a serious issue and it does need an inquiry.

The Attorney-General: If that situation were not occurring in this country, the rule of law would be undermined, so I can assure my hon. Friend that if there was any suggestion that differential rules were being applied because some people are powerful and some are weak, that would be a very serious matter.

Frank Dobson (Holborn and St Pancras) (Lab): Drawing on his legal knowledge, will the Attorney-General confirm that were News International, with its record of the wrongdoing that it has admitted so far, to apply to run a minicab firm in London, it would not receive a licence? If these are not fit and proper people to run a minicab firm, how can they be a fit and proper outfit to take over a monopoly of a whole television channel?

The Attorney-General: As I am sure the right hon. Gentleman will be aware, the question of whether any organisation is a fit and proper person to own a broadcasting licence is a matter for Ofcom, and not the

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Secretary of State, under section 3 of the Broadcasting Act 1990. Indeed, the Secretary of State would not be allowed to get involved in that matter.

Oliver Heald (North East Hertfordshire) (Con): On the previous occasions these matters were debated in the House, there were many concerns that constitutional issues and issues of privilege arose from the potential hacking of MPs' telephones. Since that time, the Select Committee on Standards and Privileges has considered this issue and produced its 14th report. In framing the inquiries suggested today, would it be possible to take account of the recommendations of that report, which suggest some ways of clarifying this quite difficult situation?

The Attorney-General: My hon. Friend makes a very good point. I have no doubt that that factor, along with every single representation made by Members of this House on how they think the inquiry or inquiries should be conducted, can be taken into account.

Chris Bryant: The Attorney-General is absolutely right to say that it is not a matter for the Secretary of State but for Ofcom to decide whether somebody is a fit and proper person, but the whole point is that Ofcom can have no chance to do so unless there is a pause in the Secretary of State's decision. We need a pause so that Ofcom can come to a conclusion at the end of the police investigation.

The Attorney-General: It is a matter that I am very happy to go away and check, but I think the hon. Gentleman might be mistaken. I think that in fact Ofcom could intervene at any stage if it were to conclude that somebody was not a fit and proper person to hold a broadcasting licence. As these matters can be complex and I would not wish in any way to mislead the House, I would be happy to go away and check that point and to write to the hon. Gentleman about it.

Mr John Whittingdale (Maldon) (Con): I can confirm that I spoke to the chief executive of Ofcom yesterday, who told me that Ofcom has the power to intervene at any stage if it determines that somebody is no longer a fit and proper person to own a media organisation.

The Attorney-General: I am grateful to my hon. Friend and that confirms what I already thought. Of course, that will not prevent me from going away and triple-checking the matter before I write to the hon. Member for Rhondda about it.

I am conscious that I ought to make progress and I want to allow time for debate. Because of my rather limited ability to comment on many of the allegations made, I was going to remind the House of some of the history of this matter. The House will be aware that these problems originated in November 2005 when the Metropolitan police were contacted by the royal household with concerns that voicemails relating to members of the royal family had been intercepted—

Chris Bryant: We know all this.

The Attorney-General: The hon. Gentleman says from a sedentary position that he knows all this. He might know all of it, but it is worth reminding the House of some of the salient facts of the inquiry if we are to have an informed debate. I apologise to him if he feels that it is otiose.

In those circumstances, the arrests of Glenn Mulcaire and Clive Goodman took place in August 2006 for unlawful interception of phone messages. Searching Mulcaire's business premises, police uncovered further evidence of interception relating to a number of other individuals not related to the royal household. As the hon. Member for Rhondda, if not the House, will be aware, Mulcaire and Goodman pleaded guilty—Goodman only to the charges relating to the royal family and Mulcaire to five further counts relating to individuals in the public eye—and were sentenced in January 2007 to four months and six months in prison respectively. It is worth bearing in mind that although I know of the hon. Gentleman's interest in the matter, after January 2007 matters remained essentially quiet until July 2009, when the media reported fresh allegations relating to further cases of phone hacking.

The Crown Prosecution Service reviewed the material provided to it by the police in order to satisfy itself that appropriate actions had been taken in respect of the material. The CPS was satisfied that the prosecution approach to charging and prosecution was proper and that it would not be appropriate to reopen the cases against Mr Goodman and Mr Mulcaire. It also concluded that any new information should be reported to the police for further investigation.

Mr David Hanson (Delyn) (Lab): It has been reported in the news this afternoon that the former Director of Public Prosecutions, the noble Lord Macdonald, has been appointed by News International to advise it on its dealings with the police at this time. Does the Attorney-General think that that is appropriate, and has he any thoughts from the Government on that development?

The Attorney-General: As I am not sure that what the right hon. Gentleman says is correct, I am not minded to comment on it. My understanding of the matter was that Lord Macdonald had been appointed by *News of the World* to help with the disclosure process to the police. That is a matter for Lord Macdonald in accordance with the professional code of conduct of the Bar. *[Interruption.]* I can assure the House that I do not think the notes I have just received are necessarily of particular help to me in answering the right hon. Gentleman's question. He raises a perfectly legitimate point, but without knowing—which I do not—the circumstances in which Lord Macdonald might or might not be involved with advising *News of the World* in this matter, I do not think it is appropriate for me to comment further.

Mr Hanson: Will the Attorney-General give me an assurance that he will look into this matter when he leaves the Chamber today? I, as the then Police Minister, made comments in good faith on 14 July of that year about the DPP's approach to the case. It is important that there should be clarity on all issues when we consider such matters.

The Attorney-General: I entirely agree with what the right hon. Gentleman says and I am happy to go away and consider it. As I have said, a lawyer's involvement in

any matter must ultimately be reconciled with the professional code of conduct and the question of whether any conflict of interest exists. Beyond that, I shall write to the right hon. Gentleman when I have had an opportunity to consider the matter.

Before we were diverted by the subject of Lord Macdonald, I was mentioning the fact that the media reported fresh allegations in 2009. In November 2010, the Metropolitan police approached the CPS for advice about the prospects of bringing further charges. Owing to the non-co-operation of witnesses and the lack of further evidence, however, criminal charges could not be brought. The Metropolitan police asked the *News of the World* for any new material in January of this year.

Following developments in the civil courts, the CPS then agreed to review everything the Metropolitan police have in their possession to ascertain whether there was any material that could form evidence in any future criminal prosecution for phone hacking. On 26 January this year, in view of the seriousness of the allegations and the fresh information that had come to light, the Metropolitan police announced a new investigation. That investigation, Operation Weeting, is led by Deputy Assistant Commissioner Sue Akers of the specialist crime directorate, which is an entirely different unit within the Metropolitan police from that which carried out the original investigation in 2006.

The Metropolitan police now have 45 experienced police officers working on the case, which illustrates how seriously they are taking this new investigation. It is precisely because of the new investigation that new information is progressively coming to light that is the subject on which the debate requested by the hon. Member for Rhondda has been based. As the Prime Minister has said, the police must be allowed to pursue their criminal investigation in the most vigorous way they can to get to the truth. I simply say to the House that that is one reason why Ministers will not be making pronouncements in detail on some of the matters that the hon. Member for Rhondda has raised.

It is right to point out, as the hon. Gentleman has done, that quite a large number of inquiries have been taking place. We have a CPS review, we have the police pursuing their investigations, we have had a number of activities by the Select Committee on Standards and Privileges and we have also had work done by the Select Committee on Culture, Media and Sport. I hope that the House may derive from all that some reassurance that the issues surrounding these allegations are being taken very seriously. I take them very seriously and it is essential that no stone should be left unturned in ensuring that anyone who is guilty of any criminal offence is brought to justice and that the public are provided, at the end of day, with the truth about has happened and about the lessons needed to ensure that there is no repetition in future.

Mr Michael McCann (East Kilbride, Strathaven and Lesmahagow) (Lab): May I ask the Attorney-General a simple question? Why did it take so long for these issues to be taken seriously?

The Attorney-General: May I make a couple of remarks? This Government have been in office since May 2010 and these matters clearly originated some time prior to that. Moreover, I simply point out that the issues reviving in the way they have date back to just before Christmas. The world is not a perfect place, but I note the rather fair comment that the hon. Member for Rhondda made in opening the debate. The House may need to be judgmental about itself in a number of ways, but I rather doubt that it should be selective in how it passes those judgments. In those circumstances, I am satisfied that the Government have acted properly in the past few months in responding to the way this story has developed. I am also satisfied, and I hope the House is satisfied, that the Prime Minister has responded properly to the latest allegations that have emerged today.

Helen Jones: The Attorney-General is telling the House that we must await the outcome of the inquiries into these allegations, and I absolutely accept that, but if that is the case why are the Government going ahead with allowing News Corp to take over BSkyB when there are allegations of serious wrongdoing and criminality against it? Surely the Government should wait for the outcome of the inquiries before they proceed.

The Attorney-General: At the risk of repeating what I said earlier, the takeover process is a legal one and my right hon. Friend the Secretary of State for Culture, Olympics, Media and Sport will, I have no doubt, receive legal advice about the proper way to conduct that process. I also have no doubt that he is listening and will listen to the representations being made today and the anxieties being expressed on the matter. Beyond that it would not be proper for me to go.

Chi Onwurah (Newcastle upon Tyne Central) (Lab): The hon. Member for Maldon (Mr Whittingdale) said that Ofcom can intervene at any point with regard to the fit-and-proper-person test, but will the Attorney-General give guidance on whether, in applying that test, Ofcom should take into account the ongoing allegations about phone hacking? If it cannot take those allegations into account, will he give guidance on how it should regard the phone hacking issue?

The Attorney-General: If Ofcom's role is entirely independent of Government, I do not think I am the person who should provide it with my opinion on the matter, or the notion of independence is going to be rather lost.

John Hemming (Birmingham, Yardley) (LD) *rose—*

The Attorney-General: I really wish to bring my remarks to an end.

Sir Gerald Kaufman (Manchester, Gorton) (Lab): Will the Attorney-General give way?

The Attorney-General: Yes, of course I will give way to the right hon. Gentleman.

Sir Gerald Kaufman: The Attorney-General says that the Secretary of State for Culture, Olympics, Media and Sport will no doubt receive legal advice, but does he agree that his right hon. Friend is not bound by that legal advice and that as the Secretary of State he has the right, in his quasi-judicial position, to make his own decisions? There is a book about this if the Attorney-General wants to read it.

The Attorney-General: I am sure that my right hon. Friend the Secretary of State is very well advised and will note the right hon. Gentleman's comments. In order to be equal in my approach, I now give way to the hon. Member for Birmingham, Yardley (John Hemming).

John Hemming: In the interests of preventing this from happening again, I should like to know whether the Attorney-General shares my concern that the editors code contains no demand for people to know the basis on which information that has been bought has been obtained or to ensure that it has not been obtained through criminal acts.

The Attorney-General: The hon. Gentleman raises an interesting point that can no doubt be looked at by editors and by the Press Complaints Commission.

I wish to conclude simply by saying that these allegations are very grave. In my role as Attorney-General, I have the rather curious title of "guardian of the public interest", and I have absolutely no doubt that the public interest will be served only if these matters are fully inquired into and if those who have committed or are alleged to have committed criminal offences and are seen to have a prima facie case against them are brought to justice. That will require some forbearance on the part of the House in its desire to see a conclusion to this matter and I ask the House to bear that in mind. With that, I simply reiterate my thanks to the hon. Member for Rhondda for the manner in which he presented the debate.

2.36 pm

Yvette Cooper (Normanton, Pontefract and Castleford) (Lab): I congratulate my hon. Friend the Member for Rhondda (Chris Bryant) on securing today's very serious debate and on his forensic analysis of the problems and the work that he and others in Parliament have done to pursue this issue with vigour. The whole House will want to pay tribute to their work and determination.

The events of the past few days have sent shockwaves across the nation. With every hour that passes we hear more deeply disturbing allegations such as the claims that private investigators paid by the *News of the World* hacked into the phone of the missing 13-year-old Milly Dowler and erased some of her messages in the search for a story, thereby giving her parents false hope. There are also claims that other bereaved parents, including the Chapman family, Sara Payne and Graham Foulkes, were similarly targeted. We will not know the truth behind each of those allegations until the criminal investigation is complete, and of course we in this House must not prejudice the investigations or any potential trials that must take place, but we can say, very loudly and clearly, that the very idea of targeting victims and their families in their darkest hour is shameful, sickening and cruel.

This is not just about invasion of privacy: it is about the violation of victims and their families at a time when we know that there are doubts about the way in which our society and our justice system more widely treat victims and their families. That is why people across the country are rightly angry and want answers. For a start, this means that the current Met criminal investigation needs to be forensic and furious in the pursuit of truth. People want to know the truth about what happened. They want to know how it could have been allowed to happen in modern newspapers and stay hidden for so long. They want to know how this could have been tolerated and how people could have turned a blind eye. They want to know whether journalists interfered with or put at risk criminal investigations, how victims and their families could ever have been so appallingly treated and, of course, why these allegations were not sufficiently investigated at an earlier stage.

Nicholas Soames: May I make to the right hon. Lady the same point as I made to the hon. Member for Rhondda (Chris Bryant)? The 2006 report of the Information Commissioner was quite clearly a harbinger of what was going on, but no one in the Government—or, indeed, in the House—appeared to pay any attention to it. Surely, the lesson is that this rot has been in the system for a very long time, and it is terrible that the House did nothing about it.

Yvette Cooper: The hon. Gentleman is right to say those words to all Members of the House, and to all members of this and former Governments, too. I have talked to Opposition Members, who have made it clear that the inquiry for which we are calling must look at all historical issues. He is right that there were warning signs. As I did at the beginning of my speech, I pay tribute to the fact that some parliamentarians picked this up, but we all need to look at what is happening and why too many people turned a blind eye to the problem, or did not focus on the sheer horror of what was happening for too long.

Let us be clear about the current criminal investigation. We have seen some vigour and rigour in recent months, which must continue, as the investigation needs to look into the heart of the darkness. Where criminal activity has been committed, it must pursue robust prosecutions and deliver justice too. We must not jeopardise those investigations with what we say in this debate or with the details of any inquiry. It is for the police and the courts to determine the veracity of the allegations, but it is for Parliament to make sure that they can do so, that they are doing so, and to address the wider issues.

Gloria De Piero (Ashfield) (Lab): Now that we know that members of the public have been targeted, does my right hon. Friend agree that it is essential that they receive special support? If they require legal aid, the Lord Chancellor should ensure that they receive it.

Yvette Cooper: My hon. Friend makes an important point, because many people who might be troubled might not be in the position of some individuals who have pursued civil actions to seek legal advice. It is important that that is looked at urgently, both by the Ministry of Justice and by the Attorney-General.

We need to know urgently whether the actions of journalists and private investigators have interfered with police investigations, not just in the cases of Milly Dowler and of Daniel Morgan but in other cases, too. Alongside the Met inquiry, in advance of the wider public inquiry, we ask the Attorney-General, the CPS and chief constables to review other high-profile cases across the country that have provoked media attention. It is important that people are reassured that those investigations have not been interfered with, or are told whether further criminal investigations need to take place in a wider range of cases than those that are being pursued by the Met.

Hazel Blears: I shall put the same point to my right hon. Friend as I put to the Attorney-General. The Met is investigating previous unsatisfactory investigations by the Metropolitan police, so, despite our confidence in the investigators, does she agree that if the public are to share our confidence independent police forces should perhaps supervise some of the investigations?

Yvette Cooper: I want to come on to the police investigation. The investigation to which the Attorney-General referred is not looking at what happened in the first investigation—it is pursuing criminal investigations. My right hon. Friend is absolutely right that there is a further question about what happened in that first investigation, and who needs to look at that and undertake a searching inquiry into the nature of the problems that arose. There is a role, for example, for the Independent Police Complaints Commission to make sure that there is a proper, independent investigation.

Members on both sides of the House agree that there are wider issues at stake and that there is a case for a full public inquiry. There are wider questions about the culture that could allow the alleged events at the *News of the World* to take place and to be tolerated; about wider media practices and ethical conduct; and about the effectiveness of the current Press Complaints Commission arrangements. Members on both sides of the House have a responsibility to safeguard the right of our media to report freely on all aspects of society, to hold Members of Parliament to account, and to scrutinise in detail the work that we do in the public interest. The vast majority of journalists and editors are committed to maintaining the highest ethical standards, but, as my hon. Friend the Member for Bury South (Mr Lewis) said, alongside freedom comes responsibility.

Press self-regulation is important, but the press must make it work. In January, the editor of the *Financial Times* accused the Press Complaints Commission of being

"supine at best in its response to the hacking scandal."

The PCC's record on investigating phone hacking has indeed been one of failure.

Greg Mulholland (Leeds North West) (LD): The right hon. Lady is quite right—a free press is the cornerstone of democracy, but democracy relies on the press being accountable. The system of regulation has failed utterly. Is it not time for a new one, and will she support that proposal?

Yvette Cooper: That was the point I was making. The existing PCC arrangements have not delivered. The press should try to make self-regulation work, and that issue should be dealt with as part of the inquiry, because it is important to restore public confidence across the country in the way in which the media operate, in their independence and in their trustworthiness.

There are questions, too, for the police. The Metropolitan Police Commissioner Sir Paul Stephenson stated yesterday:

"It is inevitable...that questions will be asked about the parameters of the original investigation but also more widely about the regulatory role of the Press Complaints Commission and others."

He is right, and there are three questions to answer. First, were payments made by the media to individual officers—which is clearly illegal and corrupt? Secondly, was there a wider relationship between the newspapers and police? Thirdly, why did the first investigation not reach the truth and uncover what was happening?

I spoke to the commissioner today. He told me that he believes that a public inquiry is not only inevitable but it is the right thing to do. He said that the police should be held to account. It is important for the inquiry to cover those issues. Ministers should reflect on the specialist role that police officers, the IPCC and Her Majesty's inspectorate of constabulary will play in ensuring a proper investigation.

Alun Michael (Cardiff South and Penarth) (Lab/Co-op): Did the Metropolitan Police Commissioner indicate whether he had made a referral to the IPCC, or has that not happened yet?

Yvette Cooper: As I understand it from my conversation with the commissioner this morning, the Met has indeed made a referral to the IPCC about the allegations that police officers received payments. That has been discussed with the IPCC, whose conclusion—again, as I understand it from my conversation this morning—is that the current investigation by the Met should continue, but it is keeping that under review. It is important that we have that independent investigation. There is a wider question about safeguards in the system on which we will want to reflect, given that individual investigations may go awry or may not reach the conclusions that they need to reach. I do not think that that role will be fulfilled by the police and crime commissioners proposed by the Government, because that would create greater risks in such cases in future.

The police do vital and excellent work, solving crimes, bringing offenders to justice, and supporting families of murder victims and others. It is important that that work is not undermined or discredited as the result of any lack of transparency over the phone-hacking revelations. We must recognise that any areas where things have gone wrong must be put right.

Before turning to the case for the public inquiry and what it should consider, may I respond briefly to the points made by the Attorney-General about whether a referral should be made to the Competition Commission? He will know that we have continually called for such a referral, as we believe that it is the right thing to do. I hope that the Secretary of State for Culture, Olympics, Media and Sport, who is in the Chamber, and the Attorney-General will reflect carefully on the points that have been made by Members on both sides of the House about the flexibility within the law to look at the issue again, and recognise the importance of the need, for which we have argued from the beginning, for referral to the Competition Commission. I would simply say that judgments must be fair, but it is also important that they are seen to be fair and that the public have confidence in them.

The Prime Minister agreed today that there should be an inquiry or inquiries into these issues. At the end of the Attorney-General's speech, he referred to a number of inquiries that were already under way and tried to give us some assurance that that meant that these matters were being taken seriously. He knows, however, that the number of inquiries that have taken place or are taking place now gives no such reassurance. Quite the opposite is true because so many inquiries have not got to the truth in the past. Whether those were inquiries by the PCC or by parliamentary Committees, they were not able to get to the bottom of the truth about what had been happening.

The Attorney-General: I understand the right hon. Lady's point, but I think she slightly misunderstood the point I was making. I was referring not just to that, but to the Prime Minister's statement today. There is a full appreciation, which has grown over time, that this is a serious issue—*[Interruption.]* Steps have been taken to try to deal with it. I have to say to the Leader of the Opposition that if his Government had been troubled when they were in office, they could have taken steps between 2006 and 2010 to do something about this. Throughout my comments today I avoided making any criticism of the way the previous Government acted, and I think his remarks from a sedentary position are entirely uncalled for.

Yvette Cooper: I respect the spirit in which the Attorney-General made his speech, but warn him against any complacency about the number of inquiries solving the issue. The key is whether the overall public inquiry that looks into the matter has sufficient powers and the right remit and can truly get to the heart of what has been happening.

Keith Vaz: My right hon. Friend is absolutely right. Although the Culture, Media and Sport Committee and the Home Affairs Committee have been conducting inquiries they, by their nature and the nature of the Select Committee system, monitor Departments. What is needed is an over-arching inquiry. I have discussed informally with the Chairman of the Culture, Media and Sport Committee the possibility of setting up a joint inquiry between our two Committees, but that will not be enough. There needs to be something that covers all bases dealing with this very important subject.

Yvette Cooper: My right hon. Friend is exactly right. His Committee has done some extremely important work in pursuing these issues and will, I know, continue to do so.

It is important that the inquiry has the power not only to compel witnesses, but to get to the heart of the information, get detailed answers and examine a range of interconnecting issues that are at stake. My right hon. Friend the Leader of the Opposition has set out some of the areas that we believe the inquiry must cover—for example, the unlawful practices, including phone hacking, that appear to have been prevalent in sections of the newspaper industry, the ethical conduct and standards of the industry, the nature of robust and credible regulation, and the relationship between the police and the newspaper industry.

We have asked the Government to decide now the nature and scope of the inquiry and to choose now who should take that forward to get the team established in place as soon as is practical, without waiting for criminal proceedings to be complete, as the Gibson inquiry has done. I welcomed the Government's agreement that it is possible to consider whether elements can be examined in advance of the criminal investigation being completed. Nobody wants to put that criminal investigation at risk, but equally it seems at first sight that some elements could be investigated and explored at an earlier stage, rather than having to wait until the end of the process. We need to know which Minister will be in charge of those discussions and considerations.

Angela Smith (Penistone and Stocksbridge) (Lab): Does my right hon. Friend agree that whatever happens in the next few days, including the potential resignation of the chief executive of News International, nothing can undermine the need for a public inquiry? We must have that inquiry, whatever happens.

Yvette Cooper: My hon. Friend is right, because of the wide ranging nature of the issue and the importance of restoring confidence. It is important that we know which Minister will be in charge of making those decisions and setting up the inquiry. We had assumed that it would be the Home Secretary or the Secretary of State for Culture, Media and Sport. There is clearly a question about whether the latter is able to do that alongside his other responsibilities on the wider issues in relation to the Competition Commission.

The Attorney-General needs to consider the Prime Minister's role. The Prime Minister's judgment has already been called into question by his appointment of Andy Coulson as his media adviser, despite the fact that there had long been allegations of illegal practices and wrongdoing at the *News of the World* on his watch. Today it is alleged that e-mails expose direct payments from the *News of the World* to the police that were known about by Andy Coulson. There are also claims circulating today that Andy Coulson was told about or knew about these e-mails and that this is why he resigned in January. If so, that is extremely serious.

The e-mails were passed to the Metropolitan police only on 20 June, even though the inquiry and the full co-operation of News International had supposedly started on 26 January. Was Andy Coulson aware of this, and did he tell the Prime Minister or anyone else in No. 10 about those e-mails? If he did, it would mean that the Prime Minister and members of the Government were aware of the information before the Metropolitan police. It is important that the Prime Minister provides some immediate answers in response to this question.

The Attorney-General and the Cabinet Secretary should advise whether the Prime Minister should now remove himself from any decision making about the public inquiry. It is clear that the conduct of one of the Prime Minister's employees and colleagues is a substantive issue not just for the criminal investigation but for the wider inquiry. The inquiry needs to be impartial and to inspire confidence. It cannot be compromised by any perception of partiality in its establishment by the Ministers who are in charge of the decisions.

This inquiry is so important because it goes to the heart of our democracy and our society. The inquiry is not about a row between Parliament and the media, or Parliament and the police; quite the reverse. It is exactly because the media—the fourth estate— play such a vital role in our democracy that they must be accountable, with clear and ethical standards. It is exactly because independent, impartial policing is so essential to our democracy that the police must be accountable and transparent if things go wrong. It is the result of work in Parliament and by parliamentarians that we have secured the principle of a public inquiry now.

Parliament must press further, not just to seek truth, not just to restore the effectiveness and credibility of parts of the newspaper industry, not just to get justice, but to say on behalf of everyone in this country, "We will not stand for the shameful and cruel practices that we have seen. We will stand as a Parliament against these shocking practices. It is not the kind of country we want to be. We will stand on the side of those—especially

the crime victims and their families—who should never have found themselves dragged into this terrible debate today. We must make sure this never happens again."

Mr Speaker: Order. The seven-minute limit on Back-Bench speeches starts now.

2.58 pm

Mr John Whittingdale (Maldon) (Con): I rise to speak in the debate with considerable sadness. I am a passionate believer in the freedom of the press, but like other freedoms, that freedom must be exercised within the rule of law. Many of us here were appalled when we discovered, in the course of the expenses scandal, what a small number of Members of the House had done. They were rightly prosecuted and several have now gone to prison, but that scandal tainted all of us. The hon. Member for Rhondda (Chris Bryant) referred to the fact that journalists throughout the country are equally appalled at the revelations that have come out about the activities of some members of their profession, and they too feel that they have been tainted by them.

The latest revelations mark a low point in the saga of phone hacking, but I fear they do not mark the end point. There are likely to be further revelations still to come. The matter was first looked at by the Culture, Media and Sport Committee in early 2007, following the conviction of Clive Goodman and Glenn Mulcaire. At that time I asked the chairman of News International, Les Hinton:

"You carried out a full, rigorous internal inquiry, and you are absolutely convinced that Clive Goodman was the only person who knew what was going on?"

Mr Hinton replied:

"Yes, we have and believe he was the only person, but that investigation, under the new editor, continues."

The Committee produced a report which stated:

"We note the assurances of the Chairman of News International that Mr Goodman was acting wholly without authorisation and that Mr Coulson had no knowledge of what was going on."

In July 2009 *The Guardian* reported that News International had paid Gordon Taylor and two others more than £1 million because their phones had been hacked, which led the Committee to believe that we might have been misled. We therefore decided to reopen our inquiry. Early in those inquiries *The Guardian* produced two pieces of evidence: one was the so-called "for Neville" e-mail, which contained the transcripts of 35 voicemail messages between Gordon Taylor and his legal adviser; the other was a contract between Glenn Mulcaire, under a false name, and Greg Miskiw, a senior executive at the *News of the World*. We felt strongly that both pieces of evidence suggested that Clive Goodman was not the rogue reporter that we had been told about.

The Committee took evidence from Tom Crone, the legal manager of News Group Newspapers, Colin Myler, the editor of the *News of the World*, Stuart Kuttner, the newspaper's managing editor, and Andy Coulson, its former editor. We asked whether Rebekah Brooks would appear before us, but she said she had had no involvement with the *News of the World* when the phone hacking was taking place, which was the case, as she was editor of *The Sun* at the time. We asked Neville Thurlbeck to appear but were told that doing so would reveal what he looked like, and so compromise his position as an investigative reporter. We asked that Ross Hindley, the junior reporter who had transcribed the voicemail intercepts, should appear, but were told that he could not come because he was in Peru. We were told that there had been a thorough investigation by outside solicitors and that no evidence had been unearthed to suggest that phone hacking had been any more widespread.

Paul Farrelly (Newcastle-under-Lyme) (Lab): Does the hon. Gentleman agree that one important issue that a public inquiry will have to navigate is the fact that no one so far has been cross-examined in either a criminal or a civil court, as settlements have been reached in all the civil cases? Indeed, in the Gordon Taylor case the court ordered the files to be sealed, and Sienna Miller is the latest victim of phone hacking to settle. As a result, we have not yet got to the bottom of this.

Mr Whittingdale: I entirely agree with the hon. Gentleman—indeed, I can call him my hon. Friend, as a fellow member of the Select Committee. I think that an inquiry should be able to investigate any documents that are relevant to this matter.

During the Committee's inquiry I again spoke with Mr Crone, the legal manager, and asked:

"As far as you know, no information regarding those other individuals ever reached the *News of the World*?"

He replied:

"I have seen no evidence of that."

Mr Coulson said in evidence that during his editorship he

"never condoned the use of 'phone hacking and nor do I have any recollection of incidences where 'phone hacking took place. My instructions to the staff were clear: we did not use subterfuge of any kind unless there was a clear public interest in doing so; they were to work within the PCC Code at all times."

The Committee stated in its report:

"Evidence we have seen makes it inconceivable that no-one else at the *News of the World*, bar Clive Goodman, knew about the phone-hacking…The newspaper's enquiries were far from 'full' or 'rigorous', as we—and the PCC—had been assured. Throughout our inquiry, too, we have been struck by the collective amnesia afflicting witnesses from the *News of the World*."

Since that time there have been a stream of revelations, and it has become increasingly clear that phone hacking was widespread and involved a large number of people. Most of that evidence, certainly in the early stages, came from the material seized by the police from Glenn Mulcaire, which they were required to divulge only when the civil cases came to court and they were asked to do so by the solicitors acting on behalf of the people bringing civil cases. The key point is that almost every piece of evidence we are now learning about has been in the possession of the police since 2006. That raises very serious questions about why it was not pursued, and why we were told repeatedly that the evidence did not exist, and why the police assured us that there was no evidence to suggest that the investigation should go any further.

All phone hacking is wrong and illegal, but there is no question but that the revelations that the phone of Milly Dowler was hacked, if that was the case, represent a new low, as do the subsequent revelations about the victims of the 7 July bombings and their families, and other murdered children. The truth of these matters is still not wholly clear and there is an ongoing police

[Mr Whittingdale]

investigation, which nothing must be allowed to impede. We need to know whether the allegations are true—and if they are, who commissioned those phone hacks and who else knew about it.

There is a swirl of rumour about who might or might not have had their phones hacked, and there are also rumours about other newspapers. I must say that I suspect that, just as Clive Goodman was not a rogue reporter, so the *News of the World* was not a rogue newspaper. We need to get to the full facts. There needs to be a full inquiry, and the police, the Press Complaints Commission and the press as a whole need to be held to account.

3.6 pm

Mr Tom Watson (West Bromwich East) (Lab): News International's decision to throw Andy Coulson to the wolves last night was an attempt to divert us from an even bigger wrong: that company was systematically, ruthlessly, and without conscience or morality, interfering with the phones of victims of murder, cruelly deceiving their families and impeding the search for justice. Glenn Mulcaire has accepted some share of responsibility for this moral sickness, but the editor in charge of him refuses to take responsibility. Indeed, far from accepting blame, she has—amazingly—put herself in charge of the investigation into the wrongdoing; the chief suspect has become the chief investigator.

Bob Stewart (Beckenham) (Con): I, like many Members of the House, have run an organisation. Sometimes in organisations things go wrong and there are faults that might not be the fault of the person running it—but it is certainly their responsibility, and responsibility goes right to the top. Rebekah Brooks is responsible for what has happened. If she does not resign, the person above her should understand that it is his responsibility to—

Mr Speaker: Order. I respect the hon. Gentleman's sincerity and integrity, but interventions must be brief from now on, as otherwise we will find it very difficult to make progress.

Mr Watson: I fully agree with the hon. Gentleman, and thank him for his brave contribution. I believe that Rebekah Brooks was not only responsible for wrongdoing, but knew about it. The evidence in the paper that she edited contradicts her statements that she knew nothing about unlawful behaviour. Take the edition that she edited on 14 April 2002, which reveals that the *News of the World* had information from Milly Dowler's phone. In other words, they knew about the messages on her phone. They wrote that there was

"left a message on her voicemail after the 13-year-old vanished at 4pm on March 21. On march 27th, six days after Milly went missing in Walton-on-Thames, Surrey, the employment agency appears to have phoned her mobile."

It was a central part of the paper's story that it had evidence from a telephone—evidence that it could get only from breaking into that phone at the time. The story that Rebekah Brooks was far from the Dowler events is simply not believable when her own newspaper wrote about the information that it had gained from that phone.

I want to inform the House of further evidence that suggests that Rebekah Brooks knew of the unlawful tactics of the *News of the World* as early as 2002, despite all her denials yesterday.

Rebekah Brooks was present at a meeting with Scotland Yard when police officers pursuing a murder investigation provided her with evidence that her newspaper was interfering with the pursuit of justice. They gave her the name of another senior executive at News International, Alex Marunchak. At the meeting, which included Dick Fedorcio of the Metropolitan police, she was told that *News of the World* staff were guilty of interference and party to using unlawful means to attempt to discredit a police officer and his wife.

Rebekah Brooks was told of actions by people whom she paid to expose and discredit David Cook and his wife Jackie Haines, so that Mr Cook would be prevented from completing an investigation into a murder. News International was paying people to interfere with police officers and was doing so on behalf of known criminals. We know now that News International had entered the criminal underworld.

Rebekah Brooks cannot deny being present at that meeting when the actions of people whom she paid were exposed. She cannot deny now being warned that under her auspices unlawful tactics were used for the purpose of interfering with the pursuit of justice. She cannot deny that one of her staff, Alex Marunchak, was named and involved. She cannot deny either that she was told by the police that her own paper was using unlawful tactics, in that case to help one of her lawbreaking investigators. This, in my view, shows that her culpability goes beyond taking the blame as head of the organisation; it is about direct knowledge of unlawful behaviour. Was Mr Marunchak dismissed? No. He was promoted.

Steve Rotheram (Liverpool, Walton) (Lab): Twenty-two years ago, my city warned anyone who would listen that scurrilous rags such as *The Sun* were out of control, after it printed blatant lies about the Hillsborough disaster. News International lied to the country in 1989, and it still seems to be lying to the country now. Does my hon. Friend agree that the Government should ensure that it does not take 22 years to put right this latest wrong?

Mr Watson: I agree, and, just as the people of Liverpool no longer buy *The Sun*, thousands of people have joined a Facebook group to boycott—along with advertisers—the *News of the World*. I am sure that people watching this debate will consider that fact.

Jim Sheridan (Paisley and Renfrewshire North) (Lab): My hon. Friend will be aware that there are people currently serving prison sentences in this country, none more so than Tommy Sheridan, the former MSP. That successful prosecution was based on evidence from Andrew Coulson, but it now seems that the jury did not get all the e-mails that were pertinent to the case. If that is true, surely the appropriate authorities should revisit the case and ask Mr Coulson whether that evidence and that information were withheld intentionally.

Mr Watson: I cannot answer my hon. Friend fully, because of the time restrictions. I will reveal more on the issue later in the week, except to say that I think the Sheridan trial was unsound and may need revisiting.

Families who trusted Rebekah Brooks when she said she felt their pain, families who have been cruelly let down by the intrusion into private grief and the callous exploitation of their suffering—anguished families,

indeed—are now being tortured yet again by the knowledge that in the world of Rebekah Brooks no one can grieve in private, no one can cry their tears without surveillance, no one can talk to their friends without their private feelings becoming public property.

The whole board of News International is responsible for the company. Mr James Murdoch should be suspended from office while the police investigate what I believe is his personal authorisation to plan a cover-up of this scandal. Mr James Murdoch is the chairman. It is clear now that he personally, without board approval, authorised money to be paid by his company to silence people who had been hacked, and to cover up criminal behaviour within his organisation. That is nothing short of an attempt to pervert the course of justice.

There is now no escape for News International from the responsibility for systematically breaking the law, but there is also now no escape from the fact that it sought to pervert the course of justice.

I believe that the police should also ask Mr James Murdoch and Rebekah Brooks whether they know of the attempted destruction of data at the HCL storage facility in Chennai, India. Mr James Murdoch and Rebekah Brooks now have to accept their culpability, and they will have to face the full force of the law.

Their behaviour towards the most vulnerable, their knowledge of lawbreaking and their failure to act, their links with the criminal underworld and their attempt to cover up lawbreaking and to pay for people's silence, tell the world all we need to know about their character—that they are not fit and proper persons to control any part of the media in this country.

3.15 pm

Simon Hughes (Bermondsey and Old Southwark) (LD): I was asked in 2006 to collaborate with the first police inquiry, because I had been one of the victims of hacking. I collaborated and gave evidence, and I was very pleased that it resulted in the conviction of two people for clearly illegal activity. I am collaborating currently with the police in their second inquiry, which is of course ranging much more widely.

I have said this in the House before, but I am clear that from the beginning the issue has not been principally about whether politicians, the royal family or celebrities have had their phones hacked, but about whether ordinary members of the public have had their privacy invaded by people much more powerful than them. It has been about people who have not had the opportunity to speak for themselves or to command the airwaves in return.

I thought it bad enough that families, friends and constituents had had their information picked over, and I know from experience that it severely affected the career and health of one friend, but we now realise that it was much worse than that, because it has been about not just ordinary members of the public doing ordinary jobs, but people at their most vulnerable and traumatised. They have been exploited purely in the interests of a media story, so I, like every Member, join in the expressions of revulsion by the Prime Minister, the Leader of the Opposition and all colleagues. It is the most unacceptable of behaviour.

Given the acceptance that there should be inquiries, we should make clear the questions that we need the public inquiries to answer. If there is a robbery, three sorts of people are involved: the people who are visibly involved; the people who commission the robbery and benefit from the proceeds, although we never see them; and the people who know all about the robbery but try to pretend that they do not.

The inquiries and the police investigations must go to all those people, because it is no good picking off the small guys, the guys who are pushed out to do the jobs, when the decisions have been clearly taken by the big guys—or in this case, the big girls. We need to ensure, therefore, that we encourage the police to be absolutely ruthless in investigating everything that may have happened, and to give our full support to the new commissioner and his team now carrying out the inquiry.

There is an obvious second set of questions. The Metropolitan police did not do a good job in 2006, and they probably did not start back in 2002, when the issues appear to have come to light. When the investigation took place into the murder of Stephen Lawrence, institutional racism was discovered in the Met police. I am not alleging that there is institutional corruption in the Met police, but it has been widely known for years that there has been regular corruption on such issues in the Met police and in other police forces.

The very fact that the Information Commissioner produced a report in 2006, instancing how often and in how many papers such practices were going on, makes it absolutely clear that there has been an endemic problem in policing, with payments involving the police and people acting illegally in order to get stories, and with collaboration outside the public gaze. That is why I do not think it would be appropriate for another police service to investigate the Met, although I heard what the right hon. Member for Salford and Eccles (Hazel Blears) said in her intervention. There has to be an inquiry that is absolutely free of the police service, and is led by somebody who is entirely independent. In my view, that person has to be a judge. The inquiry must have the power to call all evidence and to require people to attend and answer questions, and it must be completely fearless.

I accept the argument that it may be possible for an inquiry to begin now with activities that will not compromise the police investigation. I am also absolutely clear that the police must be allowed to get on and complete their investigation, produce the evidence and go to the Crown Prosecution Service, so that charges can be brought and prosecutions made.

Alun Michael (Cardiff South and Penarth) (Lab/Co-op): Does the right hon. Gentleman not accept that although the public investigative processes that he is describing are absolutely necessary, we have a body that has the professional competence and capacity to investigate police actions? It is right that the Metropolitan Police Commissioner has today referred certain matters to that body.

Simon Hughes: Yes, that body exists and I do not cavil at its independence. However, given the extent of the clear corruption in this case, the length of time over which these practices have continued and the huge public interest, it is logical to have the sort of inquiry that was held on the Stephen Lawrence case and others, which goes beyond the Independent Police Complaints Commission.

Margot James (Stourbridge) (Con): Given what we have been told about the extent of the police and media connection, and about the way in which many stories appeared in the press with incredible speed the very next day, thanks to those tip-offs, does my right hon. Friend agree that the public will be satisfied with nothing less than what he is recommending?

Simon Hughes: I agree.

Another issue is the future of the companies involved and their interrelationship. I have no criticism of the way in which the Secretary of State for Culture, Olympics, Media and Sport has carried out his inquiries into competition in the British media industry. However, as the shadow Home Secretary and others have implied, there is a separate issue, which is about "fit and proper persons". That is to do with the regulation of the media. Ofcom, the regulator, is based in my constituency. The rules are clear and I have checked them with Ofcom today. Under section 3(3) of the Broadcasting Act 1990, Ofcom

"shall not grant a licence to any person unless they are satisfied that he is a fit and proper person to hold it; and...shall do all that they can to secure that, if they cease to be so satisfied in the case of any person holding a licence, that person does not remain the holder of the licence".

Ofcom therefore has an ongoing duty to be satisfied that those at BSkyB are fit and proper persons to hold a broadcasting licence.

For the avoidance of doubt, I think it is appropriate for Ofcom to be formally requested to consider whether BSkyB is a company whose directors will be fit and proper people. As the local Member of Parliament for Ofcom, I intend to go through its door and make that request in person before the end of the week. It needs to know that this House, which owes the hon. Member for Rhondda (Chris Bryant) a great tribute for initiating this debate, wants that matter to be considered at the earliest possible opportunity.

Ofcom will, of course, not prejudge a criminal trial. It cannot come to a conclusion that somebody is guilty of an offence before they are found to be guilty. However, it has a statutory obligation to consider at any time who is appropriate to hold a broadcasting licence. The message from this House must be that we want it actively to consider that obligation. If it comes to the view that the future owners of BSkyB are inappropriate, it should rule accordingly, which would mean that the BSkyB merger could not go ahead.

3.24 pm

Alan Johnson (Kingston upon Hull West and Hessle) (Lab): I will not detain the House for long. I put my name down to speak because I believe that we need to persuade those on the Treasury Bench to have a public inquiry, and I wanted to give my perspective. The Attorney-General was his usual assured and eloquent self on that issue. He got into trouble on the two issues on which the Government have been wrong today. The Prime Minister was right to say that we would have public inquiries. He was right to put that in the plural, because we may need several inquiries. He was wrong to say that Rebekah Brooks should not resign—[HON. MEMBERS: "He didn't say that."] No, he did not say that, but when *Hansard* is published tomorrow, people will be able to read between the lines. The Prime Minister is also wrong to go ahead with the takeover of BSkyB.

I am conscious of the points that the Attorney-General made. I was a Home Secretary in the previous Administration. In looking for a public inquiry, we have to explain to the House a little about the atmospherics when the previous Administration took decisions, and did not take decisions, relating to this case. I am conscious that of the four Home Secretaries between 2005 and 2010, I am the only one still in this House. I wish I could give an eloquent explanation of how brilliant I was as a Home Secretary that would give people an insight into why I did not act, but I cannot.

What I can say is that in July 2009, when the revelation was made about Gordon Taylor on the front page of *The Guardian*, we looked at the matter carefully. Like all good Secretaries of State, I got another Minister, my right hon. Friend the Member for Delyn (Mr Hanson), to answer the urgent question, while I did other things. There was not much that we could do beyond asking the Metropolitan Police Commissioner John Yates and others whether there was anything behind the story. The atmospherics—the public mood and the mood in Parliament—said that this was an obsession of one newspaper. While we are criticising the press, let us praise *The Guardian* for doggedly staying on this case, despite all the attempts to stop it. We might also mention *The New York Times* in dispatches. We were told that this was the obsession of one newspaper and a few Back-Benchers. I pay tribute to my hon. Friends the Members for Rhondda (Chris Bryant) and for West Bromwich East (Mr Watson) for continuing to be irritants on this issue.

What was the view in the Home Office at the time? We looked seriously at whether to have an independent review of the Metropolitan police investigation. The hon. Member for Maldon (Mr Whittingdale) is right that although lots of things have happened since 2006, everything takes us back to the original inquiry led by Andy Hayman in 2005-06. All the information that is emerging was there at that time. We thought about getting Her Majesty's inspectorate of constabulary to do an independent investigation. Incidentally, I was told at the time that this matter was outside the IPCC's remit. That might not be the case now. My right hon. Friend the Member for Normanton, Pontefract and Castleford (Yvette Cooper) is right to ask if it has a role to play. There was a view that we should wait for the Director of Public Prosecutions to report. It was Keir Starmer by that point, I believe, not Ken Macdonald. The DPP said that, on the information given to him by the police—those were the precise words used—there was no cause for any further investigation. We were all swimming around wondering whether we were receiving the correct information.

I shall quote something that my right hon. Friend the Member for Delyn said in his written to statement to Parliament when he was Police Minister, after the fracas around the July 2009 incident. He stated:

"As mentioned in his statement on 9 July, Assistant Commissioner John Yates is ensuring that the Metropolitan Police Service has been diligent, reasonable and sensible, and taken all proper steps to ensure that where it has evidence that people have been the subject of any form of phone tapping (by Mr. Clive Goodman or Mr. Glen Mulcaire) or that there is any suspicion that they might have been; that they have been informed. The decision to inform individuals that they have been targeted for illegal interception of their phone communications is an operational matter for the police."—[*Official Report*, 14 July 2009; Vol. 496, c. 11WS.]

Clear statements were being made to us. Ministers will know that if the Home Office called in an independent investigator—HMIC or the IPCC—it would cause serious concern, because politicians would be interfering in an operational matter. For all those reasons, even though I and my good friend the former Police Minister may find some of the questions awkward, I believe that a public inquiry is the right way to go.

I have huge regard for the work of the Metropolitan police, but was it being evasive, dishonest or lethargic? I think it is one of those three.

Frank Dobson: Or all three.

Alan Johnson: Or was it being all three? The hon. Member for Maldon used a vivid phrase about rolling away a huge stone and looking under it. I believe that there was a certain lethargy with so much else going on, and an attitude of "We've got two people banged up. Do we need to go any further into this?" Because of the diligence of Members of Parliament—Back Benchers, not Front Benchers—and of some parts of the press in refusing to give up, we can now roll away the stone. Although what we find underneath will be uncomfortable, it will be good for this House and for our society to do so.

Several hon. Members *rose—*

Mr Speaker: Order. In view of the level of interest in the debate, I am reducing the time limit for Back-Bench speeches to five minutes from now. I would simply add that Members will want to help each other, and they might wish to exercise a degree of self-restraint in either taking or making interventions.

3.31 pm

Oliver Heald (North East Hertfordshire) (Con): May I start by picking up on a point that the right hon. Member for Bermondsey and Old Southwark (Simon Hughes) made? He said that celebrities and Members of Parliament having their phones hacked into was bad enough. However, whenever a child goes missing or there is a death in suspicious circumstances, people up and down the land and parents in particular feel a sense of dread and great concern. To think that the allegations that are coming out now relate to such incidents is truly shocking, and that sense of shock is felt right across the House.

When we last debated the matter on 9 September last year, concern was expressed about the position of Members of Parliament. The right hon. Gentleman made a speech, as did the hon. Member for Rhondda (Chris Bryant), who has been so dogged on the issue. The point they made was not that an MP is above anyone else, because of course they are not, but that we have ancient rights that are very important to democracy. We call them privilege, but they are really about having freedom of expression to come here and put our case for the people whom we represent without being impeded in that work. The fact that those rights might have been interfered with in the course of the scandal was why the issue was referred to the Committee on Standards and Privileges.

Of course, the Committee was in the position that my right hon. and learned Friend the Attorney-General described. We were not able to look into the detail of the allegations, because we did not want to prejudice what the police were doing any more than anybody else. However, we did look into the principle of how our rights are affected in the modern idiom. Our rights were put forward in 1688, I believe, in the Bill of Rights, which explained what we now call privilege. It was the following year, in 1689, that somebody started trying to interfere by intercepting our letters, so this is not a new problem.

However, the Committee considered whether we needed to do something to tackle the problem in the modern context. We came to the conclusion, first, that it was necessary for us to debate whether it is just parliamentary activities that should be covered by privilege, or whether it should also include constituency work. We also thought that there was now a case for a privileges Act that would set out what our privileges are and what they mean in the modern context.

I strongly support the setting up of inquiries, but let us not forget that it is important to tackle the issues set out in the Committee's 14th report of this Session. I hope that it might be possible for the Government to bring forward a draft privileges Bill fairly soon, so that we can have important debates on a matter that affects the rights of the public in this country. They are perhaps misdescribed as privilege, because they are the rights of the people and are very important.

3.35 pm

Keith Vaz (Leicester East) (Lab): It is a pleasure to follow the hon. Member for North East Hertfordshire (Oliver Heald), who raised the important point about the use of privilege in dealing with these matters. I join others in congratulating my hon. Friends the Members for Rhondda (Chris Bryant) and for West Bromwich East (Mr Watson) on how they have pursued this campaign. The former Home Secretary, my right hon. Friend the Member for Kingston upon Hull West and Hessle (Alan Johnson), was right that this has been a Back Bencher-led campaign. What was good about what the Prime Minister, the Attorney-General and my right hon. Friend the shadow Home Secretary said is that now the Front Benchers are with the Bank Benchers in respect of trying to deal with this matter. I also pay tribute to the Chairman of the Select Committee on Culture, Media and Sport, the hon. Member for Maldon (Mr Whittingdale), and the work done by his Committee over the years.

The Select Committee on Home Affairs has conducted a separate inquiry, which has looked by and large at what the police have done. We conclude that inquiry on Tuesday, when our witnesses are Mr Andy Hayman, Sue Akers, the head of Operation Weeting, and Peter Clarke, who assisted Mr Hayman in the first inquiry. The Committee must be careful during its examination to ensure that we do not step on the substance of the police investigation, which is the one thing that we need to be concerned about in any public inquiry. I am in favour of a public inquiry, but it is important to frame the terms of reference in such a way that we do not impede the police investigation. That can be done—we are hoping to do it on Tuesday when we take evidence from the police officers concerned. Framing those terms of reference in that way will enable such a public inquiry to take place.

From the evidence that was given to the Culture, Media and Sport Committee, and the evidence that the

[Keith Vaz]

Home Affairs Committee has received over the last few months, it is clear that much needs to be looked at. We have not really mentioned the mobile phone companies, but there was an interesting exchange between representatives of the big companies and members of the Home Affairs Committee. When we asked how those companies informed their clients that they had been hacked, we were told that there was no uniformity in their responses. Therefore, in my view, we need not wait until all the criminal matters have been dealt with before issuing guidance.

Similarly, the Attorney-General was very clear on the payment of police officers. I note from the exchange referred to by my hon. Friend the Member for Rhondda that when Mr Coulson gave evidence to the Culture, Media and Sport Committee, he did not actually know that it was illegal to pay police officers—he felt that it was acceptable when the code of conduct allowed it to happen.

Yesterday I wrote to previous witnesses to the Home Affairs Committee inquiry simply to ask them whether, before we conclude on Tuesday, they stand by the evidence that they gave—that includes letters to Rebekah Brooks and to Assistant Commissioner John Yates, who gave important evidence on the question of whether he could accept the legal guidance given by the Director of Public Prosecutions. When we have that public inquiry, I hope that we look at the legal advice given by the DPP to the first inquiry, and how that differed from the advice given to the second inquiry.

I am glad that there appears to be a consensus—an acknowledgement by the Prime Minister that an inquiry should be set up, following the demands of Back Benchers and indeed the Leader of the Opposition—but I caution the House to be careful in those terms of reference, so that we do not prejudice the Operation Weeting investigation. In that way, we can get to the bottom of things, and those who have committed criminal offences can be charged and convicted, without the excuse that the matter was discussed in Parliament, or that they appeared before a public inquiry, and that their prosecutions are therefore not valid.

3.39 pm

Mr Dominic Raab (Esher and Walton) (Con): I congratulate the hon. Member for Rhondda (Chris Bryant) on securing this debate. The Dowler family are my constituents, and yesterday I spoke to their solicitor. I should add as well that Sara Payne, the mother of Sarah, also lives in my constituency. Allegations of hacking have been made in relation to both families, and the House will understand that there is a deep sense of outrage in the community, which has already been conveyed to me, and across the country at large.

I know that the Dowler family are deeply disturbed by the revelations of hacking at the time of their daughter's disappearance and that they would like a public inquiry to get to the bottom of the allegations. Given the emerging allegations over recent days, the case for that inquiry is now irresistible, so I was reassured that the Prime Minister confirmed to the House today that the question is now how, not if, we have that inquiry. The hacking of phones for journalistic, and ultimately commercial, gain in the midst of a police inquiry of this nature is utterly reprehensible and heartless. In fact, it is unforgiveable.

It is imperative that we get to the bottom of what went on in the Dowler case, related cases and the much wider question of journalistic practice and its relationship to the police, which perhaps is one of the graver underlying issues in the whole business. For my part, I think that we need the truth accumulated patiently, not quickly, and certainly not just media snippets. Equally, I have to say that the relish with which the revelations have been greeted by some seeking to take on the Murdoch empire or engaging in political pot-shots strikes me as opportunistic to say the least. I urge all Members to ensure that we do not lose sight of the serious matters before us. The No.1 priority must be to allow the police investigation the freedom to conduct its inquiries rigorously and meticulously.

The House may recall that the maximum sentence for unlawful interception of communications is two years in prison under the Regulation of Investigatory Powers Act 2000. I understand that, coincidently, that is the same sentence as for the offence of perverting the course of justice. I am sure that hon. Members across the House will want the law to be applied independently, with maximum vigour and with full force, which is why I hope that all Members will refrain from saying, under the cloak of privilege or otherwise, anything that could prejudice any criminal prosecution.

My understanding is that launching a full inquiry now, as some have called for, would either risk prejudicing the criminal investigation or force the inquiry to be suspended immediately or in relatively short order—at least before it can get to the heart of the matter—pending the outcome of the police investigation. I might be corrected, but I recall that that was the reason the Public Administration Committee, under the chairmanship of the then Member for Cannock Chase, suspended its inquiry into cash for honours. I also recall that similar grounds were put forward by the previous Government in resisting calls for a public inquiry into the shooting of Jean Charles de Menezes, as requested by his family—because it might have interfered with either the health and safety prosecution against the Metropolitan police or the Independent Police Complaints Commission investigation that was going on at the same time.

That said, I am doubtful whether the criminal investigations or subsequent prosecutions—if that is where they lead—could shed enough light on the bigger picture and wider practice of what went on at the *News of the World* and the other newspapers or on the questions about the police response to the allegations at the time, particularly in relation to the Dowler case. Nevertheless, I have no intention of prejudging or second-guessing the outcome of those criminal investigations. That would be irresponsible. Given the risks of conducting a full inquiry at the same time, it appears inevitable now that we will have to wait for the outcome of the police investigation before any independent inquiry can properly get to the heart of the matter, the core of the business. In addition to the assurances already given to the House by the Attorney-General, I hope that Ministers will undertake to return here at that juncture so that the matter can then be properly considered by the House. I join colleagues in expressing the House's determination

and resolve to ensure that we get full answers to every one of the very serious questions that have emerged in recent days and weeks.

3.44 pm

Alun Michael (Cardiff South and Penarth) (Lab/Co-op): Let me start by congratulating and thanking my hon. Friend the Member for Rhondda (Chris Bryant), who has performed a great public service in the clear, precise and consistent way that he has pursued this issue, as has my hon. Friend the Member for West Bromwich East (Mr Watson). They have done us all a great favour, including this House.

The Attorney-General was right to tell the House that there are issues on which Ministers will say little in the short term. All the allegations need to be fully investigated and prosecutions should follow if the evidence substantiates them. We must do nothing in this House that would impede police investigations or the consequences being pursued. However, this issue goes far wider than that, as I am sure the Attorney-General would accept. It goes much wider than the faults or criminal activities of individuals, which is why a judicial or public inquiry needs to be established now. We need that assurance.

Ian Paisley (North Antrim) (DUP): I appreciate the right hon. Gentleman's giving way, especially as I have been subject to an investigation by the police in connection with this matter. I wonder whether he could outline for us who he thinks would be of sufficient calibre to carry out such an investigation. Would they be an international figure or someone from the United Kingdom?

Alun Michael: I do not have time to go into that adequately. What I would say is that we need a public inquiry with the capacity to get to the bottom of various issues. Therefore, it needs to be set up carefully and have appropriate powers, and not be the type of bureaucratic public inquiry that has sometimes got in the way of the truth emerging.

We have heard one of the investigators complaining about the relentless pressure of demands from the *News of the World* on investigators and journalists. I did not detect a great deal of sympathy in the House—I think I heard a bit of a groan, indicating a lack of sympathy—but pressure comes in two forms. One is the pressure to deliver—"You're only as good as your next headline"—and the other is the general pressure of what is acceptable and expected in any profession, or the environment in which people do their work. It is important that both be addressed. At the heart of the matter are three issues. The first is the standard of journalism; and the second is the standard of governance in the press and the media. This could—indeed, should—be a watershed moment. In general, journalists want to be open and transparent and to do an honest job, but that is not easy all the time. I saw something of the power of the press pack as a young journalist in south Wales.

The Press Complaints Commission is well meaning but, frankly, it is a joke. The public and journalists deserve better. Its lack of influence and inability to change the environment or set standards lets down those who have earned a high reputation for themselves and for our better newspapers and media outlets. The Press Complaints Commission clearly has neither the will nor the capacity to change things, but we need to take care: statutory regulation of the press and media could endanger press independence, which would be a massive mistake. We need an independent body, but one that is robust and effective and has the powers to investigate and enforce. It would be a major step forward if such a body emerged from these events, as I hope will happen.

I am pleased that my right hon. Friend the Member for Normanton, Pontefract and Castleford (Yvette Cooper) told us that the Metropolitan Police Commissioner had referred the issue of possible payments to police officers to the Independent Police Complaints Commission, but the IPCC's investigation needs to go a little wider. The Chair of the Select Committee on Culture, Media and Sport, the hon. Member for Maldon (Mr Whittingdale), pointed out that the information now coming into the public domain was in the possession of the police in 2006. I hope that the commissioner will refer that to the IPCC too. The Metropolitan police had also reported to Ministers. My right hon. Friends the Members for Delyn (Mr Hanson) and for Kingston upon Hull West and Hessle (Alan Johnson) had information on which they had to take their decisions, and so has the Select Committee on Home Affairs. Those issues relate to the conduct of the police and the activities of police officers and need to be looked at objectively. The IPCC should be asked to do that.

What the IPCC does should feed into the wider public inquiry; I do not think that the two are alternatives. The IPCC has the resources and the investigative capacities, and it has earned a reputation for being tough. It is therefore important that it should be able to ask the questions, "Did the police mislead Ministers and Parliament?", "Did police receive money?"—that question has been referred to it already—and, "Did relationships distort investigations?" It is important that those questions should be forensically investigated as part of preparing the ground for the wider, transparent investigation that we need, as the right hon. Member for Bermondsey and Old Southwark (Simon Hughes) said. I do not think that these are alternatives, but we need the forensic capacity of the IPPC to look into some of these issues.

The third issue is that we need clarity about the law. My right hon. Friend the Member for Leicester East (Keith Vaz), the Chairman of the Home Affairs Select Committee, rightly said that the Committee had identified confusion about what the law says. That confusion should not exist. I refer specifically to the fact that John Yates told us that there were only a small number of victims, based on what he said was legal advice that the police would have to prove that messages had been intercepted and also listened to before being heard by the recipient. However, Kier Starmer QC, the Director of Public Prosecutions, told us that that was not the advice given to detectives. Advice from prosecutors was at best provisional and did not limit the scope or extent of the criminal investigation—

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. I call Zac Goldsmith.

3.50 pm

Zac Goldsmith (Richmond Park) (Con): I warmly congratulate the hon. Member for Rhondda (Chris Bryant) on securing this hugely important debate, which has already led to something of a breakthrough. The whole House should be grateful to him for his contribution.

[Zac Goldsmith]

I shall speak briefly but firmly in support of the motion. I was encouraged by the words of the Attorney-General earlier. This scandal has escalated dramatically. At first, it involved just the odd celebrity, and then a few members of their wider families. Then it emerged that members of staff employed by those celebrities had been hacked, some of whom lost their jobs because they were falsely accused of leaking information to the press. When absolutely pushed, the public said that they were uncomfortable with this news, but there was no outcry. That was because the many media commentators soothed them, saying, "It's just celebrities. They know what they signed up for, and this is what it's all about. It's tittle-tattle." We were told that the hacking was distasteful, but if we interfered with the press, we would never see any exposure of corruption, fraud or hypocrisy.

Mr Angus Brendan MacNeil (Na h-Eileanan an Iar) (SNP): The hon. Gentleman has alluded to the continual drip, drip of further revelations. Given what has happened, does he agree that by this stage, anyone who has been hacked should at least be informed of that fact?

Zac Goldsmith: I agree with the hon. Gentleman 100%, and I suspect that everyone else does, too.

The revelations have continued, and in the past few days we have seen what appears to be almost a tsunami. We have heard the details involving the families of the tragic Soham girls, and the sickening details relating to Milly Dowler. I will not repeat them. We have also heard about the victims of 7/7. Those are all innocent people who never chose to be in the public limelight.

I suspect that, as the right hon. Member for Cardiff South and Penarth (Alun Michael) implied, this is the tip of the iceberg. We have no idea how big that iceberg is, which is why we need a full public inquiry. On its own, this scandal justifies such an inquiry. We have seen the abuse of position and power on an awesome scale. The blurred lines that we have allowed to exist for the press, to allow them to do what we need them to do, have been well and truly stretched. We have seen systemic abuse of almost unprecedented power. There is nothing noble in what those newspapers have been doing.

We cannot see this matter on its own, however, because the corporation has not acted on its own. Revelations last night, although they have yet to be proven, showed that a former editor provided authorisation for payments to the police. This demonstrates that the company was not acting on its own, and what can generously be described as a sloppy investigation by the police suggests that that collaboration ran very deep indeed. There can be few things more important to members of the public in this country than an ability to trust the police. Tragically, however, what began as a conspiracy theory is now looking less and less like a theory.

This does not even end with the police. As MPs, we depend on the media. We like to be liked by them; we need to be liked by them. We depend on the media, and that applies still more to Governments. It is an unavoidable observation that Parliament has behaved with extraordinary cowardice for many years, with a few very honourable exceptions, whom I shall identify. They are the hon. Members for Rhondda and for West Bromwich East (Mr Watson) in particular, but they are not alone. Collectively, however, we have turned a blind eye. It is only with this latest sordid twist, the shameful behaviour of the *News of the World* in relation to Milly Dowler and the subsequent outpouring of public rage, that Parliament has finally found its—what is the correct term?—backbone, and taken a stand. Well, it is better late than never.

Rupert Murdoch is clearly a very talented business man and possibly even a genius, but his organisation has grown too powerful and it has abused its power. It has systematically corrupted the police and, in my view, has gelded this Parliament, to our shame.

Sheila Gilmore (Edinburgh East) (Lab) *rose—*

Zac Goldsmith: I am about to finish, so it would be fine if the hon. Lady would like to intervene now.

Sheila Gilmore: In the light of the hon. Gentleman's comments, does he agree that the issues Members have raised on this topic over the last few months are relevant to the proposed BSkyB takeover so we should show our backbone on that issue, too?

Zac Goldsmith: I agree absolutely. It is not possible, as suggested earlier, to separate what we are talking about now from the proposed takeover. I think any separation would be entirely artificial. That deal needs to be put on hold by the Government until the dust has settled and we know where we stand. Anything less than that will be viewed as appalling by the public and will be met with a nod of disapproval. This is a crucial issue, so I hope to hear some more positive remarks about it in the wrap-up.

I have said what I came here to say and have only a few seconds left. This motion is hugely important. I am very grateful to the hon. Member for Rhondda for this breakthrough and I hope the House will provide him with the support he deserves in pursuing this incredibly important agenda.

3.56 pm

Clive Efford (Eltham) (Lab): The whole country is rightly shocked at the revelations of what has been going on in our media, but today is not the time to go into details about who said what or did what at what time. Our role is to secure a full and open public inquiry. I note the acceptance of that by the Government Front-Bench team, but the issue now is when. We need to secure the available evidence to do a thorough job of investigating the issue now. The inquiry needs to be set up while the police investigations continue.

This debate is about what kind of country we want to be. A free press is an essential part of our democracy. It challenges us, exposes our weaknesses, sometimes helps to get our message across and keeps people informed of the arguments to help them to form a balanced opinion. However, the press has developed as Parliament has developed and there is a symbiotic relationship between politics and journalism. The issues we are debating here today really go to the heart of what kind of nation we want to be in the future.

We need to understand that what we are debating today has to do with how we treat weak and vulnerable people or the bereaved, and whether we stand up for people when they are under pressure or being unfairly

treated, or whether we become part of a baying mob, egged on by the likes of the *News of the World*, eager for a kill just for the sheer excitement of it and heedless of the consequences for the victims and of whether what we are witnessing amounts to justice.

I do not believe that people want to live in that sort of country or feel that we have become such a country. The public do not share the values of the media people who have effectively brought this debate to the Floor of the House today. They do not share the values of those who have invaded the lives of innocent victims and bereaved families when they are grieving and at their most vulnerable.

I was not brought up in a country that stood by while others suffered. I always believed that the post-war Britain I grew up in was a country that stood up for fairness and perhaps for those who were not as strong as ourselves. I thought the country was populated by a heroic generation that was justifiably proud of what it had endured through the second world war and of the freedoms that had been won—not just for themselves but for the whole world. That was achieved by ordinary people doing extraordinary things for the greater good of everyone. It is these ordinary people we are defending today.

Who are the people who believe that they can trample over the lives of ordinary people and use them for their own ends or their own advancement? Should we allow ourselves to be seduced into accepting that the things these people dictate to us, claiming they are in our interest, are acceptable and should be allowed to happen?

Helen Goodman *rose—*

Clive Efford: I will not give way, if my hon. Friend does not mind.

I cannot go into the detail of specific cases, as others have done. What I will say, however—this is one of the points that I really wanted to make—is that I think there is a corporate responsibility. I applaud Ford for withdrawing its advertising from News Corporation. I also think that anyone who is not a fit and proper person to drive my old taxi should not be put in charge of a major news outlet.

Other organisations—Halifax, npower, T-Mobile and Orange—say that they are reconsidering their position, while Tesco and Virgin Media say that they will wait for the outcome of the police inquiry. That is not good enough. I say to people who may be purchasing goods from those organisations, or thinking of buying a new mobile phone, that they should not trade with companies that do not stand side by side with the ordinary person in the street who is outraged at what has gone on in News International.

Only if ordinary people make a stand will we stop these rich people—rich people who have invaded the lives of ordinary people in the street—making themselves even richer and even more powerful. Only by hurting them where it really matters—in their profits—will the ordinary person in the street influence their behaviour in the future.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. A great many Members still wish to speak. I am going to reduce the speaking time limit to four minutes, and if speakers show restraint, I may manage to get everyone in.

4.1 pm

Mr Adrian Sanders (Torbay) (LD): As we have heard, the phone hacking scandal has been examined twice by the Select Committee on Culture, Media and Sport, of which I am a member. Our report published in July 2007 examined the self-regulation—or lack of it—of the press, partly in the light of the Goodman-Mulcaire revelations. It was claimed that the practice had been a one-off, but, even then, there was serious concern that the problem might be more widespread and that more investigation was needed.

The Press Complaints Commission had appeared toothless, while reports from the Information Commissioner in 2006 had hinted that illegal activity of all sorts was taking place, driven by the desire of tabloid newspapers—not just News International—to print sensational stories. Revelations in 2009 and 2010 forced us to look at the matter again. There was news that phone companies had positively identified a large number of probable and definite victims, information that Scotland Yard had refused to release and about which it was coy to the point of dissembling. It was becoming clear that Scotland Yard itself had not been handling the inquiry satisfactorily and that only the pursuit of the case by other media outlets was forcing any progress at all.

As the House knows, our inquiry concluded that we had not been told the truth. Our report stated:

> "We strongly condemn this behaviour which reinforces the widely held impression that the press generally regard themselves as unaccountable and that News International in particular has sought to conceal the truth about what really occurred."

Mr Michael McCann (East Kilbride, Strathaven and Lesmahagow) (Lab): I do not know whether the hon. Gentleman heard yesterday's interview on Radio 5 Live with my hon. Friend the Member for West Bromwich East (Mr Watson), in which Stephen Abell, the director of the Press Complaints Commission, refused to accept any responsibility whatsoever for the behaviour of the press. I promoted a debate in the House on the self-regulation of the press. Does the hon. Gentleman agree with me that now is the time for a root-and-branch review of the commission?

Mr Sanders: I did not hear that interview, but when one considers the Press Complaints Commission, the phrase "chocolate teapot", or indeed the phrase "fishnet condom", comes to mind.

Our 2007 inquiry had elicited a response from News International that it had carried out a full inquiry itself and was satisfied that the Mulcaire-Goodman case was isolated. That was patently untrue. Our second inquiry encountered more obstacles: Goodman and Mulcaire refused to present evidence, as did Rebekah Brooks. More worrying were the attitude and answers of Scotland Yard.

I return to the point that I made to the Prime Minister today. We cannot have confidence in an investigation by the Metropolitan police; we can have confidence only in a full judicial inquiry with a judge who can take witnesses under oath, ask questions under oath, seek papers, and subpoena witnesses to appear. We desperately need that inquiry. Clearly, where there are allegations of criminal acts or there is the potential for collusion between suspects and the police, a more rigorous investigation is required than, sadly, a Select Committee can offer. It is

[Mr Sanders]

also clear that we need to extend the scope beyond News International. Operation Motorman highlighted that the *Daily Mail* was trading most prolifically in illicit personal information, while the *Daily Mirror,* when under the auspices of Piers Morgan, is suspected of using voicemail interception to reveal Sven-Goran Eriksson's affair with Ulrika Jonsson. Given that there are questions over Scotland Yard's handling of the current case, it is essential that its actions are reviewed independently and that future action against suspected phone hackers does not remain solely the domain of the Met.

When the Culture, Media and Sport Committee looked at the first investigation under Andy Hayman, it found that there was the air of Inspector Clouseau about it, but as the subsequent investigation under John Yates progressed one almost got the impression that something far more sinister was at work. The revelations to date show that the police must have known far more than they let on, and that there is considerable scope for them to have misled Members of the House on several occasions.

Finally, let me say that I am very grateful to the hon. Member for Rhondda (Chris Bryant) for ensuring that we can hold this debate, and the whole House should be grateful to him for that as well.

4.6 pm

Paul Farrelly (Newcastle-under-Lyme) (Lab): May I add that Mr Speaker has done a great service to Parliament and the many victims and their families by allowing today's debate?

Three years have now passed since we who serve on the Culture, Media and Sport Committee started our inquiry into press standards, privacy and libel. We undertook that inquiry because of the treatment the tabloid press meted out to the McCann family, and it took such a long time because we had to reopen the investigation into phone hacking, not for political reasons but for the integrity of this House as it was clear that we had been misled by News International. Last year, we did not believe its follow-up evidence either, and subsequent events have proved us right. As many people have said, the latest events are likely to prove to be the tip of the iceberg of cynicism, double standards, cover-up and law breaking over a long period by a publication that clearly felt itself to be above the law.

Helen Goodman: My right hon. Friend the Member for Delyn (Mr Hanson) made the point that the former Director of Public Prosecutions has now been taken on as a silk for News International, and that is indeed the case. He was DPP when Glenn Mulcaire was prosecuted. The Attorney-General said that that was a matter for his professional ethics, but surely this should have gone through the Cabinet Office as he was a senior public servant?

Paul Farrelly: I entirely agree. The former DPP should be invited to examine not only his ethics and his conscience, but his record in this, because he is also culpable in the failure to get to the bottom of this affair.

Nothing should surprise us about the *News of the World,* but what did surprise us during our inquiry was the approach of the Metropolitan police and the evidence it gave to us. Our report was highly critical of the Met, but right up until the start of Operation Weeting in January there seemed to be a determination to limit the inquiry and close it down as quickly as possible. The concerns about that, and about the Metropolitan police's links to a powerful Sunday tabloid, have long merited this independent inquiry that is going to be allowed today.

We must not lose sight of the fact that, despicable and unlawful as it is, phone hacking is just one clever ruse, and there is a further question any inquiry must address: was there a trade in information in return for payments or favours between the police and the *News of the World* that was not only unlawful or unethical, but was to the detriment of ordinary people—not just celebrities such as Sienna Miller, or politicians, but ordinary people who might be considered fair game by the *News of the World,* but whose well-being it is the police's duty to protect? These questions alone constitute good grounds for an independent public inquiry.

Before the Prime Minister's statement today, I was pondering whether we could rely on the *News of the World,* with its new spirit of thorough co-operation, to whistleblow on itself fully. I suggest the record rather suggests not. Indeed, following the publication of our report of February last year, News International chief executive Rebekah Brooks dismissed it, and News International issued a statement saying, with absolutely no hint of irony, that

"the reaction of the Committee to its failure to find any new evidence has been to make claims of 'collective amnesia', deliberate obfuscation and concealment of the truth."

For good measure, it added, again with no irony, that

"certain members of this CMS Committee have repeatedly violated the public trust."

Editor Colin Myler was more explicit. He singled out me and my hon. Friend the Member for West Bromwich East (Mr Watson) in a full-page editorial:

"We'll take no lessons in standards".

He continued:

"Sadly, the victims here are you, the public".

That was very prescient of Mr Myler, but clearly not in the way he intended. That scathing, self-serving editorial ran to more than 1,100 words, whereas the eventual apology to victims in April this year ran to just 160 words. That would be comical if it were not so sad.

Much has been said about Rebekah Brooks, and I agree that her position is untenable. As for the editor of the *News of the World*—I will be charitable—Mr Myler has, by now, had so much wool pulled over his eyes that he clearly cannot find his own self-respect or his resignation; he is staying in post at the *News of the World.*

Could the Press Complaints Commission be trusted with an inquiry? Sadly, the answer is no. The PCC was lauded in that editorial, but this is how its chair, Baroness Buscombe, returned the compliment yesterday:

"There's only so much we can do when people are lying to us."

The PCC accepted none of our recommendations, including our suggestion for a new name—the press complaints and standards commission. The body commands little respect and it has a much-diminished chair. As for the police, Operation Weeting certainly seems to be more thorough, but beforehand there was little competition. It is time for a public inquiry, as my hon. Friend the Member for Rhondda (Chris Bryant) has suggested.

Following the latest revelations there has been much talk of a "tipping point" for the press, but we have been at tipping points many times before—for example, with the McCann family—and nothing has changed. Above all, for the better of decent journalism in this country, all newspaper proprietors, not just Rupert Murdoch, must look themselves in the mirror and ask, "Do I like what I see?" and, "Do I care to change it?"

4.11 pm

Anna Soubry (Broxtowe) (Con): Yesterday, I momentarily hesitated before rising to support the hon. Member for Rhondda (Chris Bryant), but only because I was unfamiliar with the procedure—I did know that he was doing the right thing. I, too, congratulate him, and not only on bringing this debate to this House. I congratulate him also because I believe that a consensus is forming across this House, and that is to be welcomed.

I thought also yesterday that our newspapers had sunk to the darkest moment in their history, given the revelations about the tapping of Milly Dowler's phone. It is important that we get the language right; we are talking about the theft of evidence, the destruction of evidence, the impeding of the investigation into the disappearance of a child and, as it turned out, a murder investigation. I might have misheard the hon. Member for West Bromwich East (Mr Watson), but if I heard him correctly and he is right in what he was saying, all of that was known by the Metropolitan police back in 2002. For reasons that I cannot comprehend, no investigation was undertaken by the Metropolitan police at that time into what were undoubtedly extremely serious criminal offences. I am absolutely confident that this new inquiry will look into the dealings of the police, because the spotlight is rightly now not just on our newspapers; it is moving on to our police. What has been going on concerns me greatly.

Yesterday was also a bleak day for our newspapers, because we saw the Attorney-General prosecute two of them for contempt of court for their coverage of the arrest of a man in Bristol in relation to the murder of Jo Yeates. I wholeheartedly congratulate the Attorney-General on taking that prosecution, as it was a courageous move. The hon. Member for Rhondda talked about the need for politicians to be courageous and I absolutely agree. We must be not only courageous, but honest. I will be honest and say that I am not sure that I was as courageous as I should have been with my private Member's Bill in February. That is because any politician treads exceptionally cautiously when they stand up in this place to criticise the press and ask for it to be curtailed. As the hon. Gentleman said, we know the possible consequences of making that sort of move.

Mr Robert Buckland (South Swindon) (Con): Have not the words of Stanley Baldwin some 70 years ago, when he described the press as having

"power without responsibility, the prerogative of the harlot throughout the ages"

been brought to bear by this most grotesque example that we have discussed today?

Anna Soubry: I concur absolutely, and I am sure that that sentiment is echoed across the House.

Such is my concern—I have been persuaded by much of what I have heard today—that I think there must now be a pause in the consideration of the matter that has been referred to and will be determined by Ofcom. I urge the Secretary of State to consider whether we should pause things, given what has happened.

In the time remaining, I want to return to the subject of my private Member's Bill. I am not sure whether it falls within the remit of the public inquiry, but I hope that the Government will consider changing the law. I believe that the press has lost the moral plot and I say that with a heavy heart because before I went back to the Bar I trained as a journalist and worked as one for many years. I am proud to be a member of the National Union of Journalists and I was mother of the chapel at Central in Nottingham. I look on my brothers and sisters at a national level with, frankly, despair. It is important to remind ourselves that small local papers are very different from national papers—

Chris Bryant: Any in particular?

Anna Soubry: I cannot hear the hon. Gentleman's sedentary intervention, which is probably a good thing.

In all seriousness, it is right and fair to say that all of us know from our considerable experience that local papers act properly and responsibly. We all enjoy a perfectly proper relationship with them—a relationship that has not been enjoyed between other politicians and national newspapers, which is a situation that must change.

It comes down to this: if people did not buy these newspapers, we would not have this problem. Too many people have an insatiable appetite for gossip, trivia, scandal and the scum of life and that is why we have found ourselves in this position. If people did not buy such papers—I hope that on Sunday the *News of the World* will get its real punishment through a complete and total slump in its sales—we would effectively see the sort of regulation and change that we all want. There must be a huge cultural shift not only in how we deal with newspapers but in how they conduct themselves. They should act in a much better and more responsible manner in future.

4.16 pm

Mr Michael Meacher (Oldham West and Royton) (Lab): I strongly support my hon. Friend the Member for Rhondda (Chris Bryant) and, of course, the demand for a public inquiry, but I want to argue that its remit should perhaps be a little wider than the immediate phone hacking affair.

The central question concerns the governance of News International, the present chief executive of which, Rebekah Brooks, says that it is "inconceivable" that she knew about phone hacking—*[Laughter.]* That was her word. A former *News of the World* journalist, Paul McMullan, said in effect that it was inconceivable that she did not know, however. The idea that she will stay on, effectively to investigate herself, is simply surreal.

It was News International that paid out large sums of hush money to cover up evidence of criminality within the organisation and that, according to the PCC, lied to the regulator, yet that is the company seeking the right to become the most powerful media company that this country has ever seen. Based on the evidence that is already known—never mind that which is still due to come out from the other 11,000 pages of Glen Mulcaire's notes—I cannot see how the Secretary of State for

[Mr Michael Meacher]

Culture, Olympics, Media and Sport can let that go through. After today and after this week, almost the whole country will be behind that view.

There are wider questions. The first concerns the media plurality that the Secretary of State likes to pray in aid to explain how hemmed in he is by statute. The answer to that question is that, as formulated, the system is antique and obsolete when faced with a behemoth such as the Murdoch empire. The combination of News Corporation and BSkyB will be in a position to distort or bend competition through cross-promotion, price bundling, preventing rivals from advertising and other distortions in the advertising market. The fact is that none of those issues, which are crucial to the question of competitiveness, was even considered by the Secretary of State. That is the decisive reason why he should reconsider.

Mr Denis MacShane (Rotherham) (Lab): Will my right hon. Friend give way?

Mr Meacher: I would love to give way to my right hon. Friend, but I am under instructions not to give way.

In particular, the idea cooked up by News International that putting Sky News into a separate company somehow preserves media plurality is utterly spurious. Newco, the company that will run Sky News, will be dependent on News Corporation for 85% of its revenues and for access to the market, and the safeguards for editorial independence are weak and of the kind that News International has repeatedly undermined before. Neither Ofcom nor the Office of Fair Trading regards this arrangement as a sustainable solution, the two-week consultation period was clearly inadequate, and the arrangement puts far too much power in the hands of the Secretary of State rather than independent regulators. Those are all very strong reasons why the Secretary of State has to look at this again, after a pause, which the whole House is asking for.

Lastly, I want to say something about the Press Complaints Commission, which is surely one of the most ineffective performers in the regulatory landscape. It played absolutely no role whatever in uncovering the phone hacking revelations; indeed, it far too readily dismissed *The Guardian*'s original warnings nearly two years ago. I really do think that the PCC has been so poor that the public inquiry should look again at the future of self-regulation after so many cautions, including David Mellor's warning 20 years ago—

Mr Deputy Speaker (Mr Lindsay Hoyle): Order.

4.21 pm

Dr Thérèse Coffey (Suffolk Coastal) (Con): First, let me apologise to hon. Members who might wonder why I have been called, given that I left the Chamber earlier. I went to see the Third Reading of my private Member's Bill in the other place; unfortunately, there seemed to be a mini-debate on Lords reform first.

I absolutely share hon. Members' feelings of being appalled at the revelations and allegations being made today. Of course I extend my sympathy to the victims, including Beverli Rhodes, a 7/7 survivor whom people might have heard on LBC this morning saying that she was concerned that her phone had been hacked.

There are several issues to discuss, but I am afraid I might break the somewhat cosy consensus that has developed so far. There is no question but that the police investigation has been shown to be unsatisfactory, as we have seen from previous reports of the Culture, Media and Sport Committee. However, there are some things we can do straight away. The whole business of dancing on the head of a pin regarding whether certain hacking is illegal could be dealt with by a simple change to clause 1 of the Regulation of Investigatory Powers Act 2000. I have confidence that Deputy Assistant Commissioner Akers will make some progress with Operation Weeting, but I also understand that it might be appropriate to bring in an external force to help with that.

The hon. Member for West Bromwich East (Mr Watson) has brought in some new allegations about News International today. I agree that News International has not helped itself with its drip-drip feed of information and, perhaps, casual approach to investigation internally. I do not know whether the actions were deliberate or whether there were simply people there who were out of control. What I do know is that News Corp did finally react, and has brought in people to do an investigation, which is the right thing to do alongside the police inquiry.

I believe that a witch hunt against Rebekah Brooks is being developed. I do not hold a candle for her—I met her once last year at a Conservative party conference and I am sure that she has been at Labour party conferences before—but I am worried about this aspect. This is not the time to hold back evidence, and I hope that my hon. Friends will present evidence rather than simply say that Rebekah Brooks was the editor at the time. Let me give the analogy of a sales director I know of from my previous commercial experience who was pressurising his sales people to keep up with their quotas and find new business. He was not aware that two people were indulging in what could be called illegal practices—basically, bribing people—and it is right that we found that out, but I am not saying it was right for that sales director to be told they personally had to resign.

Helen Goodman: Will the hon. Lady give way?

Dr Coffey: I cannot give way, because I know that other people want to speak.

I also recognise that Operation Motorman and Operation Glade took place. Indeed, Rebekah Brooks herself was told that her phone might have been hacked and that the Home Office and the police also tapped her phone—[Hon. Members: "Ah!"] I am just saying that it happens to a number of people. What that reflects, as the Information Commissioner discussed in his report back in 2006, is that the problem was not unique to one news group. The multiple inquiries that we have, which I fully support, should look across the news industry, not solely at News International.

There is also a route within Parliament to address this. We have heard today about how Parliament did not react, but the Culture, Media and Sport Committee did. We also have an opportunity to address this issue through the privacy committee being set up to look at

super-injunctions. We could extend its terms to address this, in addition to the public inquiry. Given the lack of confidence in previous Members of the House, perhaps it should have a majority of new Members.

Moving forward, I should like the police inquiry to be given as much resource as it needs to reach its conclusions very quickly. I want the public inquiries to be established and I should like the privacy committee to be enhanced. Finally, let me make one point about BSkyB. News International is not News Corp, Rebekah Brooks is not a director of News Corp or BSkyB, and I understand that she has no intention of ever being so.

4.25 pm

Mr Pat McFadden (Wolverhampton South East) (Lab): Some years ago I was a questioned as a witness in the investigation in the "cash for honours" allegations, because I am a former staff member at No. 10 Downing street. Those allegations may have harmed the Labour party's capacity to raise money, because people did not want to go near our party in case their reputation was trashed in the media. The allegations may have harmed our ability to win elections, thus resulting in our being in opposition, rather than in government. The police investigation, however, came to nothing. There were no prosecutions, no charges and no case that the Crown Prosecution Service thought worthy of prosecution.

During those investigations thousands of e-mails and notes were investigated, and dozens of people were interviewed. Those who were questioned—and in some cases arrested, although never charged—often found themselves in the newspapers immediately, as the twists and turns of the investigation leaked out. People were taken from their beds in the early hours of the morning and appeared immediately all over the newspapers, even though they were innocent of any crime.

It is absolutely right that the police should be tireless in their pursuit of truth and that no obstacle should stand in their way, but it is impossible not to draw a contrast between the zeal with which that ultimately fruitless investigation was pursued and the investigation into hacking by the *News of the World*—particularly in view of the fact that, as we have heard from the hon. Member for Maldon (Mr Whittingdale), the Chair of the Select Committee on Culture, Media and Sport, most of the evidence that has emerged in recent days has been in the hands of the police since 2006. Why was the defence of one rogue operator believed for so long, as it has become clear that the practice was much more systematic? Why, after each new piece of information comes out, do we suddenly find that new e-mails are uncovered?

The affair focuses on the conduct of the *News of the World* and the victims of the practice of phone hacking, but the conduct of the newspaper—and perhaps of other newspapers that may be involved—is not the only question. Given the history of the issue, we must consider the question of who in this affair polices the police, and asks hard questions about the police investigation. That investigation may have been stepped up, but we need an inquiry to ask hard questions about the relationship between the police and the *News of the World* in particular—about payment for information and the trade in information and personal details. Whether it is an IPCC inquiry or the public inquiry for which we have called, those questions are part of the picture.

The Attorney-General rightly said that there must not be one law for the powerful and another for the non-powerful, but it is also true that there should not be one law for part of the powerful—the political world—and another law for another part of the powerful, which is the media world. All of us must be equal and subject to the law.

4.28 pm

Tom Brake (Carshalton and Wallington) (LD): Any newspaper or other media outlet that interferes by hacking or any other means into people's phones, e-mails or post, and any newspaper that interferes with police investigations to maximise profits and concoct more salacious headlines, is acting despicably and illegally, and inflicts more pain on victims. Any claim that it is acting in the public interest, or that it is all down to a single rogue operator, will be treated with the derision and scorn that it deserves. That newspaper should expect the full force of the law to bear down on it, and it should feel the heat as consumers and advertisers vote with their feet. I am pleased that that is exactly what is beginning to happen.

It is difficult to believe that those illegal activities, given their scale and the specific nature of the information that was being supplied to a newspaper—which could not, in my view, have been obtained legally—were restricted to one private investigator or one newspaper. It is hard to understand why the original police inquiry was so truncated. For those reasons there is agreement in the House today on the need for a wide inquiry or inquiries headed by a judge. The inquiries should look at which media used those illegal techniques, what can be done to address what is clearly a widespread cultural problem within the industry, and what changes to the law might be required.

We also need to tackle the Met and examine what went wrong with the original inquiry, where it appears that not only was every stone not turned over, but a whole rockery was left in place. Were payments made? Were investigations hindered as a result of other unacceptable activities? Those are just some of the matters that the judge and the Home Secretary—if that is who sets the terms of reference—will want the inquiry to examine. We will need to establish a clear time scale and the costings for the inquiry.

There are many other aspects that I wanted to touch on, but time is short. We are faced with a scandal of expanding proportions, including hacking, allegations of interference in police investigations, and claims that payments have been made to officers. To restore faith and trust in the police and the media, we must lock up the guilty, establish a statutory inquiry, shine a cleansing light on the culture of the media and, if necessary, of the police, and implement the reforms necessary to ensure that the privacy of victims and citizens is never intruded on again. It is clear from today's debate that this is the will of the House, and we are committed to making it happen.

4.32 pm

Catherine McKinnell (Newcastle upon Tyne North) (Lab): I extend my congratulations to my hon. Friend the Member for Rhondda (Chris Bryant) on securing this emergency debate, and on his longstanding and

[Catherine McKinnell]

tireless campaign to bring these issues to light, alongside my hon. Friend the Member for West Bromwich East (Mr Watson).

There have been many thoughtful, powerful, comprehensive and brave contributions from Members in all parts of the House today, including from a number of the victims and alleged victims of the phone hacking scandal, and from several Chairs of Select Committees who have been involved in investigating the matter. It is clear that all Members of the House hold a common view that the ongoing criminal investigation into phone hacking activity must take priority.

It is important to be clear that we on the Opposition Benches would not support any course of action that could or would put the hard work of the police and investigators, or any future criminal prosecutions, at risk. Our priority and focus must be on ensuring that justice is secured for people who have been victims of that crime. In considering this issue, it is of course important to reiterate that the increasingly shocking and distressing revelations in this scandal should by no means result in all journalists and newspapers, whether national or local, being tarred with the same brush. The incredibly important role played by the tireless campaigning of *The Guardian* on the issue has been mentioned. The hon. Member for Broxtowe (Anna Soubry) paid tribute to the great work of local journalists too.

However, a criminal justice system that inspires public confidence and an independent, rigorously regulated media are two key planks of a functioning democracy, and it is clear that both of these have been damaged by this developing scandal. The allegations unfolding daily, and sometimes hourly, have thrown up many more issues than can be dealt with or resolved through criminal investigations and prosecutions alone. We are not alone in saying this. The Government should listen to the public and, as the shadow Home Secretary outlined earlier, the Metropolitan Police Commissioner himself. That is why we welcome the Prime Minister's commitment today to hold a public inquiry, or inquiries, into the issues that have arisen as a result of this scandal.

Charlie Elphicke (Dover) (Con): Will the hon. Lady give way?

Catherine McKinnell: I am afraid that I cannot, as time is very short.

As outlined earlier, given the potential conflicts of interest, we need reassurance about exactly what the Prime Minister's role will be in this. I must also reference the widespread concerns expressed by Members across the House about News Corp's takeover of BSkyB. I trust that the Attorney-General and the Culture Secretary will treat all these concerns with the seriousness they deserve and take action accordingly. Although the Attorney-General said that he was mindful of the comments that have been made during the course of the debate, we have not been reassured that positive steps to set up a full, independent, wide-ranging and transparent inquiry will be taken without delay.

Without jeopardising any criminal investigations or future prosecutions, the Government can begin the work of agreeing the nature and scope of the inquiry and who will take it forward before those criminal proceedings are complete. Criminal investigations into, and prosecutions for, phone hacking will certainly take months to reach a conclusion, and possibly years. If we are to start to rebuild the public's confidence in our criminal justice system and the operation of our newspaper industry, the public and the victims of this dreadful crime need the reassurance of a public inquiry now.

4.36 pm

The Minister for Immigration (Damian Green): We have had an important and overwhelmingly thoughtful debate on a subject of deep significance not only to the House, but to a huge number of people across the country. Right hon. and hon. Members on both sides of the House have, as is perfectly reasonable, expressed their disgust and outrage at the latest allegations we have heard over the past few days.

To hack into the phone messages of victims of murder and terrorism and their families will strike all right-thinking people as completely beyond the pale. As the Prime Minister has made clear, and as the Attorney-General stated at the start of the debate, the Government share the shock of the House and the nation. Our thoughts are with the families of those affected by this latest cruel twist in what has been for many of them an horrific ordeal. The Dowler family have gone through more in the last few weeks and years than any family should ever have to go through. The same is true of the families of Holly Wells and Jessica Chapman. Now, as we approach the sixth anniversary of the 7/7 London bombings, we hear that the families of the victims of our worst ever terrorist attack might also have had their phones hacked. The timing is a particularly terrible irony, as the hon. Member for Rhondda (Chris Bryant) said at the outset of the debate.

I congratulate the hon. Gentleman on behalf of the whole House not only on obtaining the debate, but on fighting for so many years on the issue. I congratulate him also on striking exactly the right tone in the debate; it is a matter on which the House needs to move forward as one. I also agree with the shadow Home Secretary's point that one of the institutions that need to look at how they operate in this regard is the House of Commons, which must decide how best to deal with such difficult matters that not only give rise to complex issues of public policy, but require personal bravery on the part of individual Members by putting themselves and their reputations on the line. She made that point and it is exactly right.

It is not just the rich and famous whose lives may have been affected—although they, too, have basic rights to privacy and fair dealings—but the families of those who have suffered pain beyond what any of us can imagine have had their lives intruded on. The hon. Member for West Bromwich East (Mr Watson), who also deserves congratulations, provided new and powerful evidence about some of the things that have gone on. My hon. Friend the Member for Maldon (Mr Whittingdale) made the particularly important point that, although much of the debate has inevitably concentrated on News International, the subject is much wider and relates to other press groups and newspapers as well.

I also praise the honesty of the right hon. Member for Kingston upon Hull West and Hessle (Alan Johnson), the former Home Secretary, and the former Police Minister, the right hon. Member for Delyn (Mr Hanson),

in revealing that some of the untruths and cover-ups that they might have had to deal with meant that they either took decisions that in retrospect they might wish they had not taken, or, indeed, actively said things that misled the House. It is important that everyone accepts the honest tone in which such revelations have been made. I congratulate also my hon. Friend the Member for Esher and Walton (Mr Raab), who made a powerful point about not endangering prosecutions.

Clive Efford: Will the hon. Gentleman give way?

Damian Green: I apologise, but I really do not have time.

Owing to the seriousness of the allegations and to the fresh information, the Metropolitan police service decided in January to open a new investigation, which many Members have mentioned. It is being led by Deputy Assistant Commissioner Sue Akers, and I should emphasise that it involves a completely separate unit in the Met from the one that carried out the original investigation in 2006. It is one of the largest ongoing police investigations, and it is precisely because of this new, thorough investigation that new evidence and information about what exactly went on is being obtained. The investigation has already led to five arrests, and it is entirely possible that there will be further arrests and, potentially, further prosecutions.

The Director of Public Prosecutions has announced that the Crown Prosecution Service will examine any evidence resulting from the Met investigation, and it has asked Alison Levitt QC, who has had no previous involvement in the case, to take a robust approach in deciding whether any prosecutions can be brought.

The Home Secretary spoke this morning to Sir Paul Stephenson, the Metropolitan Police Commissioner. He assured her that the current investigation is fully resourced and proceeding well; he told her that any allegations of inappropriate payments made to police officers by journalists is being fully and independently investigated in conjunction with the Independent Police Complaints Commission; and he assured the Home Secretary also that this matter will continue to be investigated through Operation Elveden, under the direction of Deputy Assistant Commissioner Sue Akers, in partnership with the Met's directorate of professional standards.

Of course, a number of cases may go before the courts, so it is important that we do not prejudge or prejudice potential future prosecutions. We must allow the current police investigation to get to the bottom of these terrible allegations and to discover the truth, but it is clear that, in the light of the step change in the seriousness of the allegations, we must have a public inquiry or inquiries into these matters.

4.42 pm

Three hours having elapsed since the start of proceedings, the motion lapsed (Standing Order No. 24).

Estimates Day

[3rd Allotted Day]

ESTIMATES 2011-12

FOREIGN AND COMMONWEALTH OFFICE

Afghanistan and Pakistan

[Relevant Documents: Fourth Report from the Foreign Affairs Committee, Session 2010-12, on the UK's foreign policy approach to Afghanistan and Pakistan, HC 514, and the Government response, Cm 8064.]

Motion made, and Question proposed,

That, for the year ending with 31 March 2012, for expenditure by the Foreign and Commonwealth Office—

(1) further resources, not exceeding £1,279,625,000, be authorised for use for current purposes as set out in HC 921,

(2) further resources, not exceeding £19,718,000, be authorised for use for capital purposes as so set out, and

(3) a further sum, not exceeding £1,188,315,000, be granted to Her Majesty to be issued by the Treasury out of the Consolidated Fund and applied for expenditure on the use of resources authorised by Parliament.—*(Mr Vara.)*

4.42 pm

Richard Ottaway (Croydon South) (Con): The British involvement in Afghanistan has been long and costly, and whether it has achieved its stated objectives is a moot point, but that does not imply that it was the wrong decision or that we should not be there.

In the aftermath of 9/11, it was essential to deny al-Qaeda a base to operate; the intervention was essential; and there was a United Nations-mandated coalition of the willing led by the United States, but as usual we were in close support. Following the general election, the coalition Government very much followed the Afghanistan policy of their predecessor, but two important changes did take place: first, the establishment of the National Security Council to co-ordinate Whitehall's Afghan war effort; and, crucially, the publicly announced decision to set 2015 as the deadline for withdrawing British combat troops.

Both initiatives were welcome, although famously the National Security Council did not make the withdrawal decision. Nonetheless, the key policy objective in Afghanistan mirrors that of the Government's predecessor: Afghanistan should not again become a place from where al-Qaeda and other extremists can attack the UK and British interests.

Achieving that objective is said to rely on four main goals: a more stable and secure Afghanistan; the conditions for withdrawal of UK combat troops by 2015; an Afghan-led political settlement that represents all Afghan people; and regional political and security co-operation that supports a stable Afghanistan. They were the right objectives then, and they are the right objectives today.

Some progress is being made on all those fronts. Increasingly, the Afghan army and security forces are taking over control of the districts, troops are beginning to withdraw and there is talk of a political-led settlement, all of which is of course welcome.

[Richard Ottaway]

I just wonder whether we need to reassess the policy objectives. The Foreign Affairs Committee received evidence to suggest that the core foreign policy justification for the UK's continued presence in Afghanistan—that it is in the interests of UK national security—may have been resolved some time ago. There is a big difference between the Taliban, who are locals who want their country back, and al-Qaeda, which is made up of hard-nosed international terrorists. Given the apparently limited strength of al-Qaeda in Afghanistan, its desire to continue to use Afghanistan as a base is questionable. The tracking down and shooting of Osama bin Laden adds weight to that argument.

When the Prime Minister appeared before the Liaison Committee, I asked if he was still receiving intelligence that al-Qaeda in Afghanistan remained a threat to UK national security. He confirmed that it did, and he said the same when I put a similar point to him this afternoon. I said that that poses a dilemma for Parliament. It seems that the justification for Britain's most important policy initiative is based on an intelligence assessment that has not been subject to parliamentary scrutiny. The ghost of the Iraq war hangs over us. Under the circumstances, I suggest that the intelligence is shown to a committee of Privy Councillors or the Intelligence and Security Committee, which can report to the House on whether it agrees with the assessment.

In the meantime, the military campaign continues. The Taliban are being pushed back, and so they should be with the firepower ranged against them. However, I question whether they can be defeated militarily. The Foreign Affairs Committee has considerable doubts over whether the international security assistance force's counter-insurgency campaign is succeeding. We question the fundamental assumption that success in Afghanistan can be achieved through a strategy of clear, hold and build. The Taliban are, at heart, Afghans who resent the presence of occupying forces. It is questionable whether the USA's full military onslaught on the Taliban is necessary to deny al-Qaeda a place from which to operate. The key thrust of the Committee's report is that we should encourage ISAF, and the United States in particular, to engage in a political reconciliation process. There is little support outside the United States for continuing the surge started by George Bush and continued by President Obama. The continued military pummelling of the Taliban is, in all certainty, counter-productive in achieving a political settlement.

The recent announcement by President Karzai that the United States is involved in reconciliation negotiations is a good start. However, talking to the Taliban is not easy. There is no address or phone number, and the hard-liners and the top brass of the Taliban have turned their backs on any reconciliation attempts. None the less, in my judgment there is a split in the Taliban between the hard-liners and the moderates. Those who are most opposed to a political settlement tend to be more on the fringes of the movement—the uneducated and the unemployed. Those who are more focused on the future prosperity of their country are prepared to talk. We should exploit the divisions in the Taliban and engage in the process of reconciliation as soon as possible. The US draw-down of troops will help in that, as will the additional numbers announced by the Prime Minister during his visit this week. We have to set the tone and show that there is light at the end of the tunnel for Afghans who want to bring up their children and enjoy the prosperity that we are used to in the western world.

Combined with that, we must continue to support the Afghan army, police and security services. Huge strides have been made to bring those forces up to a level of competence that will allow them to maintain law and order in their country. There will be a large army and a large police force. The Prime Minister said this afternoon that for every one troop that is withdrawn, two will go in from the Afghan police and security services. Those services have a long way to go to achieve the operational standards that we see elsewhere. The exit of NATO combat troops will not be smooth, and the handover will be fraught with problems, but the sheer size of the Afghan forces should be sufficient to hold the line against the inevitable counter-attack once the occupying forces have left.

The US draw-down is bigger than expected, and 33,000 troops will have been withdrawn by this time next year. The President of the United States says that the US has crippled al-Qaeda's capabilities and been successful in its mission in Afghanistan, claiming that Kabul is much safer than it was before despite continued attacks such as the one on the Intercontinental hotel last week.

Interestingly, the President has been criticised on both sides in Congress, with his opponent in the last presidential election, John McCain, arguing that the current troop levels should be maintained for at least another year to accomplish their objectives. On the other hand, the Democrats have argued that the President has been too timid. The cynic in me says that that probably suggests he has got it about right.

However, the military do not agree with the President either. We may raise eyebrows here when senior military officers enter the political arena, and we may wish that they would do the fighting while we do the talking, but they have nothing on what has been going on in the United States. Admiral Mike Mullen, the Chairman of the Joint Chiefs of Staff, quite openly said that he advocated a less aggressive draw-down schedule. General Petraeus, the former head of the armed forces in Afghanistan, who is about to become the director of the CIA, said that he, too, had recommended a more gradual withdrawal. Marine General James Mattis, commander of US central command, who was General Petraeus's boss and immediate superior, agreed. With friends like that, who needs enemies? I respect the President for his courage in rejecting the arguments of his military and continuing with the draw-down.

The House should be in no doubt that this is going to be messy. Security incidents in Afghanistan continue, such as the tragic loss of Scott McLaren from the Royal Regiment of Scotland. However, the provinces and urban districts continue to be transferred to Afghan forces, which shows progress towards transition.

No one likes to engage in talks with an enemy that has been killing one's own armed forces, and I share the view of Hillary Clinton, who has said that she finds the need to have contact with the Taliban "distasteful, but worthwhile". It is not a pleasant business, but it is a necessary one. I have no doubt that any negotiations leading to a political settlement must be Afghan-led, despite the Taliban saying that they want to speak

directly with the United States. So far, top US officials have sidestepped that, and I hope the Government will now encourage them to get more fully involved and get a forum up and running with the full involvement of Afghanistan, the United States and Pakistan.

Relations with Pakistan are difficult, but if we think we have problems, nothing compares with the US-Pakistan relationship, which is at rock bottom. I have to confess that I am quite shaken by the level of mistrust between Pakistan and the United States. The situation has been exacerbated by the shooting of Osama bin Laden. I personally have no doubt whatever that that was a necessary step for the United States to take, and I quite understand why such sensitive information could not be shared with anybody. As a result, I am quite puzzled by Pakistan's aggressive reaction and apparent failure to understand why the US did not share the information with it.

Pakistan has difficult decisions to make. It has deployed troops in Waziristan and the north-west frontier, but my instinct is that its heart is still not in it. Another illustration is the US use of drones, which are fearsome weapons that are turning out to be remarkably effective—so much so that everybody wants them. So why is Pakistan ordering the United States to take its drone bases out of the country?

Mr John Spellar (Warley) (Lab): Does the hon. Gentleman accept that Pakistan has suffered huge losses, and at a high level, from the activities of the Taliban and other terrorists? That partly demonstrates its level of commitment.

Richard Ottaway: Yes, which makes it more the mystery why it does not take stronger action against the Taliban. It is not how to get into the hole that counts but how to get out of it, and I believe that Pakistan is still worrying about how it got into the hole. I would encourage it to engage fully and totally in denying the Taliban a base in its own country.

On the other side of the equation, the US should recognise that Pakistan is a proud and sensitive country. We all admire the US for its can-do attitude and for getting things done, but there comes a moment every now and again when it must think about how others will feel about that, and work with the grain, despite its dominant position on the world stage.

The UK does have a role in all that. There are now 3 million Pakistanis living in the UK. Our embassy in Islamabad is making every effort, but diplomatic opportunities exist to win Pakistan's confidence in our genuine desire to help them. Can we help with textile exports or commercially in another way? Can we help it to break down the barriers with India? Above all, we should encourage the US to adopt a policy on Pakistan that takes account of Pakistan's security concerns, and we should help the US to play a constructive role in the reconciliation process.

I am under no illusion about the difficulties involved in respect of any of those countries. None the less, the Foreign Affairs Committee commends the UK Government for its advocacy of the regional approach to political reconciliation. Currently, the conditions for political settlement are virtually non-existent, but if ever there was a time to make the effort, it is now.

Several hon. Members *rose—*

Mr Speaker: Order. There is no formal time limit on Back-Bench speeches, but I have something like nine people on my list, and I am looking to call the Opposition to wind-up at approximately 6.30 pm, so Members can do the arithmetic for themselves. A certain self-restraint would be appreciated.

4.56 pm

Paul Flynn (Newport West) (Lab): It is a great pleasure to follow the hon. Member for Croydon South (Richard Ottaway). I thank him for, and congratulate him on, the quality of his Committee's reports, particularly the last report on this subject.

It was a disappointment to hear the Prime Minister present a statement that was very much the traditional one of unreasonable optimism, of exaggerating the threat of terrorism from the Taliban, which is almost non-existent—there is a threat from al-Qaeda, but not from the Taliban—and of ignoring altogether the most optimistic sign: namely, the possibility of talks with the Taliban.

We have heard so much accentuating the positives and ignoring the negatives. The Prime Minister spoke of the progress with the Afghan army and police, but said not a word about the fact that NATO delivered the final blow by bringing the helicopter in following the recent attack on the Intercontinental hotel, and made no mention of the group of UN workers who were lynched by a mob, even though they were being protected by the Afghan police and army. Nor did he mention the most depressing incident, when 500 prisoners, many of them Taliban who were captured at grievous cost in blood and treasure, escaped, almost certainly with the collusion of local Afghans. Those 500 are now free to attack our soldiers again.

I am concerned greatly by our attitude. We are trying to deny the truth and to protect ourselves, but there are no good reasons for that. It is extremely wounding to the families of the bereaved to suggest that the cause in which their loved ones died bravely was a noble but vain one, but we must get that across. The Prime Minister has a difficult task to convince the country that we must not only talk to but negotiate with the enemy. That will be difficult for the relatives or loved ones of the fallen.

It is disappointing that the Prime Minister did not give a clear answer on the hurt that will be caused if the plan to take the remains of the fallen to Brize Norton continues. They would then be taken via a circuitous route that avoids the most populated areas. Local people, supported by many of the families of the bereaved, say that they want and appreciate the opportunity to give public expression to their grief, as happened in Wootton Bassett. The public would like to pay their respects as they have done before. No impression should be left that there is any attempt by the Government or local people to deny the country the chance to pay its tributes and accept the true effects of war.

That has been done twice before. Last year on a Monday and a Tuesday, the names of the fallen were announced, but that was at a time when the House did not have the maximum attendance, or the attention focused on it, that it has at Prime Minister's Question Time when those names are announced. It is impossible now, because of the rules of the House, to do what I

[Paul Flynn]

have done in the past, which is to read out the names of the fallen in Iraq and Afghanistan. That is now forbidden. I would not look forward to doing that again, though, because to read the names of the fallen in Afghanistan and the thousands with serious injuries would take about an hour and a half, if I was to include their ranks and give a suitable pause to each one. None the less, that is the most effective way of getting across to the House the consequences of decisions that we took.

I was grateful to see the report on Helmand on BBC 2. It is worth remembering that, as has been repeated, politically we went into Helmand because senior politicians believed we would be there for three years and hoped that not a shot would be fired. We are grateful for the evidence given to the Foreign Affairs Committee and to the Public Administration Committee in which we saw the incredibly trivial reasons we went into Helmand. At that point, we had lost two soldiers in combat—five in other regions—but now it is 375. A written report to the FAC attributed it to the hubris of the Foreign Office, which felt that it might suddenly become a footnote. The conflict in Iraq was coming to an end and it wanted to be in the limelight. The military use the expression, "We must use them or lose them", knowing that if their battle groups are suddenly stood down, there is the threat of major cuts in a future defence review.

Thomas Docherty (Dunfermline and West Fife) (Lab): Although I disagree with my hon. Friend, I have huge respect for his principled stance. However, when the Chief of the Defence Staff and the Vice-Chief of the Defence Staff came before the Defence Committee only three weeks ago, that was not the reason they gave for the Army going into Helmand. They gave completely different reasons: there was a job that had to be done, and if it was not done by the British, it would fall to one of our partners in the international security assistance force.

Paul Flynn: The evidence is in the reports from both Committees—in evidence from a distinguished former ambassador in Kabul and from two senior people in the civil service to the PAC. The evidence is clear. One witness said that no attention was paid to the national interest. It is difficult to see where on earth the national interest lay in stirring up a hornets' nest in Helmand, but we know the result. This was a peaceful province. We went in to ensure reconstruction, but the result, tragically, was the loss of an unknown number of lives—possibly 9,000—and there was no reconstruction. Instead there was destruction on a massive scale from collateral damage alone. We set up posts that we defended at huge cost in lives to our own people and to the others.

This is a calamity on a scale nearly unprecedented in our military history—and that is saying something. When we went in, we did not take a decision in the House, but we had a debate. In that debate, someone said that this would be worse than the charge of the Light Brigade. This time Blair to the left of them, Bush to the right of them, holler'd and thunder'd:

> "Theirs not to reason why,
> Theirs but to do and die:
> Into the valley of Death",

into the mouth of Helmand, drove the 5,000. Before, there were two dead; now it is 375. That is three times the number killed in the charge of the Light Brigade and twice the number killed in the Iraq war, and I challenge anyone to come up with any improvements that resulted from the incursion into Helmand. What is better now? It was peaceful when we went in. There was no threat.

Thomas Docherty: I am grateful to my hon. Friend for giving me the chance to intervene on him again. The Chief of the General Staff, Peter Wall, and the Chief of the Defence Staff made it absolutely clear to the Defence Committee that if we had not gone into Helmand, the Taliban would have moved north towards Kabul. It is completely untrue to say that Helmand was a peaceful province; or rather, it was peaceful only because the Taliban had complete control over the area.

Paul Flynn: I was not present on the Committee, but I saw the sitting on the Parliament channel and was profoundly unimpressed by the evidence given. However, I do not want to dwell on this issue; I want to give other people a chance to speak—I have the advantage of speaking early. I believe that at some point an investigation has to be conducted into why we went into Helmand. Of course it cannot be done now, while we are still there, but I believe that the story revealed will be one of military incompetence and political weakness. We are in the position now—the hopeful time—of talking to the Taliban. I do not know why the Prime Minister does not emphasise this more, but for the first time we are in the position of taking practical steps to build peace that would result in bringing our troops home.

The alternative is that we are currently in a period like that the Americans found themselves in in 1970 and 1971, when they knew that the war was coming to an end in Vietnam. We know that there is no happy ending in Afghanistan, and we should not build up the prospect of an Afghanistan that will somehow be like a Scandinavian democracy or anything of the sort. The ending will be messy.

Jeremy Corbyn (Islington North) (Lab): I thank my hon. Friend for giving way, and I apologise for missing the first part of his speech. Does he not think that after 10 years in Afghanistan, the fact that the Prime Minister now says that there has to be negotiations, including with the Taliban—something that has been patently obvious for a long time—is an indication of just what a military and political disaster this whole thing has been?

Paul Flynn: I am sure that that will be the judgment of history. I am afraid that we in this House will be seen as not having taken the decisions that we should either. We have not challenged our continuing presence in Afghanistan or the continual sacrifice of the lives of our brave soldiers. This has been a bad episode in our history. Tragically, just as we saw one rotten Government in Afghanistan brought down in 2001—they were not as rotten as the one before, who included the Mujahedeen—the current Government might well be replaced in five years by another rotten Government, and we will ask ourselves, "What was the sacrifice for?" We are now in the position that General Kerry, now Senator Kerry, described in '71 when he asked himself the agonising question, "Who will be the last soldier I will order to die for a politician's mistake?"

5.8 pm

Mr John Baron (Basildon and Billericay) (Con): It is a pleasure to follow the hon. Member for Newport West (Paul Flynn), as we have similar views on this issue.

As those Committee colleagues who are here will know, I voted against this report. It will come as no surprise to the majority of Members present that I come to this afternoon's debate as a sceptic about our mission generally. Having cautioned against our deployment in Afghanistan and voted against the Government's continued policy—in the one opportunity that we had to debate and vote on the issue, last year—I remain deeply worried about our progress generally. To reflect briefly on the past, our intervention defied all the lessons of history. We fundamentally underestimated the task and we under-resourced it accordingly. We have been playing catch-up every since. Having served as a platoon commander in South Armagh during the 1980s, I have no doubt that the mission suffered in particular from low troop density levels. We have suffered as a result.

My criticism is not levelled at the troops. We all know that they have done everything that could have been asked of them. They and we can be proud of what they have achieved. Rather, my criticism is levelled at the US and UK Governments, who have failed because they have not recognised two fundamental distinctions, which even at this late stage could salvage something positive from this otherwise sorry affair. First, we have failed to distinguish between the key objective of keeping al-Qaeda out of Afghanistan and the four main goals on which that objective is said to depend. Those goals include the achievement of a stable and secure Afghanistan. In fact, the key objective and the attainment of those goals have become confused to the extent that the goals have become ends in themselves. This has given rise to mission creep and loss of focus. The talk of nation building, women's rights and human rights are but three examples. In effect, we have become missionaries instead of focusing on the mission.

In my view, this confusion permeates the report. For example, the report assesses progress against each of the so-called goals instead of focusing on the key objective. We go into great detail in the report about what we are doing on women's rights and human rights, for example. The goals are a means to an end, however, not the end in itself. Our main mission in Afghanistan is not to build a better country but to defeat al-Qaeda, and our losing sight of that fact has cost us dearly. That is why I voted against the report, having tried unsuccessfully to make a series of amendments. We are not in Afghanistan to build a better country; we are there to defeat al-Qaeda.

This confusion of purpose has gone to the top of Government. When the right hon. Member for Kirkcaldy and Cowdenbeath (Mr Brown) was Prime Minister, he claimed that our troops were in Afghanistan to protect the citizens of London from terrorism, yet in almost the same sentence he threatened President Karzai with troop withdrawal if he did not end the corruption in his Government. That clearly illustrated the confusion, and I pointed out to the right hon. Gentleman in Prime Minister's questions back in 2008 that those two statements did not fit well together.

Last year, the coalition Government gave a deadline of 2015 for troop withdrawal. Again, that is inconsistent. If our commitment is conditions-based—in other words, if it is to defeat al-Qaeda—one cannot logically place a deadline on it. Yet the Government have made it clear that all combat troops will be withdrawn by the due date, regardless of the situation on the ground. It is therefore little wonder that Foreign and Commonwealth Office Ministers have admitted that their communications strategy needs to be reviewed, as it appears that Joe Public has still not got the message. Someone should perhaps ask why, after 10 years, the message is somewhat confused. Could it be that the mission itself is incoherent? If that is the case, there is little point in shooting the messenger.

Jeremy Corbyn: Is the hon. Gentleman aware of any evidence whatever that the streets of London have been made safer by our presence in Afghanistan? Or does he believe that our involvement has caused radicalisation and perhaps made London a more dangerous place, and that we need to look to our foreign policy if we want to make ourselves secure?

Mr Baron: The hon. Gentleman raises a serious point. I certainly think that our recent aggressive interventions have radicalised parts of the Muslim world against us—a fact that I think was confirmed by a former head of MI5 in giving evidence. I certainly do not think that our involvement has helped our situation, and I see no concrete evidence that the situation has improved in regard to the threat on the streets of London. If I am wrong about that, I am sure that the Minister will correct me.

The bottom line is that there is confusion of purpose, and the first distinction that we are failing to make is that between achieving the objective and the four main goals.

The second distinction that the Government are failing to explore rigorously is that between the Taliban and al-Qaeda. The relationship is complex and not well understood. There is no shortage of evidence—some was submitted to the Foreign Affairs Select Committee—to suggest that the Taliban would not necessarily allow al-Qaeda back into the country if the Taliban were to regain control of certain regions. They know that, ultimately, al-Qaeda led to their downfall. Indeed, US intelligence sources suggest that fewer than 100 al-Qaeda fighters and certainly no al-Qaeda bases are left in the country. To all intents and purposes, we have achieved our mission some time ago—a point that my hon. Friend the Member for Croydon South (Richard Ottaway), the Chairman of the Select Committee, made well. We all know that the Taliban are not a homogeneous group, but there are fundamental differences between the Taliban and al-Qaeda—yet the threats from al-Qaeda and the Taliban have become conflated and almost synonymous.

Mr Spellar: Given the distinctions that the hon. Gentleman is making, why does he think the Taliban allowed al-Qaeda to establish themselves and a base in Afghanistan?

Mr Baron: The bottom line is that there are various factions of the Taliban, but the relationship between the Taliban and al-Qaeda is very complex and not well understood. I could return the question and ask: how is it that, given that the fundamental differences between the two are clear, we are failing to explore them? At the end of the day, peace is not made with friends but with enemies. We have got to initiate talks.

[Mr Baron]

These two distinctions—the distinction between the key objective and the four main goals, and the distinction between the Taliban and al-Qaeda—are very important. If we are trying to build a more stable and secure Afghanistan and make it a better country, we will in all probability have to beat the Taliban. If, on the other hand, we are just trying to make sure that Afghanistan is free of al-Qaeda, we might not have to defeat the Taliban. That shows the importance of the two distinctions. What they lead one on to believe is the need for the Americans and the British to open meaningful and non-conditional talks with the Taliban in order to explore common ground.

Thomas Docherty: It is certainly the understanding of the Defence Committee that our role is to place the Afghan national security forces on a footing where they can deal with security. The hon. Gentleman is right to say that it is not about beating the Taliban, as the mission goal is to get the ANSF to a point where they can take control of their country.

Mr Baron: In an ideal world I would agree with the hon. Gentleman, but the report makes it clear that there are severe doubts about the ability of the Afghan national security forces to take over once we leave, despite all the money and the training that have gone in. The fact that the ANSF could not protect UN personnel in areas that had been handed over and were deemed to be safe illustrates the problem that we face. There is not a uniform view on this matter, as it is worthy of note that there are severe reservations about whether the Afghan security forces will be in a position to take on that role, come the deadline.

Suggestions have been made that preliminary talks have taken place. This is welcome news. The delisting from UN sanctions of 18 former senior members of the Taliban is perhaps part of that process. However, I have concerns about the substantive nature of these talks. Until very recently, the American view has been that America will talk to the Taliban only if they lay down their arms and accept the constitution. Frankly, that is living in a dream world. The Taliban will not be beaten and they will not lay down their arms.

History suggests—we could look at counter-insurgency campaigns in Malaya, for example—that not one of the preconditions for a successful counter-insurgency campaign exists in Afghanistan. There is no control of the borders; the troop density levels are insufficient; we do not have the support of the majority of the population; and we certainly do not have a credible Government in place. Not one of the preconditions exists. The Taliban are not going to lay down their arms and simply walk away, particularly now that we have declared our hand with the deadlines.

I believe that the time has come for the British Government to press the Americans to have non-conditional talks with the Taliban. That is crucial. Just holding preliminary talks will get us nowhere. They have to be non-conditional. We need to remind the Americans that it is possible to talk and fight at the same time, as we proved in Northern Ireland. However, it was the very nature of those talks—the fact that they were unconditional—which played such a key role in bringing the IRA into the peace process. The American wish to see the Taliban and al-Qaeda sever all contact must be part of a settlement, rather than a precondition. I believe that the decapitation strikes on the Taliban leadership should end, because there must be a degree of trust in the negotiations. If the last 10 years have shown us anything, they have shown us the Taliban's ability to replace one generation of leaders with another.

Given the cost to the United States in blood and treasure, this will not be easy for US politicians. There will be those in the Democratic party who will think about human rights, women's rights and so forth, and there will be those in the Republican party who will not want to talk to terrorists. At the end of the day, however, holding unconditional talks is the only way forward. Our brave soldiers can only buy time; now it is time for the US politicians to step up to the plate.

5.21 pm

Mr Denis MacShane (Rotherham) (Lab): It is a great pleasure to follow the hon. Member for Basildon and Billericay (Mr Baron). I wish that we had heard from him in earlier years, because his calm and rational approach was very impressive. I look forward to hearing the hon. Member for New Forest East (Dr Lewis): his idea of establishing sovereign bases that we should seek to control, but without going out on patrol to have our men killed, is entirely sound. I also look forward to hearing the hon. Member for Penrith and The Border (Rory Stewart), who has direct experience of the region.

The plain fact is that this is not a winnable war. I found the Prime Minister's metaphor about al-Qaeda, or the Taliban, and Sinn Fein rather bizarre and ill-judged; but judgment is not, perhaps, the Prime Minister's strongest suit at the moment. We are talking about a huge mess: an intervention undertaken for sincere and decent reasons that is now terminating as so many other interventions throughout recent and older history often have. I do not think that we withdrew cleanly from India and Pakistan, from Aden or Cyprus, or from any number of situations. The same could even be said of Northern Ireland. Some might observe that the almost apartheid segregation between Catholic and Protestant communities is hardly a tribute to community and society building in parts of Belfast and Derry.

The real problem is the eternal question posed by, I think, Lord Salisbury, who said, "If we listen to the generals, we will never be safe." Clemenceau, 20 years later, said, "War is too important to be left to the generals." We have allowed our Afghanistan policy to be over-driven and over-controlled by the military: of that there can be no doubt. My hon. Friend from Scotland who is on the Defence Committee quoted the generals who had spoken to the Committee—

Tristram Hunt (Stoke-on-Trent Central) (Lab): All of Scotland!

Mr MacShane: Well, it is nice to have a true Scot here, rather than a nationalist.

I do not know of any recorded moment when any British general giving evidence to any parliamentary or public inquiry has admitted he got things wrong. It is in their contract that generals are always right. If they are let down, it is the fault of the politicians. Before the election we were told continually by Labour Members that it was the Prime Minister's fault for not providing

enough Chinook helicopters and reinforcements, and that Ministers were responsible for the fact that we were not succeeding in Afghanistan. It is a tribute to my colleagues on the Front Bench that they have not adopted those rather shoddy tactics—as some might have been tempted to do—in respect of the handling of the conflict since May last year.

Thomas Docherty: As a member of the Defence Committee and the Member for Dunfermline and West Fife, I can tell my right hon. Friend that when the Chief of the Defence Staff and Chief of the General Staff appeared before the Defence Committee, they did put their hands up and say mistakes had been made when going into Helmand. Perhaps that was the first time that that happened, but the Army has admitted it made mistakes.

Mr MacShane: I am glad to hear it, but frankly—I do not want to quote Bismarck and the Balkans and Pomeranian grenadiers—I weep every Wednesday when the poor Prime Minister has to come to the Dispatch Box and yet again read out the name, or perhaps names, of a dead British soldier, and for what? I cannot find an answer to that question.

To give the Foreign Affairs Committee Chairman, the hon. Member for Croydon South (Richard Ottaway), and his colleagues their due, they admit that, because one of their report's key conclusions, on page 83, is that

"at a strategic level, we seriously question whether the efforts expended...have a direct connection to the UK's core objective, namely the national security of the UK".

That is absolutely right; the Select Committee Chairman has summed it up there—it is written down. It is a Foreign Affairs Committee conclusion, and it should be at the forefront of all of our discussions on Afghanistan. There is no longer any connection between UK national security and our men going out on patrol and being shot dead by the Taliban.

The Select Committee's excellent and thorough report contains an account of a fine passage of questioning, which resulted in a most extraordinary confession by the Foreign Secretary. Committee members were trying to find out who is actually taking decisions on Afghanistan, and specifically in this instance the announcement to withdraw—or retreat—by 2015. Please can we avoid the absurd new euphemism of "draw-down"? It is a retreat and a withdrawal; that is what it is, so let us revert to plain English. The Foreign Secretary said that that decision was taken collectively in the National Security Council. My right hon. Friend the Member for Coventry North East (Mr Ainsworth) asked whether the Defence Secretary had been consulted, and the Foreign Secretary replied:

"I am sure the Defence Secretary was consulted, but I cannot tell you when everybody was consulted. You would have to ask the Prime Minister."

The Committee Chairman asked whether the Foreign Secretary could confirm

"that the decision wasn't actually made in the Council."

The Foreign Secretary said:

"It wasn't a formal item in the National Security Council."

This gives a fascinating insight into the mechanism of government. Where was the decision taken—by whom and how? We know it was no longer taken on a sofa, but we are none the wiser—*[Interruption.]* I have not been invited to No. 10 so I cannot check whether the sofa has gone. We do not know who took the decision and on what terms.

I would argue that we should be getting out a lot faster. Canada is out, the Netherlands is out, and Belgium is pulling out half of its men. The presence of international security assistance force-NATO allies in Afghanistan is now getting thinner and thinner, and, yes, it will be a withdrawal. No general wants to be the one who folds up the flag, climbs the ladder to the top of the embassy building and climbs in a helicopter and leaves, but stopping a war is, perhaps, as great a military art as starting one.

It would be fascinating to look at the official record of the Russian Duma for the 1980s, when the Russians were convinced that they were bringing a civilising mission to Afghanistan, to see whether debates such as this one were taking place. Then, of course, they faced the external foe of the Mujaheddin paid for by President Ronald Reagan and Prime Minister Margaret Thatcher. There has been little reference to the fact that the Mujaheddin of the 1980s was a product of western foreign policy. We have heard in the past couple of days that Mr Reagan won the cold war, and part of that winning presumably included the driving of the Soviet Union and its troops out of Afghanistan. If that was the case, every Russian would wish that Mr Reagan had won it a lot earlier; they perhaps believe that the red army should never have gone into Afghanistan. However, the money sent by the west to create the Mujaheddin sowed dragons' teeth that turned into dragons on 9/11 and 7/7, and it would be good if the people examining the history of that era had the honesty to say so.

Jeremy Corbyn: Is my right hon. Friend aware that after Soviet forces went into Afghanistan there was a considerable number of unreported demonstrations by the families of soldiers who had died there, and that there is a huge memorial movement within Russia today on behalf of those who are still not recognised for the sacrifices they made?

Mr MacShane: Yes, indeed. That conflict contributed to the undermining of the Soviet Union, but in the very worst sense, in that it required the senseless sacrifice of a lot of young Russian men finally to persuade Mr Gorbachev and his new Soviet leaders that the action in Afghanistan had to come to an end. In some ways, I wish that we had been able to defeat communism in Vietnam, because the period after the retreat of the United States was a horribly cruel one in Vietnam—we saw what happened with the boat people, the re-education camps and the killings and tortures. But there was no question of our remaining longer in the vain hope that we could have created a more stable, orderly or democratic regime.

The Select Committee's report stated:

"We welcome the Government's attempt to engage more pro-actively"—

I never know what that adverb means—

"with parliamentarians on Afghanistan."

That might interest the Chair, Mr Deputy Speaker, because I understand that a new poem is doing the rounds there. It goes as follows, "From Kandahar to Kabul, the whispers grow and grow, stand by Pashtuns

[Mr MacShane]

and Tajiks, here comes Mr Speaker Bercow." We will see whether our Speaker is going to be the magic solution and whether he will be sent down there to spread lightness and parliamentary tolerance among the peoples of Afghanistan. I do not think that anybody can move an immediate amendment and call a Division on that subject—*[Interruption.]* Perhaps one of his deputies would be more appropriate.

When I talk about "the west" I mean the broad family of democracies—north America, Europe, and our friends in Canada, Australia, Japan and South Korea. As long as the west is mired in Afghanistan, we will not be able to promote our core interest now, which is to recover economic strength and to recover confidence in the need to have an adequate security profile against the rise of authoritarian powers, which are arming fast, which might, at some stage, threaten our interests and which, because we are lost in the wildernesses of west Asia, we are unable to see coming over the horizon.

In the few years after America withdrew from Vietnam things were unclear, but for the 20 years after 1980 America led the world in many ways. It did so economically, in inventing new forms of technology and in expanding many human freedoms to do with personal liberty and respect for multicultural and multi-ethnic cohabitation. Right now, America is bogged down in this wretched war. The UK is a minor ally of America and the sooner we are out of this war, the better. I sincerely say to those on the Treasury Bench that if they look at history, they will find that it has very often been the Conservative party that has had a greater sense of geopolitical reality than some of the opposing parties and has known when enough was enough. I would like us out before 2015.

Finally, the title of the report we are debating is "The UK's foreign policy approach to Afghanistan and Pakistan". It is very detailed on Afghanistan, and I congratulate the Committee on that, but it does not in any way address foreign policy towards Pakistan. Pakistan hardly gets a mention and is seen only in relation to Afghanistan. That might be the way in which the title of the report was chosen—I am not criticising the members of the Committee—but we need a policy on Pakistan and part of that must involve telling the truth to our great friends in India. As long as they have 500,000 people in an oppressive occupation of part of the region—I am choosing my words carefully—called Kashmir, there will be no possibility that the people or the Government and military of Pakistan, however constituted, will not see that as a direct threat to their identity and national interest. If 500,000 armed soldiers are camped on a country's western border, that is where that country will have to put its troops.

Until we ask India to take a new approach to Kashmir and to take it off one of the world's fault lines, we will not be in any position to ask Pakistan to take a new and more helpful approach on Afghanistan or on other issues. The western world, if I might use that term—the Euro-Atlantic world, let us say—has spent too long in majority Muslim countries creating giant armies. Whatever the motives for sending those armies originally, they are making matters worse. It is time to get out. I want to spare the Prime Minister, with his many problems, from ever again having to stand at that Dispatch Box to lament the loss of a British soldier's life in a conflict of which we should no longer be part.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. We are running out of time and I have eight Members wishing to speak. I want to get everybody in, so will Members be courteous to each other and try to limit the length of their speeches?

5.37 pm

Sir Malcolm Rifkind (Kensington) (Con): It would be foolish for anyone to suggest that NATO had not made foolish mistakes with regard to Afghanistan in recent years, or that the matter will come to a conclusion in the way that would have been hoped. It is equally unwise, however, for the right hon. Member for Rotherham (Mr MacShane) to suggest that the withdrawal of troops from Afghanistan will simply constitute a retreat, or for the hon. Member for Newport West (Paul Flynn) to say that the whole presence in Afghanistan has been an unqualified failure.

Let me go back to the point that the House was reminded of by my hon. Friend the Member for Basildon and Billericay (Mr Baron): we went into Afghanistan to ensure that the country could not be used again as a base by the Taliban. One only has to ask whether it was ever possible or realistic in the immediate aftermath of 9/11 for us not to have seen international action, given the Taliban's refusal to deny sanctuary to al-Qaeda as a continuing base for terrorist operations at that time. The decision made at that time, with the unqualified approval of the United Nations Security Council, was the right one, and we should never lose sight of that fact. Mistakes have been made since then, as my hon. Friend has rightly pointed out, but the question today is not whether it was all a mistake but how we can maintain what has already been achieved.

I agree with those on both sides of the House who have said that al-Qaeda is now effectively out of Afghanistan. It is no longer able to use that country as a base, so there is no long-term rationale for the presence of combat troops there. That does not mean, however, that the matter is now entirely resolved. The question now is: how do we leave in a way that will not enable al-Qaeda to return? At the moment, we do not know whether by the time we leave there will be a coalition Government including the Taliban, or peace in Afghanistan—in which case we can be relatively relaxed that there will be no future for al-Qaeda there. It is equally possible either that the Taliban will not agree to a coalition Government and that we will leave without their being part of a joint agreement, or that they will be part of a coalition but will have their own agenda, which will be one that will not give us comfort.

Although I welcomed what the Prime Minister said today and have no difficulties with it so far as it went, it seemed to me that it left open certain serious gaps. He said that as far as the Government are concerned, our future relationship with Afghanistan after the withdrawal of our ground forces will be based on our diplomatic, developmental and trade relationships. He said that the only military dimension would be the support we would give to the development of a military academy. All of that is very sensible and desirable, but we have to ask about something that is not just a British problem, but primarily a problem for the United States. How can we help to ensure that an Afghan Government who may not have full control of all the territory of Afghanistan

when we have withdrawn will be able to prevent the use of parts of the country that they might be unable to control, even with their fullest efforts, as a base for terrorist operations?

I believe that the international community, including Russia and China, should be arguing for two things. First, we should be asking for the basis of the withdrawal of combat forces to lead also to an agreement with the Afghan Government, because this can happen only with their support and agreement, and preferably to a treaty sanctified by the United Nations, for the continuing facility of air support for the Afghan Government if that should prove necessary. If there are areas of Afghanistan that the Government do not control, and if there is evidence that those areas have been infiltrated by al-Qaeda, we should have the legal authority—in co-operation with the Afghan Government and through the use of special forces and other means—to eliminate that threat if and when it arises.

We must remember that when the Taliban Government were eliminated, that was done not by NATO ground forces but by air power combined with Afghan Northern Alliance ground forces. In exactly the same way, at the end of current operations when all of our combat troops are withdrawn, having Afghan ground forces, which will be very strong, with the back-up of potential air support and the potential deployment of special forces purely to deal with terrorist threats, will be the way to provide the long-term security that the right hon. Member for Rotherham seemed to doubt would be available.

In the light of your comments, Mr Deputy Speaker, I shall keep my comments very brief, but there is a second proposal that should also be part of the international response. We know that Russia and China are just as concerned about a premature withdrawal from Afghanistan as NATO or the west might be—for obvious reasons, given their own domestic and internal problems. What is needed for Afghanistan, as part of that country's future, is an internationally recognised declaration of neutrality. Afghanistan should become a neutral state, rather in the way that Austria became a neutral state in 1955 as a way of ensuring the withdrawal of the Soviet forces from that country and the ability of that country to develop in peace. Austria is now in a situation very different from that of Afghanistan. Only by having regional support for an independent Afghanistan that cannot give sanctuary to terrorist forces will we have the level of confidence that we need to produce the desired result.

Mr MacShane: I am conscious that others want to speak, but may I gently put it to the right hon. and learned Gentleman, for whom I have immense respect when it comes to foreign affairs, that China and the Kremlin might not be totally unhappy to see America and the west bogged down as badly as we are in Afghanistan?

Sir Malcolm Rifkind: For other reasons, the right hon. Gentleman might be right, but we are not going to get bogged down because there will be a withdrawal of NATO forces. The Russians have said publicly, through the Foreign Minister, that a premature NATO withdrawal from Afghanistan would be a disaster, so they are obviously concerned about the power vacuum that could result.

I believe that the real concern—this goes back to the struggles that there have been over Afghanistan for 150 to 200 years—is about Afghanistan's future status. Of course the Russians and the Chinese will not wish to see Afghanistan as some American client state—why should they?—but there is no need for that to happen. It should not happen, and it must not be allowed to happen. Equally, Afghanistan will not be strong enough to defend itself without maximum international regional support from its neighbours—not just Russia and China, but India, Pakistan and Iran, all of which have an interest in the situation, and all of which could live with a truly neutral Afghanistan that was not the client state of any of the big powers.

We must not see the withdrawal of combat forces as the end of international military involvement. I hope that it will be, but there has to be a fall-back position if a terrorist threat re-emerges. The real solution is a combination of a treaty arrangement with the Afghan Government combined with an international status for Afghanistan, which the Afghan Government would welcome; they have already said that they would be interested in and attracted by such a proposal. That would give the kind of political and military security that ought to give confidence.

Mr Baron: Does my right hon. and learned Friend agree that the best way of achieving progress in talks with the Taliban is to make those talks unconditional?

Sir Malcolm Rifkind: I do not have any privileged information, but I am pretty certain that they already are. Whatever the formal public position, there is no doubt that talks are going on and that Americans have been involved in discussions with the Taliban. I bet that they were not simply discussing what the agenda would be or what preconditions would apply. It is a slow steady process, and I am sure that it has begun. It should have begun some time ago, and I hope that it leads to progress, but we cannot assume that it will do so. Even with the best will on our part, there is no certainty that the Taliban will wish to co-operate. They may think that they can win without such an agreement, so we have to have a structure in place, both internationally and among western countries, that takes into account all the possibilities, including the Taliban not being willing to co-operate.

5.45 pm

Thomas Docherty (Dunfermline and West Fife) (Lab): I am grateful for the opportunity to make a contribution. I had not planned to speak, but having listened to speeches from Government and Opposition Members, I felt compelled to bring some sanity to our discussions.

I am a member of the Select Committee on Defence, and I have decided not to read the report by the Select Committee on Foreign Affairs because, as the House will know, we are producing our own report on Afghanistan and I thought that it might prejudice our inquiry—although I accept that there is probably a debate to be had about why two august Select Committees are doing reports on the same subject almost at the same time.

My right hon. Friend the Member for Rotherham (Mr MacShane), who has left the Chamber, discussed, in a speech that did not just span 40 years but which seemed to go on for 40 years, the art of stopping the

[Thomas Docherty]

war. Perhaps I am being naive, but the way to do that is by winning the war, not by pulling out because we do not particularly like how it is going in the short term. I am slightly confused because I found myself agreeing more than would normally be the case with the right hon. and learned Member for Kensington (Sir Malcolm Rifkind), who offered a great deal of common sense on the situation in Afghanistan and Pakistan.

The Defence Committee had the opportunity to visit the United States a couple of months ago, and we spent a week or so at various locations, including US Central Command, the Pentagon and Norfolk. We were privileged to visit the Walter Reed hospital, where we met a number of what the Americans call wounded warriors—their very brave men and women who have suffered life-changing injuries. The Committee was overwhelmed not just by the courage and sacrifice of those very young men and women but by the fact that many of them were determined, despite the horrific injuries that they had suffered, to go back to Afghanistan, both to be with their comrades in arms and because they genuinely believed, despite what they had been through, that it was a fight worth having. If they did not see it through, the sacrifices that they and their friends had made would have been for naught. I was humbled by our meeting with those brave men and women.

On our visit we also met General Mattis and General Allen, with whom the Foreign Affairs Committee and others in the House will be familiar. It is fair to say that we were pleased when President Obama announced that General Allen would succeed General Petraeus as commander in Afghanistan. If there is a lesson from the past 10 years, it is that continuity of command is crucial. There is no point in changing senior personnel and strategy every two or three years, whether in the military or in political leadership, and I hope that the Prime Minister will think carefully before he makes any moves in the next three years while the job moves towards completion.

I am uncomfortable with the Prime Minister's statement this afternoon about withdrawal. There is an inconsistency in his logic. On the one hand he talked about conditions and progress, but he gave an arbitrary unilateral date of 31 December 2014, which sets a calendar against which the Taliban can measure progress. We should withdraw because the conditions allow us to do so, and because we have completed the missions on which we set out.

Sir Robert Smith (West Aberdeenshire and Kincardine) (LD): I share the hon. Gentleman's general concern about an arbitrary time line, but if the US has set an arbitrary time line, given how dependent we are on the Americans' scale of operation there, surely we have little choice but to match their arbitrary time line.

Thomas Docherty: I am grateful for the hon. Gentleman's point, and I shall respond briefly to it. It is not often that I say this, but the US has been more nuanced than we have. It is not something that the Americans do particularly well, and I am not sure that many of them can spell the word, but they have said that although that is their goal and they are beginning to pull out their surge troops, they are not absolutely committed to their end date.

There is a simple hypothetical question that the House may wish to consider: what if, as we get to the end of 2014, President Karzai says to President Obama and Prime Minister Cameron, who I expect will still be Prime Minister at that point, "We're almost there but we need another six weeks, or another two months"? My understanding is that President Obama has made it clear that there would be an element of flexibility. Our Government have said that there is absolutely no flexibility. I think we need a plan B, and we need to have an element of flexibility built in, so that if it is a matter of extra weeks, or even a couple of months, a small number of combat troops may stay.

John Hemming (Birmingham, Yardley) (LD): I share some concerns about the current strategy. Given that the support for the Taliban is, to some extent, a reaction to the presence of occupying forces, what would the hon. Gentleman define as completion?

Thomas Docherty: As I said earlier, completion of the mission is training up the Afghan national security forces to the level of troops and police that can take forward their own security. It is not about defeating the Taliban. It is about leaving Afghanistan in a stable condition.

5.51 pm

Martin Horwood (Cheltenham) (LD): There have been some fascinating contributions to the debate, not least the eloquent and expert contribution by the right hon. and learned Member for Kensington (Sir Malcolm Rifkind).

I start by doing what many others have done in the Chamber many times, but is still worth doing—paying tribute to our armed forces and, in particular, to those who have lost their lives. I would like to make special mention of Colour Serjeant Kevin Fortuna, who went to school in my constituency and who lost his life not that long ago in Afghanistan. I do not think that he died in vain. The presence of Colour Serjeant Fortuna and many others helps to achieve the central aim of our presence in Afghanistan, which is to protect the security of this country, but has also increased the chances of Afghanistan being a more stable and peaceful country at some stage in the future. If it is not a perfect democracy, that was never one of the core aims of our intervention.

That is why I am slightly puzzled by some elements of the Foreign Affairs Committee's report. It makes a couple of highly controversial claims. It states that the core justification of the UK presence, which was the threat posed to national security by al-Qaeda in particular, was removed some time ago, but somewhat contradictorily, it suggests that the security situation is still precarious. The right hon. and learned Member for Kensington made exactly the right answer to that, which was that even if that was true, and even if al-Qaeda has been massively damaged in its capacity to regain control of Afghanistan, we still have to find a way of extricating ourselves from the position we are in now in a way that maximises the Afghan Government and society's chances of stability and peace. We cannot simply walk out.

The report also suggests that there were wider secondary aims that have now proved unachievable, one of which was the defeat of the Taliban. Again, I am not sure that that was ever one of the core aims. The idea was to increase the capacity of the Afghan national security

forces to contain and manage the security situation themselves. That is still an important aim as we proceed through withdrawal.

Rather paradoxically, the report goes on to query the 2015 deadline for withdrawal, but accepts that it has concentrated minds. That is an important function of deadlines, but in some ways the debate has moved on, especially after the Prime Minister's announcement earlier today of further troop reductions. Quite a few hon. Members have pointed out the hard-headed realism that is needed, and the fact that we are not in a leadership position in Afghanistan—a role that effectively falls to the Americans, as we have only one 10th the number of forces that they have there. That leadership will inevitably pass at some stage to the Afghan Government and the people themselves. Therefore, the troop reductions that the Prime Minister announced today are not only right but inevitable.

Political reconciliation ought to be part of the process that we encourage as the withdrawal takes place, which is something that liberals and democrats might find difficult to accept. Would we have wanted political reconciliation with our enemies in previous wars? Has political reconciliation worked everywhere else it has been tried—in Zimbabwe, for example? If we support democracy, should we not defend it at all costs and recognise that there are non-Pashtun political leaders in Afghanistan who really do not want reconciliation with the Taliban at this stage?

I think that there is a role for political reconciliation if some of the points made in the report and elsewhere are acknowledged, including the importance of recognising the regional context and finding a solution that takes into account not only Pakistan and Iran, but India and Russia, and approaches the region on a wider scale. It should also encourage a political solution that recognises the complexity and diversity of Afghan society, its highly tribal structure and perhaps the need for less control from Kabul and a more decentralised approach. In that situation, such an approach to political reconciliation might be, as the hon. Member for Croydon South (Richard Ottaway) described it, distasteful but worthwhile. It might not be successful, but in a regional context and with an attention to complexity and diversity, it might become more likely.

The UK's role must be to support development, and preferably not just in militarily volatile areas, to support the institutions of government and society—such support ought to be, if anything, increasing—and to do whatever we can to embed universal human rights in Afghan politics and society, especially the rights of women, while accepting that ultimately that will not be our job, and that those responsibilities will have to pass to the Afghans themselves.

We have to encourage the same thing in the border areas of Pakistan. I commend to the Minister an extraordinary report that recently landed on my desk, produced by an organisation called the Community Appraisal and Motivation Programme, which I am happy to say is funded by the British high commission. That extremely revealing report explores in great detail opinions in the federally administered frontier tribal areas of Pakistan. It shows that there is, unfortunately, a high degree of hostility to British and American policy, but far from universal support for extremist or Salafist militancy. Of the respondents, 42% identified terrorist attacks as the main threat to life, 57% said suicide bombing was never justified, and there was support for military operations by the Pakistani army. The BBC World Service was rated highly as a source of information, and the same kind of attention was given to issues such as education and schools as we would expect to find among people all over the world.

Rehman Chishti (Gillingham and Rainham) (Con): Will the hon. Gentleman give way?

Martin Horwood: I cannot, because of the time and because I am drawing my remarks to a close.

We must have a realistic approach, but in some senses a more optimistic one, that accepts that the whole debate on Afghanistan is moving into a different phase, but in which we are still determined to support the stability and peace of Afghan society.

5.58 pm

Rory Stewart (Penrith and The Border) (Con): We are leaving, and that is a very difficult and painful fact. We are not leaving entirely, but we are leaving combat operations, as the Prime Minister has made clear. It is the correct decision, but it has troubling implications, because the underlying logic is that we will cease combat operations by the end of 2014 even if human rights are not established, even if al-Qaeda is not defeated and even if the Taliban are not defeated. Why is this difficult? It is difficult because the military, both in the United States and in the United Kingdom, fundamentally do not agree.

I have calculated that I have been in and out of Afghanistan 57 times since 2001, and consistently every general has said, "It's been a tough situation but we have a new strategic plan requiring new resources, and this year will be the decisive year." It was said in 2003 by General McNeill; General Barno said in 2004 said that that would be the decisive year; General Abizaid also said 2004 would be the decisive year; 2005 was described by General Richards, now Chief of the Defence Staff, as the crunch year for the Taliban; 2006 was described by General McNeill, returning, as the decisive year; 2007 was described by General McKiernan as the decisive year; at the end of 2008, General Stanley McChrystal said that they were knee-deep into the decisive year, and this was echoed by General Petraeus in 2009; our former Foreign Secretary described 2010 as the decisive year; and 2011 was described by Guido Westerwelle, the German Foreign Minister, as the decisive year.

Why is it difficult to challenge the military orthodoxy? It is difficult for real and moving reasons. It is difficult because we have lost a lot of people—we have lost a lot of lives and spent a lot of money; it is difficult because we have made promises to the Afghan people; and it is difficult because we have developed great fears about Afghanistan, fears about our own national security, fears about Pakistan and fears about our credibility and reputation in the world.

Therefore, when a politician meets a general with a row of medals on his chest, coming in and saying, "Just give me another two years"—exactly what General Petraeus is saying at the moment—"don't drop the troop levels, and we can guarantee that we will reach a situation where the Taliban will never be able to come back," it is very difficult to disagree.

[Rory Stewart]

Withdrawing is the most difficult thing. In Vietnam, and in Afghanistan for the Soviet Union, more troops were lost after the decision to withdraw than in the entire period leading up to the decision. By 1968, the United States had come out of an election determined to withdraw from Vietnam, and Henry Kissinger was obsessed, as we are now, with a political settlement with the enemy. He begged the North Vietnamese to give him the political terms that would allow him to withdraw with honour.

After Gorbachev made the decision to leave Afghanistan in 1986, more Soviet troops were committed to a surge and more Soviet troops were killed, because of the real problems of fear, credibility and loss. So the Prime Minister is absolutely right to set a firm date for withdrawal.

Let us hope that by the end of 2014 we have achieved the things that we are looking for. Let us hope—I, too, join in this hope—that the Taliban have been defeated, that al-Qaeda can never again come back, that human rights have been established, that the Afghan Government are credible, effective and legitimate, that the Afghan national army and police are able to look after themselves, and that there is no risk from Pakistan.

Let us hope. I fear that those things may not be achievable, but we need to have the courage to go ahead regardless at the end of 2014. We need to have the courage to say that we must leave at the end of 2014 regardless because—this is the very difficult thing to say—we no longer believe that we are likely to achieve those objectives. If we have not achieved those objectives by the end of 2014 and the general comes back, as the hon. Member for Dunfermline and West Fife (Thomas Docherty) suggests, and says, "Just give me another two weeks," or, "Just give me another two months, it's all going to be fine," in the end we have to say no.

Why do we not say no? We do not say no because it is horrible—because if I were to stand up in this House, for example, and say, "Afghanistan matters, but there are other countries that matter more," that, "If we are worried about terrorism, Pakistan is more important," and that, "If we are worried about regional stability, Egypt is more important," there would immediately be a headline, perhaps in *The Sun*, declaring "MP says Afghanistan doesn't matter." A flag-draped coffin would be produced, and the mother of a veteran would step forward and say, "The suggestion is that they died in vain."

I met the same situation last week, talking to Afghanistan veterans. A man sitting in the front row was missing both his legs, and somebody in the audience said, "Are you suggesting that we have made no progress? Have you not acknowledged what we have done in Helmand? Have you not seen that the bazaar is now open? Are you suggesting that people died in vain?" We have to learn to say that no single soldier dies in vain, regardless. The courage, commitment and honour of our soldiers is connected to their unit and their regiment, not to the fantasies of politicians. We must pay them every form of honour and respect, but we do not honour dead soldiers by piling more corpses on top of them.

To conclude, it is difficult for Britain to lead a withdrawal from Afghanistan. We need to make it something that acknowledges that Britain's pride and reputation has never been connected with extreme ideological projects. We are not a nation of crusades or great ideological wars, but a nation characterised by scepticism, pragmatism and deep country knowledge. If we get the withdrawal right, it will not go down in history as a symbol of ignorance or cowardice, but will represent our wisdom and our courage in sticking to the decision. There should be a realisation that our motto should be and must remain, "Passionate moderation".

6.6 pm

Dr Julian Lewis (New Forest East) (Con): My hon. Friend the Member for Penrith and The Border (Rory Stewart) has been to Afghanistan on 57 occasions, as he told us. That is 56 occasions more than me. Nevertheless, I have a few ideas about campaigning there. When faced with a deadly insurgency, one has three options: to counter it, contain it or quit. We have been trying to counter it and now we are going to quit. It seemed to be the nub of my hon. Friend's eloquent contribution that those are the only two alternatives.

I believe that NATO's Afghan strategy has a fatal flaw: the knowledge that however effective our efforts may be, we plan to quit. That signals to the Taliban that they will ultimately win and removes their incentive to negotiate the political deal that we all agree is what must end an insurgency. President Obama and my right hon. Friend the Prime Minister have set a time limit for the current surge. British troops, as we have heard many times today, will no longer fight after 2014. By then, the Afghans should be self-sufficient. That is the theory, but as we all know, the key question is, "What if they are not?"

Is there a third way to be found between full-scale counter-insurgency campaigning, which is what the generals have been doing all along, and total withdrawal when the deadlines are reached? In other words, instead of countering or quitting, should we be containing? Some say, and I have heard it said this afternoon, that the long-term use of special forces will be enough by itself to underpin a post-surge Afghan Government. That seems to me inherently improbable. As I have argued before, and as I continue to argue—completely unavailingly in the United Kingdom, but perhaps with a degree more resonance on the other side of the Atlantic—what is required when the surge concludes is a strategic base and bridgehead area, or SBBA, to secure our strategic needs permanently.

There are only two sound reasons for NATO's military presence in Afghanistan: to prevent the country from being used again as a base, training ground or launch-pad for terrorist attacks, which has been mentioned many times today, and to assist next-door Pakistan in preventing any possibility of its nuclear weapons falling into the hands of al-Qaeda or its imitators, which I do not believe has been mentioned today. The following three objectives, though desirable, are not adequate reasons for our presence in Afghanistan: the creation of a tolerant and democratic society, the prevention of drug production, and the advancement of the human rights of women. Full-scale counter-insurgency campaigning, often referred to as war down among the people, involves micro-management of the threatened society. As such, it enables the pursuit of worthy goals such as those. By contrast, a strategic base and bridgehead area cannot secure such goals, but it can achieve both of our genuine strategic interests. During the period of grace provided

by the surge deployment, an existing base area should be selected, or a new one constructed, in a remote area out of sight and largely out of mind of the Afghan population.

It is often said—in fact, I have lost count of the number of times it has been said—that there can be no purely military solution in Afghanistan, and that eventually a political deal must be done. Yet there is no basis for such a deal under our existing strategy. The deadlines for scaling down and ending our military presence will certainly put pressure on the Afghan Government to compromise with reconcilable elements of the Taliban, but they will have the opposite effect on the insurgents. The creation of an impregnable, long-term SBBA would enable pressure to be applied equally on both sides, and would confer many benefits, which I will summarise very briefly.

First, any return of international terrorists could be punished without having to re-invade the country. Secondly, any assistance needed by the Pakistan Government to secure its nuclear arsenal could be provided via the long-term strategic base. Thirdly, NATO would be almost completely disengaged from Afghan society, thus removing the constant irritant of a uniformed infidel presence in the towns and countryside.

Fourthly, the ending of micro-management would do away with the need to send service personnel out on vulnerable patrols, along predictable routes, which can easily be targeted. Fifthly, the balance of political and military forces in Afghanistan would be allowed to find its own level. If the worst happened and the Taliban took over, we would still have the strategic base and bridgehead area as a safeguard. Sixthly, the prospect of an SBBA would make it more likely that the Taliban would reach a deal with the Government. If the eventual outcome were nevertheless a more radical regime than NATO would like, that would be a matter for the Afghans alone as long as they offered no support to international terrorists. Finally, an SBBA could be garrisoned by as many or as few service personnel as the political and military situation dictated. Too remote to attack, it would be a deterrent to extremism and a bridgehead for easy entry and operations if, regrettably, they become necessary under a policy of containment.

It suits al-Qaeda to embroil us in Muslim states, as it did most calculatedly in Afghanistan in September 2001. That was why, 48 hours before the attacks in America, General Massoud was assassinated by al-Qaeda. It wanted us to, and knew perfectly well that we would, respond by invading Afghanistan. That was why it removed him.

Costly counter-insurgency cannot be our answer every time our enemies establish a presence in a different country; but there is an alternative to the extremes of micro-management, which is what we have been doing, and total withdrawal, which is what we say we are going to do next. That alternative is containment, and the means of doing it is a strategic base and bridgehead area.

6.13 pm

Neil Carmichael (Stroud) (Con): It is a great honour to follow my hon. Friend the Member for New Forest East (Dr Lewis). I agree completely with my hon. Friend the Member for Penrith and The Border (Rory Stewart) in recognising that we need a definite date for withdrawal.

I wish to pay tribute to Rifleman Martin Lamb, who recently died. He was a constituent of mine who was serving his country bravely and correctly, and we remember him appropriately.

The next person whom I wish to mention is my right hon. and learned Friend the Member for Kensington (Sir Malcolm Rifkind), because I agree that it is very important for us to consider the international approach. It is what we do next that matters, and we need to prepare the ground now. I want to talk briefly about the Helsinki accords, the process that they led to and the process of getting to them, and see where the parallels might be with the situation in the region that we are discussing today.

Very bravely, Gerald Ford signed those accords as President of the United States when neither he nor the idea of détente were at their most popular in the US. Nevertheless, off he went to complete the process, which involved 35 states. Many had views that were not consistent with one another, and many had a huge number of reasons to disagree with their neighbours.

Three baskets of themes were captured in those accords, the first of which was security. The idea was to give other member states the confidence that their military position and security issues would be treated fairly and justly. That would be achieved largely by states notifying one another what would happen.

The second basket was politics and the production of good governance—we should remember the governance of some of those states at that time, and certainly, for example, Romania. Good governance was an important part of the Helsinki accords, but it is also an element that we need to deliver in Afghanistan and elsewhere.

The third basket was culture and human rights. Oddly enough, the third basket turned out to be the most influential. Many commentators will now say that the Helsinki accords suggested to repressed people in those 35 states—obviously, I am talking in the main about eastern Europe—that we would give them the comfort and space to develop their interest in having human rights.

If we extend those three baskets, and in particular the third one, to Afghanistan, Pakistan and—critically—their other neighbours, we could engage them in a way that gives shape to their security and traction to better governance, and that starts to equip their people with the idea that they have space to develop their human rights. That model—it cannot be exactly the same as that of 30 or 40 years ago—could be a framework for international co-operation and for involving the various states that we need to involve. That is the kind of thing that would be of interest as we move towards a new phase of politics.

Martin Horwood: Will the hon. Gentleman give way?

Neil Carmichael: I would prefer not to, but if the hon. Gentleman is quick, I will.

Martin Horwood: The hon. Gentleman makes an important point, and it may apply in unexpected areas. One of the points made by the Community Appraisal and Motivation Programme report, which I cited earlier, is that the frontier areas of Pakistan have never been fully integrated into Pakistani democratic politics. In

[Martin Horwood]

effect, they still have the post-British colonial style of military administration. That has isolated people in those areas from mainstream politics, and indeed from the enjoyment of full human rights of the kind that he is describing.

Neil Carmichael: That is exactly right. Another interesting thing about the Helsinki accords is that, oddly enough, they recognised frontiers that had not been properly recognised before. The accords also enabled those frontiers to be changed through peaceful means. Funnily enough, that mechanism was used by the two German states that were unified in 1990. That is a parallel of what the hon. Gentleman says, although the situation is not precisely the same.

We should go down that route and look at the processes that were involved in the accords. We should ask who would participate and how far the region would extend. My belief is that it should be pretty big, and that we should think in terms of 20 or more states in the area. The UK, the US, and Russia and China ought to be involved in the process too.

That is a big project and it will not happen overnight—it will not happen very quickly at all. Most people would recognise that the Helsinki accords took an awful long time to produce anything, but produce something they did. The process worked. It enabled nation states to start understanding one another, to build better governance, and above all, to respect and promote human rights. That is the basis on which we should start, and it would be interesting to see how such a process unfolds if we develop that policy.

6.19 pm

Stephen Gilbert (St Austell and Newquay) (LD): It is a pleasure to follow my hon. Friend the Member for Stroud (Neil Carmichael) because, in putting human rights at the heart of the long-term stability of Afghanistan, he touched on an issue that I raised with the Prime Minister earlier today about the preconditions that we might put not on talks—I agree with my hon. Friend the Member for Basildon and Billericay (Mr Baron) that talks should be open and without conditions—but on power sharing.

The Afghanistan operation was legitimatised by the United Nations and was in this country's national interest. Like my hon. Friend the Member for Cheltenham (Martin Horwood), I pay tribute to the 375 members of our armed forces who have lost their lives in that part of the world. This country has spent billions of pounds on the operation and committed itself to the mission in that region for more than a decade. That gives value to the nation's overall commitment to delivering both our security and a better future.

The Foreign Affairs Committee report makes it clear that UK operations and those of the international community have led to some tactical successes on the ground, but the situation overall remains precarious. The military surge has no doubt played a key part in that, but it is not sufficient. The Prime Minister was right when he said today that we now need a political surge. That political surge should be Afghan-led, however. It is right that initial conversations are being had with the Taliban. However, when we look to a future of power sharing, rather than just negotiation, it is right that we ask ourselves: what are our red lines on women's rights? What are our red lines on minority rights within Afghanistan? Are we going to ensure that any Afghan Government that includes the Taliban maintains freedom of worship and continues to develop democracy within its borders?

The repudiation of violence is, of course, the first step to legitimising the Taliban, but it is not the only step that they need to take and it should not be the only line that the UK Government should push in discussions. We owe it to those 375 members of our armed forces to ensure that we deliver in Afghanistan the kind of environment that we ourselves would want to live in.

Paul Flynn: The hon. Gentleman has described in these red lines an Afghanistan that never existed in the past 2,000 years. Is there not a great danger that our beliefs and our aim of securing these rights are so unobtainable that they will delay the peace process?

Stephen Gilbert: The Afghan constitution enshrines those rights. I am not seeking anything more or less than what is already in that constitution. I simply want to ensure that we do not move backwards by involving in the government of Afghanistan parties that might seek to go back rather than forwards.

Martin Horwood: My hon. Friend is making many important points. In response to the hon. Member for Newport West (Paul Flynn), is it not the case that if the Arab spring, the Arab awakening, has taught us anything, it is that these universal human rights and aspirations are present in every population? It is slightly patronising to regard them as inappropriate for some countries, even in places where we know that a perfect liberal democracy is not going to emerge in the short term.

Stephen Gilbert: As always, my hon. Friend makes a perfectly valid point. I have spoken in the House several times about the hope that the Arab spring is delivering to generations of people who have been excluded from the rights that we take for granted.

As the right hon. Member for Rotherham (Mr MacShane) disappeared into Vietnam, you might forgive me for mentioning Iraq briefly, Madam Deputy Speaker. We failed in Iraq; we made fundamental mistakes: de-Ba'athification, disarmament of the local militia and army, and demobilisation of a civic society. They were the wrong choices to take, and it took Iraqi society years to recover from them. To get Afghanistan right we need to learn those lessons. We need to ensure that we do not undermine Afghanistan's society as it stands.

Rory Stewart: I wonder whether the hon. Gentleman might like to reflect on whether US expenditure of $125 billion a year and the presence of nearly 150,000 foreign troops are not likely to undermine local capacity and Afghan society in exactly the ways that he is warning against.

Stephen Gilbert: My hon. Friend makes a perfectly valid point, which is why I was encouraged by what our right hon. Friend the Prime Minister said earlier today. For every member of our forces leaving, there

will be two local people taking those responsibilities forward. If I may touch briefly on recommendation 35 in the report—

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): Will the hon. Gentleman give way?

Stephen Gilbert: No, I will not.

Mr Sheerman: This is a very important point.

Stephen Gilbert: No, I am afraid I will not.

Mr Sheerman: I am sorry, but—

Madam Deputy Speaker (Dawn Primarolo): Order. The hon. Gentleman has said several times that he will not give way.

Stephen Gilbert: I note that the hon. Gentleman has not been in the Chamber for the debate—

Mr Sheerman: The hon. Gentleman was very disagreeable—

Madam Deputy Speaker: Order. It is up to the Member who is speaking whether he wishes to give way to another Member, and the hon. Gentleman has said that he is not going to give way because of the time pressures.

Stephen Gilbert: Thank you very much, Madam Deputy Speaker. In the final minutes I want to look at some of the lessons that the report suggests we can learn for our actions and activities in Libya. The report says that we need a co-ordinated approach to post-conflict stabilisation, which is something that we have perhaps not succeeded in adopting in all the instances where our forces have been deployed in the past, particularly Iraq and Afghanistan. If we are truly to deliver a legacy in Libya that is worth the risks that our brave men and women are taking in that country, recommendation 35, which deals with the need for co-ordinated action, is crucial. We cannot have Departments squabbling over who is leading on post-conflict Libya or from which budgets post-conflict Libya will be helped. Departments need to work together and with their international colleagues. That is one of the key lessons that we can take from this debate.

Overall, the report—along with our international commitment—makes it clear that we as a nation cannot choose the history we live in to meet our budgets; rather, our budgets must be capable of meeting the history in which we find ourselves. We are a member of the NATO Parliamentary Assembly, and I am concerned that our contribution to that organisation will fall over the course of this Parliament to below the international minimum standard of 1.9%. Never again must the forces that we deploy be short of the tools that they need to do their jobs.

Mr Sheerman: I just want to explain why I was trying to intervene. The hon. Gentleman made the sweeping statement that we failed in Iraq. I was in the House at the time and voted for the Iraq war, and I do not believe that what we did to remove Saddam Hussein was a failure. The hon. Gentleman said that Iraq was a failure; I do not believe it was right for him to say that this afternoon.

Stephen Gilbert: I am grateful that the hon. Gentleman has managed to get his point on the record. As he knows, I was not in the House at the time. My position is that the Iraq conflict lacked international legitimacy and post-conflict reconstruction, and was a distraction from our important work in Afghanistan, which was in the national interest and did have legitimacy from the United Nations. I hope that the hon. Gentleman will be generous to me in future, as I allowed him to put his point on the record.

We as a country have an international obligation to spend 2% of GDP on our defence. Over this Parliament we will fall short of that. Never again must we allow our forces to cry out that they lack helicopters, body armour, boots or protective vests. Our role in this place is to be clear about the policy objectives, clear about the need to resource them properly and confident in our military's capability to deliver those outcomes.

6.29 pm

Mr John Spellar (Warley) (Lab): We fully recognise how the extraordinary events of the past few days have impacted on the length of this debate and possibly on the attention that it will receive outside the House. It is probably true that

> "The world will little note, nor long remember, what we say here"

today, but this debate is important, not least for those who have served, who have been injured and who have died in the conflict in Afghanistan.

In the time available to me, I want to deal with three main issues. The first is the prospects for Afghanistan and, as I stressed in our debate on this subject in May, the role of the regional powers. The second significant issue is the impact of all these developments on the stability of Pakistan. Finally, I want to talk about the report—and more significantly, the Government's response to it—and the provision of equipment for our troops. As I have said, we debated this subject less than a couple of months ago. We have to address the tragedy of Afghanistan under Taliban rule and insurgency, and ask what our best approach is to enabling Afghanistan and its people to come out of this nightmare.

Interestingly, a number of Members of both Houses recently visited the exhibition at the British Museum on early Afghanistan, which presented a very different picture from the TV coverage showing a dusty wilderness and a population living in the middle ages. The exhibition showed early Afghanistan as an ancient centre of civilisation with a significant position at the crossroads of the ancient world and a rich cultural tradition. For an example, one has only to think of the Buddhas of Bamiyan, which were constructed in the sixth century and, sadly, destroyed by the vandals of the Taliban. In the Prime Minister's statement today, he also drew attention to many of Afghanistan's strengths, including abundant mineral wealth, fertile agricultural land and a position at the crossroads of Asia's great trading highways.

Mr MacShane: Is my right hon. Friend aware that, up until about 1970, a Marks & Spencer was open and functioning in Kabul? Should it be an objective of British foreign policy to get M&S back there?

Mr Spellar: Similarly, the symbol of the end of the cold war was the appearance of McDonald's in many capitals in eastern Europe.

[Mr Spellar]

We should also remember how much of Afghanistan's ancient civilisation was destroyed by nihilist tribes, in a pattern not dissimilar to what is happening today. We need to focus on the process of political dialogue and reconciliation in Afghanistan, as well as on a political settlement in which enough Afghan citizens from all parts of the country have a stake. The central Government there also need enough power and legitimacy to protect the country from threats, from within and without. That first proposition depends on there being a new external settlement that commits Afghanistan's neighbours to respecting its sovereign integrity, as well as a process by which the ex-combatants there can acquire civilian status and have an opportunity to gain sustainable employment and income.

Afghanistan will then require reconciliation. This will include ensuring that tribal, ethnic and other groups are represented and recognised. Parliament and parliamentarians should also be recognised and encouraged. In that context, we were all interested in, if not intrigued by, the proposal for an exchange of Speakers. We were wondering whether the Speaker might seek to delegate that responsibility, a prospect that caused some alarm to your predecessor in the Chair, Madam Deputy Speaker.

I shall turn first to Pakistan, however. I say to the Chairman and other members of the Select Committee that, if I have a concern about the report it is that the content does not fully reflect its title, "The UK's foreign policy approach to Afghanistan and Pakistan". The section on Pakistan takes up only about six of the 97 pages, and looks largely at the effect on the campaign in Afghanistan of action in and by Pakistan. Frankly, the more important strategic issue is the impact of Afghanistan on Pakistan.

Pakistan is a country of 160 million people. It is the second-largest Muslim country in the world, and it has a significant military and nuclear capability. It is also, as the Foreign Secretary has rightly acknowledged on behalf of Britain, a country that has suffered considerable losses from fundamentalist terrorism, and it continues to do so. We need to think seriously about Pakistan's concerns and prospects, and to take into account a factor that is sometimes overlooked—namely, its need to recover from the horrific flooding that it has experienced.

That is why the announcement of continuing aid to Pakistan by the Department for International Development is encouraging, and welcomed by the Opposition, especially the scaling up of investment in effective, non-fundamentalist education to £446 million a year by 2015. Pakistan faces, in the words of a DFID publication, "an educational emergency", with 17 million children not in school, half the adult population and two thirds of the women unable to read or write—and the population is escalating. We have to be clear in this context that there is a considerable onus on the Pakistan authorities to ensure that the money reaches its intended recipients. As DFID says, aid is

> "dependent on securing value for money and results and will be linked to the Government of Pakistan's own progress on reform, at both the federal and provincial levels, including taking tangible steps to build a more dynamic economy, strengthen the tax base and tackle corruption."

That places a clear obligation on Pakistan to improve its administration, especially in tax collection, to foster a more open and pluralistic society and, last but by no means least, to engage in dialogue to reduce tension with India, which occupies so much attention and resources in both countries. My right hon. Friend the Member for Rotherham (Mr MacShane) mentioned the Indian obligations, and there is an obligation on both sides of the divide if dialogue is to be used to reduce that tension.

What of India and the other regional powers? They were mentioned by a number of hon. Members—the hon. Members for Stroud (Neil Carmichael) and for Cheltenham (Martin Horwood) and particularly the right hon. and learned Member for Kensington (Sir Malcolm Rifkind). It is true that all the regional powers could seek to pursue their own separate interests, looking on Afghanistan as a zero-sum game. We should make no mistake; it certainly could be like that. Indeed, if the situation in Afghanistan unravels, it could end up being a negative-sum game for those countries. The creation of a black hole of political intrigue, anarchy and violence in Afghanistan could impact in very different but very significant ways on all its neighbours.

China, as we know, has considerable Islamic problems in its western province, but also has considerable investment in Afghan resources. Russia faces the potential of instability on its southern flank and also has a significant drugs problem. Iran has a minority group in Afghanistan and also feels the impact of the drugs trade. Turkey has growing regional influence. India has a long and historic, but also a current and dynamic, interest in Afghanistan. Part of our strategy for disengagement will thus depend very heavily on the extent to which the regional powers can co-exist and work together for a progressive solution for Afghanistan.

Thomas Docherty: Does my right hon. Friend share my concern about the role of Tehran in destabilising both Afghanistan and the wider region? Does he share my assessment that we cannot allow Tehran to continue down this destructive path indefinitely?

Mr Spellar: That is certainly to be encouraged, but Tehran will have a degree of involvement. It has a Persian minority within Afghanistan, it is a significant power within the region and it suffers considerably from the impact of the drugs trade on its own population. It will thus have to be engaged in its own interest.

Paul Flynn: My right hon. Friend will recall that when we went into Afghanistan, one of the reasons for doing so that we heard from the Dispatch Box was that Afghanistan provided 90% of the heroin coming into Britain. Will he remind us what percentage of heroin comes to this country from Afghanistan after the sacrifice of 375 British lives?

Mr Spellar: Still far too much, but I think my hon. Friend would also recognise the role of the Taliban in that trade and the money they obtain from it to fund their activities. As I point out again in this context, it is in the interest of the wider world and in the particular interests of the regional powers to act along the lines I mention and the regional powers obviously need to be engaged in the process.

Let me deal now with the Select Committee report. There has understandably been a debate about the decision to announce a deadline for British combat

withdrawal by 2014 and about the manner in which it was taken. This features quite strongly in the report and was obviously the subject of the Prime Minister's statement today, which was welcomed by the Leader of the Opposition.

I have to say, however, that the Government's response was, frankly, inadequate—almost embarrassing—and if I were a member of the Select Committee, I would have been rather insulted by such an inadequate response to the very significant questions that it posed. The Select Committee might well want to pursue these at a future date. It reads very much as a "seat of the pants", "top of the head", "don't bore me with the details" response.

Let us examine the Government's response to paragraphs 156 and 157, which makes it clear that the 2014 decision was not made by the Cabinet or even the National Security Council. My right hon. Friend the Member for Rotherham quoted from it earlier. The decision

"was made by the Prime Minister following discussions with a number of senior Ministers".

It is not even clear whether those discussions took place collectively or individually. Obviously, in this context, sofa government is alive and well.

Nowhere in their response do the Government answer the Select Committee's questions about what advice they had received from the military before the decision, and we consider that a significant omission. Equally unclear—especially in the context of the many references today to our engagement with the United States—is the answer to the question asked in the Select Committee about what consultation the United Kingdom had had with the United States. I do not know whether there has been any subsequent communication from the Government to the Committee on the subject, but the reply given on May 2011 did not match the significant questions that the Committee had posed. That is no way to run a war, and it is certainly no way to treat a Select Committee.

Further questions arise from today's statement by the Prime Minister. First, it is clear that a dozen helicopters were ordered by the previous Secretary of State. The current Secretary of State, when he was the Opposition spokesman, raised the issue regularly—according to an estimate by my hon. Friend the Member for North Durham (Mr Jones), about 161 times—before the general election. Now he has put the order on hold. Given that the Prime Minister has committed British forces to two more fighting seasons, will the Government activate this order immediately? I gave the Minister notice of that question. I hope that he has a reply, not only for me but for the House, and, more important, for the troops.

Secondly, the Prime Minister announced a continuing military relationship with Afghanistan, and stressed that it would not involve a combat role for our troops. We have to ask—and the military too will seek an answer to this question—how force protection will be provided, and by whom it will be provided. We must also think again about the dangers of mission creep.

Because I want to give the Minister time to respond, I will end my speech now. The role of the Opposition in these matters is to support the national interest and, in particular, to take a long-term view of the issues and support our armed forces. However, on behalf of the country and our troops, we must also hold the Minister and the Government to account for their performance, and we look forward to the Minister's reply to the questions that he has been asked.

6.43 pm

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Alistair Burt): I thank the House for its attention. I agree with the right hon. Member for Warley (Mr Spellar) that it is a pity that the debate fell where it did in the timetable, but, although there was huge interest in the Prime Minister's statement earlier, I do not think that that detracts in any way from the importance of what we have been discussing or the manner in which it has been discussed.

Before I deal with the substance of the debate, I want to respond to the speeches made by my hon. Friend the Member for Croydon South (Richard Ottaway), the Chairman of the Select Committee, and the right hon. Member for Warley, the Opposition spokesman. My hon. Friend led the debate extremely well, referring to the Foreign Affairs Committee's important report and guiding us through a number of the issues. I shall deal later with some of the points that he raised about transition, political reconciliation and the drawdown issues, but first I want to deal with his point about intelligence. I know that he raised it with the Prime Minister earlier today.

My hon. Friend observed that, understandably, we rely on intelligence reports to guide actions and give ourselves a sense of whether, for example, al-Qaeda might still be in the area. He asked how this intelligence could be scrutinised, particularly given the intelligence queries in respect of Iraq, and he wondered whether there was further scope for parliamentary activity. I have to say that I doubt that. We undertake rigorous analysis through the Joint Intelligence Committee to assess the terrorist threat to the UK, drawing on analysis from across the agencies, the MOD and the joint terrorism analysis centre. Ministers receive that advice to inform their decision making. We have all learned the lessons from the experiences over Iraq, and we continue to carry out the most rigorous scrutiny of these issues. The assessment is that while the threat has diminished, it has not disappeared.

Although I wish I could, I cannot see how the intelligence on which Ministers operate daily could be made available for the immediate analysis my hon. Friend has in mind. I understand his point, however. The onus is on the Government to handle the intelligence correctly because information is made available subsequently, and the process for confirming the information on which Ministers act at the time is rigorous. At present, however, I cannot see any means whereby Members might be more involved. I will address the substance of my hon. Friend's remarks in the course of my speech.

I will also deal with the points the Opposition spokesman, the right hon. Member for Warley, made about Pakistan and regional powers, but first let me deal with the specific issue about the Chinooks, which he was good enough to raise with me in advance, so that I can give him clarification and make clear what the Prime Minister said today. Nothing has changed since the announcement we made in the strategic defence and security review. We plan to buy 12 additional Chinook helicopters, as the Prime Minister confirmed today, and a further two to replace those lost on operations in Afghanistan in 2009. The MOD is working towards the main investment decision on the helicopters. In the meantime, Boeing is under contract to continue all critical path work to ensure that the delivery time scale for the aircraft is met.

[Alistair Burt]

So that is a definite commitment, but no order has been placed, and we are exactly where we were before the Prime Minister spoke today.

Mr Spellar: Can the Minister therefore give us any idea, even within broad parameters, of when it is likely that that order will be confirmed, and helicopters will start to arrive for our troops?

Alistair Burt: In all fairness, I cannot. This is a matter for the Secretary of State for Defence. The investment decision is in the process of being made. Our troops, of course, have helicopters. The aircraft we are currently discussing will be deployed in Afghanistan in the very long term, if they are deployed at all bearing in mind the time scales of our commitment to Afghanistan. There is no issue about the availability of helicopters now, however. As the Prime Minister said, the situation is much improved from that in previous years. We believe that the kit that is available to troops is entirely appropriate; adding to it through the future Chinooks will be important, but the availability of kit now is absolutely right.

I do not want to say too much about the question the right hon. Gentleman raised about decision making in respect of 2015. That would open up a debate on decision making by Government, in which I do not believe his predecessors would come out terribly well. We are therefore content to rely on the perfectly proper answer in the response to the report.

As always, debates on Afghanistan and Pakistan attract contributions with no little passion, and occasionally a lot of soul searching, from Members with a wealth of experience and insight to offer on the UK's most important foreign policy commitment. I am therefore indebted to all colleagues who have spoken in our brief, but important, debate. We have looked at origins, intentions and policy. We have queried success and failure. We have looked ahead with varying degrees of optimism or pessimism to where we might be going and why, and the contributions from all have been good, even though I have disagreed with some of the judgments made.

In responding to my hon. Friend the Member for Croydon South and his Committee, I wish to reaffirm our strategy and relate developments on it to some of the issues highlighted by colleagues in the debate and in the report itself. I then wish to pursue one or two specific points that colleagues have made today. I apologise in advance for not being able to cover every question, but I will write to colleagues who asked specific questions that I am not able to deal with now.

Our strategy for Afghanistan, as repeated clearly by my right hon. Friend the Prime Minister this week in Afghanistan and again this afternoon, is clear and straightforward: we are in Afghanistan, with others, to ensure our own national security by helping the Afghans to take control of theirs, so that Afghanistan cannot be used in the future as the base for al-Qaeda terrorist attacks, which have taken too many lives in the United Kingdom and around the world. That aim is pursued through three inter-linked strands, which incidentally but not coincidentally do make for the better Afghanistan that my hon. Friend the Member for Basildon and Billericay (Mr Baron) understandably seeks. Those strands are: political progress; development aid to help create and ensure the progress of a viable state; and, of course, security. This Government are totally focused, on behalf of all their citizens and especially those who are sacrificing so much in delivering on that aim.

Having looked at the Committee's report and having listened to today's debate, I wish to offer responses on progress under the following headings, which I think cover most of the things that colleagues have raised: transition and security, including issues relating to draw-down; political settlement and reconciliation; development progress towards a viable state; and Pakistan, which is a fundamental element.

On transition, the shared aim of the United Kingdom, the Afghan Government and our international colleagues is to ensure that the Afghan national security forces are in the security lead in all provinces by the end of 2014. We are making good progress towards that aim. The first tranche of areas to begin the transition process was announced by President Karzai in March, and implementation is due to begin on 20 July. It is testament to the excellent work that British forces are doing in Helmand that Lashkar Gah will be among that first tranche. Like all colleagues who have spoken today, I wish to pay tribute to all British military personnel who have served in Afghanistan. Their courage and dedication has allowed for the progress that has been made so far. The training and development of the Afghan national security forces is at the heart of the transition process. Since December 2009, those forces have grown by more than 100,000 personnel and will grow by an additional 70,000 in the next year. Quality is also rising, as is the Afghans' pride in their armed forces.

Mr Sheerman *rose—*

Alistair Burt: I wish to make some progress. A lot of colleagues were able to give up two and a half hours to this debate and I would rather concentrate on the issues they raised, rather than on the hon. Gentleman, who came in very late—I hope he will forgive me.

Good progress is also being made on the expansion and improvement of the Afghan national police, and that is also a key part of ensuring security for the future and transition. The UK has funded the construction of 12 new police stations in Helmand province, and since its establishment in December 2009 more than 1,000 patrolmen have graduated from the Helmand police training centre. I have had the good fortune to see for myself the work being done in Lashkar Gah at the police centres and to spend time with Bill Caldwell talking about the training of the national security forces. Progress is being made and there is a growing confidence about this process, but, as with all things relating to Afghanistan, progress is never linear. This is not something that will go smoothly all in one direction; and there will be setbacks and we will take steps backwards before we move forward. However, genuine progress is being made, and the House is entitled to take note of it and feel some pride in it because of the work that has gone into creating that situation.

On security and draw-down, the Government welcome President Obama's recent announcement on the draw-down of US troops from Afghanistan. We agree that substantial progress has been made towards the international community's shared objective of preventing international terrorists, including al-Qaeda, from again

using Afghanistan as an operating base. This is not simply about whether al-Qaeda is operating there now. The issue is: can the area be made sufficiently secure to ensure that al-Qaeda does not come back in future? That progress has been hard won and the announcement is a sign of success.

As was mentioned by a number of Members, including in interventions that I appreciated from the hon. Member for Dunfermline and West Fife (Thomas Docherty) and my hon. Friend the Member for Penrith and The Border (Rory Stewart), that draw-down has coincided with the notification of draw-down made by my right hon. Friend the Prime Minister. He made a further comment today about reducing our force level by a further 500 to 9,000 by the end of 2012. The decision has been agreed by the National Security Council on the advice of our military commanders, which reflects the progress that has been made in building up the ANSF. For the benefit of my hon. Friend the Member for Penrith and The Border, let me simply say that the Prime Minister said this afternoon:

"This marks the start of a process that will ensure that by the end of 2014 there will be nothing like the number of British troops who are there now, and they will not be serving in a combat role. This is the commitment I have made, and this is the commitment we will stick to."

This afternoon, there has been discussion about what the draw-down means and about whose incentive is greater. Our assessment is that the incentive for the Taliban to get involved in reconciliation is very clear, as the greatest imminent threat is faced by those who stay outside the process and continue to conduct operations against ISAF forces. The incentive is there for the Afghan security forces to continue the preparation work they are doing. That is the reason for draw-down dates and our sense is that steady progress is being made that vindicates the dates that have been given.

Dr Julian Lewis: I understand the incentive while drones are still killing Taliban in the run-up to the end of 2014, but what incentive will the Taliban have to stick to any deal that is reached or to go through with a deal after 2014? Are we going to be firing drones from outside the country?

Alistair Burt: My hon. Friend is taking far too little notice of the improvement and strength of the Afghan national security forces in their own right. It is they who will carry on the fight on behalf of their people against those who threaten their state. To assume that this is a practice that only we are engaged in and that only we can be engaged in is unfair to the growing success and strength of the ANSF. That is the incentive for the future.

It is vital to recognise that the absence of combat troops does not mean a lack of interest from those who have created the conditions for what we hope will be a secure—

Thomas Docherty: Will the Minister give way?

Alistair Burt: No, I have only three minutes left.

Let me turn to the political settlement. Despite the military gains that have been made, it is common cause in the House that we need not just a military answer but a political settlement and reconciliation. We strongly support the Afghan-led efforts that are being made to encourage the process of integration and reconciliation. We support the work that has been carried out this year through various international conferences and by the High Peace Council as well as the direct engagement with the Taliban from the Afghan community on the basis of the conditions set by President Karzai: renouncing violence, cutting links with terrorist groups and accepting the constitution.

In answer to those who queried the issues to do with preconditions, let me say that our understanding is that the Afghan-led process is about those who are prepared to accept the conditions stated, not about meeting those conditions in the first place. As my right hon. Friend the Prime Minister said in his statement this afternoon, we are looking towards a situation in which the conditions are met but early negotiations might take place in a situation that is not clear. It is important that the conditions laid down by President Karzai are ultimately accepted. We welcome the engagement of the United States and the recent comments made by the Secretary of State about US involvement.

The third leg is the viable state. We should all pay tribute to the work done by DFID in particular, and I am pleased to welcome my hon. Friend the Under-Secretary of State for International Development to this debate. From 2001 to 2011, DFID has spent £960 million in Afghanistan and over the next four years it will spend £712 million. We have seen improvements in education, health and the economy. May I also pay tribute to those outside Government, such as Karen Woo and Linda Norgrove, who gave their lives for the development work in which they were engaged, showing its importance?

I do not have time, I am afraid, to deal with Pakistan. I accept the comments made by the right hon. Member for Warley and perhaps I may write to him about the importance of Pakistan in the future. Engagement with Pakistan is crucial and we have productive intelligence work. It is essential that those in Pakistan are engaged both with Afghanistan and with dealing with the issues in their own country, which has suffered so much.

In conclusion, Afghanistan debates illustrate the depth of engagement of Members of the House in the issue. Our commitment is clear: notwithstanding the complexities for the country, its relationship with others in a region desperate for stability and the variable factors that will determine its future, our aim of a secure Afghanistan in the hands of its people, secure from its enemies and from those of the rest of us, can be realised.

7 pm

Debate interrupted (Standing Order No. 54(5)).

The Deputy Speaker put the Question on the Estimates appointed for consideration on that day (Standing Order No. 54(5)).

Resolved,

That, for the year ending with 31 March 2012, for expenditure by the Foreign and Commonwealth Office—

(1) further resources, not exceeding £1,279,625,000, be authorised for use for current purposes as set out in HC 921,

(2) further resources, not exceeding £19,718,000, be authorised for use for capital purposes as so set out, and

(3) a further sum, not exceeding £1,188,315,000, be granted to Her Majesty to be issued by the Treasury out of the Consolidated Fund and applied for expenditure on the use of resources authorised by Parliament.

The Deputy Speaker then put the Questions on the outstanding Estimates (Standing Order No.55).

DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT

Resolved,

That, for the year ending with 31 March 2012, for expenditure by the Department for Communities and Local Government—

(1) further resources, not exceeding £15,285,674,000, be authorised for use for current purposes as set out in HC 921,

(2) further resources, not exceeding £2,344,000,000, be authorised for use for capital purposes as so set out, and

(3) a further sum, not exceeding £17,386,772,000, be granted to Her Majesty to be issued by the Treasury out of the Consolidated Fund and applied for expenditure on the use of resources authorised by Parliament.—*(Miss Chloe Smith.)*

HOME OFFICE

Resolved,

That, for the year ending with 31 March 2012, for expenditure by the Home Office—

(1) further resources, not exceeding £5,717,338,000, be authorised for use for current purposes as set out in HC 921,

(2) further resources, not exceeding £277,435,000, be authorised for use for capital purposes as so set out, and

(3) a further sum, not exceeding £5,720,232,000, be granted to Her Majesty to be issued by the Treasury out of the Consolidated Fund and applied for expenditure on the use of resources authorised by Parliament.—*(Miss Chloe Smith.)*

ESTIMATES, 2011-12

The Deputy Speaker then put the Question on the outstanding Estimate (Standing Order No. 55)

Resolved,

That, for the year ending with 31 March 2012—

(1) further resources, not exceeding £221,086,166,000, be authorised for use for current purposes as set out in HC 911, HC 921, HC 934, HC 935, HC 1339 and HC 1340,

(2) further resources, not exceeding £21,712,444,000, be authorised for use for capital purposes as so set out, and

(3) a further sum, not exceeding £222,322,315,000, be granted to Her Majesty to be issued by the Treasury out of the Consolidated Fund and applied for expenditure on the use of resources authorised by Parliament.—*(Miss Chloe Smith.)*

Ordered, That a Bill be brought in upon the foregoing Resolutions;

That the Chairman of Ways and Means, Mr Chancellor of the Exchequer, Danny Alexander, Mark Hoban, David Gauke and Justine Greening bring in the Bill.

Supply and Appropriation (Main Estimates) Bill

Presentation and First Reading

Justine Greening accordingly presented a Bill to authorise the use of resources for the year ending with 31 March 2012; to authorise both the issue of sums out of the Consolidated Fund and the application of income for that year; and to appropriate the supply authorised for that year by this Act and by the Consolidated Fund Act 2010.

Bill read the First time; to be read a Second time tomorrow, and to be printed (Bill 214).

Business without Debate

DELEGATED LEGISLATION

Madam Deputy Speaker (Dawn Primarolo): With the agreement of the House, I shall group motions 6 to 12 together.

Motion made, and Question put forthwith (Standing Order No. 118(6)),

International Development

That the draft Caribbean Development Bank (Further Payments to Capital Stock) Order 2011, which was laid before this House on 12 May, be approved.

That the draft Inter-American Development Bank (Further Payments to Capital Stock) Order 2011, which was laid before this House on 12 May, be approved.

That the draft Inter-American Development Bank (Contribution to the Fund for Special Operations) Order 2011, which was laid before this House on 12 May, be approved.

Immigration

That the draft Nationality, Immigration and Asylum Act 2002 (Juxtaposed Controls) (Amendment) Order 2011, which was laid before this House on 23 May, be approved.

That the draft Immigration (Provision of Physical Data) (Amendment) Regulations 2011, which were laid before this House on 23 May, be approved.

Environmental Protection

That the draft Environmental Permitting (England and Wales) (Amendment) Regulations 2011, which were laid before this House on 13 June, be approved.

Terms and Conditions of Employment

That the draft National Minimum Wage (Amendment) Regulations 2011, which were laid before this House on 13 June, be approved.—*(Miss Chloe Smith.)*

Question agreed to.

COMMITTEE ON MEMBERS' ALLOWANCES

Motion made,

That Standing Order No. 152G (Committee on Members' Allowances) shall be amended as follows—

(1) in line 2, leave out 'Allowances' and insert 'Expenses'; and

(2) leave out lines 3 to 17 and insert 'to consider such matters relating to Members' expenses as may be referred to it by the House;'.—*(Miss Chloe Smith.)*

Hon. Members: Object.

REVIEW OF PARLIAMENTARY STANDARDS ACT 2009

Motion made,

That, further to the instruction to the Committee on Members' Allowances of 12 May, it be an instruction to the Committee on Members' Expenses to report to the House on the review of the Parliamentary Standards Act 2009 by 31 December 2011.—*(Miss Chloe Smith.)*

Hon. Members: Object.

PETITION

King George Hospital, Ilford

7.3 pm

Mr Lee Scott (Ilford North) (Con): I thank my colleagues the hon. Member for Ilford South (Mike Gapes), the right hon. Member for Barking (Margaret Hodge), the hon. Member for Dagenham and Rainham (Jon Cruddas), my hon. Friends the Members for Hornchurch and Upminster (Angela Watkinson) and for Romford (Andrew Rosindell), my right hon. Friend the Member for Chingford and Woodford Green (Mr Duncan Smith), the hon. Member for Leyton and Wanstead (John Cryer) and all the volûnteers who have helped to get the exceptional number of 32,000 signatures to this petition on the accident and emergency and maternity services at King George hospital.

The petition reads:

The Petition of the residents of North East London and others.

Declares that the Petitioners believe that the proposed closure of accident and emergency and maternity wards at King George Hospital Redbridge would not be in the best interests of the people living in these constituencies.

The Petitioners therefore request that the House of Commons urges the Government to take all possible steps to stop the proposed closure of the A&E and maternity wards at King George Hospital.

And your Petitioners, as in duty bound, will ever pray.

[P000934]

Football Clubs in Administration

Motion made, and Question proposed, That this House do now adjourn.—*(Miss Chloe Smith.)*

7.5 pm

Alison Seabeck (Plymouth, Moor View) (Lab): No town or city wants to see its football team go into administration, and it certainly does not want it to be docked 10 points, which leaves it with an even bigger mountain to climb, but that is what has happened to Plymouth Argyle.

The club's problems do not end there, and I would like to draw on its experience to highlight the problems undoubtedly experienced by the 36 English clubs that have gone into administration since Charlton Athletic did so in 1984. I hope that the Minister will share these concerns, and go away, investigate and discuss them with those involved in running football. I do not want to see another club go through what Plymouth Argyle has gone through. I am sure that their best known supporter, Michael Foot, will be turning in his grave; indeed, in some ways I am pleased that he is not here to see what has happened and the misery that has been heaped on loyal staff and supporters, because he followed the club through good times and bad.

There were good times, and I must thank Gordon Sparks—Sparksy—for reminding me of some of the highlights of a club which was formed in 1886, joined the Football League in 1920 and got to the FA Cup semi-finals in the 1983-84 season—the same year in which the team were league two champions. I also thank Lee Jameson on behalf of the supporters for the information that he gave me in preparation for this debate. Plymouth has an incredibly loyal "green army" of supporters—and there are at least two of us in the Chamber—but their patience has been sorely tested.

Following a winding-up petition in November 2010, the staff faced Christmas without full pay packets. Learning from Exeter City's experience, the supporters rallied round, and in December set up a trust designed to offer support to the then board and raise funds to support the staff and their families.

Tom Greatrex (Rutherglen and Hamilton West) (Lab/Co-op): My hon. Friend mentioned the establishment of a supporters trust, and I declare an interest, as I was involved in the establishment of the Fulham supporters trust some eight years ago. The important role of Supporters Direct in helping to support supporters such as those in Plymouth who are setting up a trust should not be underestimated. Does she agree that it is regrettable that the funding for Supporters Direct is under threat because of the problems that the premier league has with the former chief executive? I hope that the Minister can help to persuade those involved to resolve that problem as soon as possible.

Alison Seabeck: My hon. Friend makes an interesting point, and I hope that the Minister has heard his plea, because supporters trusts and Supporters Direct have been immensely helpful to a number of clubs.

In Plymouth the staff have been asked to sign away or defer payment of their salary. In the main, we are talking about some very low-paid people who were presented with a form to sign after the club to which

[Alison Seabeck]

they feel great loyalty was threatened with closure. With little opportunity to obtain expert advice on whether signing was the right thing to do, they signed, and most have struggled since, signing further salary deferrals. Some have now had no option but to take redundancy. The hon. Member for Plymouth, Sutton and Devonport (Oliver Colvile) and I spent quite a lot of time with the staff looking into their problems; none the less, they are in a difficult position.

The irony is that these are the very people who are keeping the ground in condition to start the next season. The players are protected to some extent by the Professional Footballers Association, and I had a brief word with Gordon Taylor about the position. He shared my concern that there was no protection for all the other staff. It was a struggle to see last season out, with relegation almost guaranteed, despite some amazing and spirited performances by a team that must have been feeling the pressure. Peter Ridsdale stepped in when most of the old board resigned and, in all fairness, worked to get to the bottom of the finances and pay key bills. At the time, he was welcomed. Help also came, as I have said, from the Plymouth Argyle Supporters and Training and Development Trust, which lent the club a not insubstantial amount. Then came the cloak and dagger stuff—the secret discussions between the administrator and various bidders. Plymouth's local paper, *The Herald*, struggled to get to the bottom of the question of who they were.

We have all had concerns about what checks have been carried out to ensure that they are fit and proper people to run and sustain a football club. Where are the assurances of the ability of these bidders to meet the financial demands of running a club? Rumours have circulated about what various bidders might have wanted as part of the deal, and concerns have been expressed that they might asset-strip, including developing the current practice ground. Although no one has said that this is true, it does not help to build confidence in those most closely linked to the club, especially the supporters.

What checks are carried out by the Football League on such matters? Very few, I suspect, yet this is a sport of national importance. Where is the transparency that the administrator promised in a BBC interview? Nine days later he was quoted as saying that he did not have to know who was financing the bid. Given the amount of money that circulates at the top of football among clubs which, in some cases, use the lower division clubs as nurseries for up-and-coming stars of the future, I find it astonishing that some contribution could not come from them and/or from the Football League clubs to support the administration and ground staff when such circumstances arise, as a sort of insurance policy.

Others are affected too, especially small businesses linked to football clubs. The Federation of Small Businesses has pointed out that most football clubs operate as small or medium-sized enterprise, employing fewer than 250 people and, like other small businesses, often find it difficult to access credit from the major banks. As a result they often turn to smaller creditors, and similarly contract through many small companies. The impact of such a business going into administration can, therefore, have a knock-on effect on several other local businesses.

I ask the football authorities to look again at the negative impact of the points docking system. Is it really achieving their original aim? Is it punishing the right people? Will the Minister explain why the rules for football clubs placed in administration are different from those for other companies? I believe that Lord Sugar has in the past expressed concern about this.

Damian Collins (Folkestone and Hythe) (Con): I anticipate that the hon. Lady might be about to mention the football creditors rule. Earlier she spoke about the impact on small businesses. Does she agree that the football creditors rule has no place in football today, and that it acts as a disincentive for clubs to deal responsibly with each other and punishes local businesses, while protecting the interests of other football clubs and former players who might be hundreds of miles away?

Alison Seabeck: I thank the hon. Gentleman for making that point. He has made it in far more detail than I intended to do. I shall reinforce it later, and I hope that the Minister will listen.

Lord Sugar made plain his view that—I paraphrase—the money thrown at clubs by television companies should be put into a trust, and half of it distributed to the clubs to spend, perhaps on players, but also to do other things. Protecting the staff in times of difficulty would be a worthwhile cause.

There are many questions specific to Plymouth which still need to be answered, despite the fact that we understand that the takeover has gone through today and the papers have been signed. Does the takeover proposal provide sufficient cash for the creditors to be paid in full, as regulation demands? Will the Football League be satisfied enough to hand over the competition share, or will deferred debts, including the remaining unpaid salaries, not be paid or simply stack up, rather like an individual in debt who puts the bills behind the clock in the hope that they will go away? Is the Football League happy that neither party to the deal is likely to be subject to any other outside investigations, which could throw their role at Argyle into confusion?

Although the various parties have signed on the dotted line today, it is still not clear whether this is the end of the story. Will they be able to get on and prepare the club for next season—and, we hope, promotion at the end of it? It will not be easy. Media stories are still circulating about concerns among former bidders that do not appear to be going away. We may never know who the mystery shareholders and directors from the Gibraltar-based company are. The lack of transparency is hugely concerning.

With clubs in the lower leagues spending £4 for every £3 that they generate in revenue, reduced Football League distributions in 2012-13 because of lower broadcasting rights values, and a range of other pressures, clubs elsewhere in the league could face the type of misery that Plymouth is going through, with all sorts of people waiting to pick up the pieces. Some of them care about football and some do not. Some should be allowed to run a football club and some should not be allowed to run a sweet shop. I urge the Minister to take a close look at what is happening in Plymouth and take action to encourage the sport to take better care of its assets—the people who work for and support it.

7.15 pm

Oliver Colvile (Plymouth, Sutton and Devonport) (Con): I begin by thanking you, Madam Deputy Speaker, for calling me to speak in this debate, and by congratulatingthe hon. Member for Plymouth, Moor View (Alison Seabeck) on securing it. I hope that she and I have illustrated that Plymouth MPs can work together across the political divide when Drake's drum starts to beat. It is apt that we should be having this debate today, because Plymouth Argyle, which is based at Home Park in my constituency, and has been in administration since March because it could not pay its tax bill, has at long last concluded its negotiations and is in the process of being bought—in the near future, I hope.

I will not pretend for one moment to be the greatest of football fans, but I am a member of the Plymouth Argyle fans trust. I cannot explain the off-side rule with any sense of certainty, but I do know how important it is for a city with a population of 225,000 to have a football club that plays in the Football League. Plymouthians are very proud of Argyle, but they are less enthusiastic about its directors, who have caused so much angst and about whom they have been forced to read so regularly in the *Plymouth Evening Herald*.

The green army, as Argyle's supporters are known, will be relieved to learn that they might be watching professional football during the coming season. Although crowd sizes fluctuate, there is a real sense of community support for the club, the players and the back-room staff. When it was announced in April that the back-room staff were not being paid, the supporters formed the Green Taverners to raise funds to help those loyal employees. The city council acted with great sensitivity and speed and agreed to delay those employees having to pay their council tax until they had been paid their salaries. I have nothing but praise for Councillor Vivien Pengelly, the leader of the council, who acted with such speed.

Plymouth Argyle's employees should never have been put in that situation. The directors at the time behaved irresponsibly. They thought that they could use the club to make money for themselves through a property deal. Property development is something that I know quite a large amount about, because before I entered this place I ran a communications company that helped developers regenerate land and managed planning for real weekends. Indeed, I retain an interest in the company, so I suppose I should declare an interest.

Betting on England winning the world cup bid and Plymouth being one of the venues for some of the matches, the Argyle directors came up with a proposal to develop the stadium and use green undeveloped park land owned by the city council—before discussing it with officers or local politicians. I fully support the leader of the city council, who made it abundantly quite clear so some time that this would not be possible. I very much hope that the other political party on the city council supports Councillor Pengelly's lead.

Perhaps someone could explain to me why normally sensible business men leave their business brains at the turnstiles when they get involved in football clubs. They seem to think that they can be clever and play property deals with clubs. At Plymouth Argyle the ground was owned not by the club but by a third party. Indeed, I understand that under Football League rules the directors were allowed to assign their interests in central distribution rights, including proceeds from television coverage, to a third party, Mastpoint. Therefore, when the club went into administration and the back-room staff were not being paid, the Football League froze any money from central distribution rights and would not release it, because they were concerned that it could face a claim.

I ask a very simple question: is that fair? Is it morally right that small and medium-sized enterprises and clubs' backroom staff should have to wait to be paid—and, potentially, have to take less than they are owed, despite supplying goods and services in good faith—when some sharp-suited developer is allowed to keep the proceeds of those central distribution rights? I do not think so. In recent times the bankers have been criticised for being paid their bonuses when others have had to go without, so why are owners of football clubs allowed to play loose and free with moneys that should be used to settle debts? There is a moral imperative here.

I understand that the Culture, Media and Sport Committee has been holding an inquiry into football governance, and I shall write to the Committee's Chairman tomorrow, because I am very concerned that the central distribution rights, which include the proceeds from television coverage, should be made available to the club rather than going to third parties, so that organisations and people who are owed money can be paid. That needs to be investigated fully. I shall also write to suggest that clubs be required to have some insurance, so that if a club gets into difficulties, back-room staff and creditors are always paid.

This has been a difficult time for Plymouth Argyle football club, but I hope that the new owners will have learned a significant amount from what has happened, and will not try property development before running a successful football club.

7.21 pm

The Parliamentary Under-Secretary of State for Culture, Olympics, Media and Sport (John Penrose): I echo Members' congratulations to the hon. Member for Plymouth, Moor View (Alison Seabeck) on securing this very important debate. She has made very clear her passion for the local football team, as indeed has my hon. Friend the Member for Plymouth, Sutton and Devonport (Oliver Colvile). He also showed that he is heavily involved, and whether or not he is an avid football fan he is clearly a powerful advocate for the club.

As both local MPs said, everyone believes that a deal on Plymouth Argyle's future has been completed today. The BBC Sport website states, however, that the agreement is conditional on the Football League's ratification. The hon. Lady said that she has some concerns about all the criteria that the Football League may consider during ratification, so the process is not technically or entirely complete, and it is theoretically possible that the league will take a different view, but we will have to wait and see. It is very much up to the football authorities to make that decision one way or another.

I must apologise, because Members will have doubtless noticed that I am not the Minister for Sport and the Olympics, who is in South Africa doing something, I am sure, terribly glamorous and wonderful, but he has asked me to stand in for him, and I will endeavour to

[John Penrose]

respond appropriately. I know that he will be following this debate very closely and will take a close interest in the reports on it.

Both Plymouth Members mentioned the fact that the Culture, Media and Sport Select Committee is completing an inquiry into the governance and regulation of professional football clubs. Its inquiry, which the Government have welcomed and given evidence to, is considering a range of issues that affect the way our national game is run, and the focus of the inquiry is on strengthening the financial health of the game.

We all look forward to receiving the Committee's report—the Government certainly do—and its recommendations in due course, after which the Minister for Sport and the Olympics will set out the Government's official response. He has mentioned it several times, and he is very keen to do so just as soon as the report is in.

May I echo the praise that both local MPs have showered on the fans, players and staff of Plymouth Argyle for their continuing efforts in keeping the club going? It is a perfect example of what the Prime Minister calls the power of the big society, whereby local communities come together to tackle common causes and unite behind a theme. Plymouth Argyle can be added to a long list of football clubs—Leeds United, Portsmouth and Crystal Palace to name just a few—that in recent years have fallen into serious financial trouble.

There is a worrying statistic that since 1992 more than 40 of the Football League's 72 clubs have been insolvent at one stage or another. I should confess at this point that, although I of course support my local club in Weston-super-Mare, historically I have supported Ipswich Town as a "tractor boys" fan, and it had a little financial difficulty a few years ago, so I guess that it counts as one of the clubs in that statistic.

It is of course important to differentiate, as the hon. Member for Plymouth, Moor View did, the elite clubs in the premier league that command the most money and can therefore pay their players the greater salaries from clubs such as Plymouth in the lower divisions that operate on a far tighter shoestring. The latter rely on local businesses, sponsors, hospitality and so forth for their revenues to a much greater extent than premier league clubs.

If football today is as popular with supporters, advertisers and broadcasters as it seems, there are legitimate questions about why so many of our clubs face the prospect of having to sell their grounds, and why they cannot afford to pay players and staff or repay debts owed to local businesses. Those are the questions that the football authorities, which are entrusted to administer the game and our clubs, must continue to address seriously, as both MPs from Plymouth have pointed out.

When the Football League chairman, Greg Clarke, gave evidence to the Select Committee, he admitted as much in saying that debt is the

"single biggest problem for football".

He believes that if football clubs ensure that debt is genuinely sustainable, issues such as transparency of ownership, which has been mentioned, supporter buy-in and co-operative ownership will fall more easily into place.

Damian Collins: I was at the Select Committee when Mr Clarke gave evidence. He also stated that he could not find a moral case for keeping the football creditors rule. Nevertheless, it remains the position of the Football League that it should stay. Does the Minister, like me, find that regrettable?

John Penrose: If the football authorities find it unacceptable and regrettable, the Government probably do as well. This is something for football governance to take on first. The Government will seek not to intervene if football puts its own house in order. Mr Clarke has made his position very clear, and that should be a very powerful voice.

The football authorities deserve credit for the rules they have introduced in recent years in the areas of financial regulation and club ownership. There are now an early warning system with HMRC in relation to tax returns, transfer embargoes that help curb club spending, new salary control measures in the lowest two leagues, a new means and abilities test that requires proof of funds from prospective owners, and a strengthened owners and directors test. It is welcome that in May, all 72 Football League clubs voted in principle to adopt UEFA's new financial fair play rules from 2013, which will require clubs to spend only what they bring in. The Government obviously support those moves. Of course, situations such as that in Plymouth demonstrate how much more may need to be done. They also demonstrate that prevention is better than cure. It is far better to avoid going into a company voluntary agreement or insolvency if possible.

We believe it is for the football authorities to continue to challenge themselves to see whether they should tighten their rules further to ensure that clubs do not fall into administration in the first place, in precisely the way I have just mentioned. Equally, the clubs have to take greater responsibility. Supporters should not have to bail out the club because of bad financial management by owners and directors, as both local MPs said.

The stark reality is that for any company or organisation, not least a football club, emerging successfully from administration is likely to be painful and difficult. The focus must be on doing everything possible to avoid clubs getting into such problems in the first place. The Government's hope and expectation is that as part of the wider process of the Select Committee inquiry's recommendations, the football authorities will take steps to deal with such challenges themselves. If they do not, all avenues of course remain open to the Government, and we are prepared to look closely at how best to make those changes.

Alison Seabeck: Can the Minister give a reassurance that the Government will not just sit on this matter? I have heard him say that the Government will look at it. This is very important and we do not want another club to go down this route. I urge the Minister for Sport and the Olympics to have further meetings with those involved.

John Penrose: I can reassure the hon. Lady that my colleague the Minister for Sport and the Olympics is particularly exercised about the matter. He is on record as saying, in the Chamber and elsewhere, that he feels that football governance in general is in need of a serious overhaul. I know that he is prepared to be quite

activist if he needs to be. Clearly it would be far better for all concerned if football could get its act together and put its own house in order first. That would be better for fans, and for everybody involved in both playing for and running football clubs, than to have a politician intervene. He remains willing to intervene, and will do so if necessary, but it would be a last resort.

I repeat my congratulations to both local MPs on the interest and clear care and passion that they bring to their job on this issue. Everybody will echo their concerns and their hope that the announcement today marks the beginning of a successful new chapter in Plymouth Argyle's history.

Question put and agreed to.

7.30 pm

House adjourned.

House of Commons

Thursday 7 July 2011

The House met at half-past Ten o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

ENERGY AND CLIMATE CHANGE

The Secretary of State was asked—

Renewable Energy Infrastructure

1. **Nicola Blackwood** (Oxford West and Abingdon) (Con): What recent assessment he has made of the incentives available for investment in renewable energy infrastructure. [64264]

3. **Nicky Morgan** (Loughborough) (Con): What recent assessment he has made of the incentives available for investment in renewable energy infrastructure. [64266]

The Secretary of State for Energy and Climate Change (Chris Huhne): The current financial mechanisms to incentivise renewable electricity are the renewables obligation and the feed-in tariff scheme. We are currently undertaking reviews of the RO banding and the FIT scheme, and the renewable heat incentive is due to go ahead this year. The Government have also set aside up to £60 million of direct support for the development of offshore wind manufacturing at port sites in English assisted areas.

Nicola Blackwood: There are some fantastic community-led renewable projects in my constituency, including Oncore—Oxford North Community Renewables—which is a project to build solar panels on Cherwell school in north Oxford. However, despite the fact that we all recognise that such projects are vital to our efforts to reduce our reliance on fossil fuels, they often struggle to raise sustainable funds. Will the Secretary of State tell me how he expects projects such as the green investment bank to help support community renewables projects such as these?

Chris Huhne: Access to finance is clearly a major issue for projects such as those in my hon. Friend's constituency, and the green investment bank will certainly play a role eventually. Our FIT scheme reforms have focused on ensuring that money goes to community schemes rather than City speculators. The banks are increasingly taking a favourable attitude to this matter and finance is increasingly available from the high street banks. I am pleased therefore to confirm that yesterday the Treasury opened a consultation on the provision of other finance and on ensuring that enterprise investment schemes and venture capital trusts investing in FIT schemes through community-interest companies, co-operative societies and community benefit societies continue to qualify for improved support, as will those generating electricity from micro-hydro schemes. I hope that this change will focus investment on schemes that benefit local communities.

Nicky Morgan: I have written previously to the Secretary of State on behalf of Evance, a manufacturer of small wind turbines in my constituency. One of the main issues it has raised has been the need for clear guidance for planners on how to deal with small wind systems. Will he tell me what discussions he and his ministerial colleagues have had with the Department for Communities and Local Government on this issue? In particular, would any guidance include specification of acceptable noise levels for these small—less than 50 kW—wind systems?

Chris Huhne: I am grateful to my hon. Friend for raising this important issue. It is a matter for DCLG, as she implied, although I have discussed it with that Department, and I expect an announcement shortly that I hope will indicate that some progress has been made.

Mr David Hanson (Delyn) (Lab): Will the Secretary of State tell us precisely what percentage of the respondents to the recent FIT consultation supported the Government's view? What assessment has he made of the impact of the review on manufacturers such as Kingspan in Hollywell in my constituency and Sharp in Wrexham, which he visited and lauded but has now pulled the rug from under?

Chris Huhne: I respect the right hon. Gentleman for standing up for his constituency—I would expect nothing less—but the responses to the FIT consultation were not as binary as he suggests. People did not give yes or no answers. We had to take a decision on the FIT programme for a simple reason, which was that, unfortunately, the planning that went into the announcement assumed that there would be no large-scale solar projects for three years. If the right hon. Gentleman, who was a Minister in the previous Government—as I well remember—is prepared to take responsibility for those assumptions, I would be very pleased, but sadly I am not. We have had to amend those assumptions and ensure that we have an affordable scheme that can provide steady growth—

Mr Speaker: Order. I am extremely obliged to the Secretary of State.

Gloria De Piero (Ashfield) (Lab): Underground heat pumps and solar panels will become a fact of life for us all in the not-so-distant future. What are the Government doing to help areas such as mine—former coalfield areas—to play a part in manufacturing these things so that once again we can power Britain and the world?

Chris Huhne: We have seen enormous growth in low-carbon goods and services. In fact, the sector now employs 910,000 people across the UK economy so it is no longer a cottage industry—it is serious stuff. In relation to the green deal, particularly some of the kit being manufactured for it, we are in discussions with

manufacturers to try to ensure that they are thinking about the scale on which the green deal will operate, because obviously if the market is relatively small, there will not be the economies of scale that can get prices down and the opportunities up. I am determined—

Mr Speaker: Order. We must make some progress at Question Time.

Andrew George (St Ives) (LD): My right hon. Friend mentioned the review of the renewables obligation certificates. He will be aware of the great opportunity presented by the wave hub project located off the north coast of my constituency. In respect of the review, however, what reassurances can he give me and the House that there will be an even playing field north and south of the Scottish border?

Chris Huhne: The devolved Administration—the Scottish Government—have the ability to vary ROC support somewhat, which they do in the case of advanced marine renewables. We are determined on both sides of the border to see progress on those technologies, because they have enormous potential in the years to come, and I am sure that there is enough to satisfy those both south and north of the border.

Government Carbon Emissions

2. **Jenny Willott** (Cardiff Central) (LD): What progress he has made on his objective to reduce central Government carbon emissions by 10%. [64265]

The Secretary of State for Energy and Climate Change (Chris Huhne): The Prime Minister announced on 14 May 2010 that this would be the greenest Government ever and that central Government would lead by example, by reducing their emissions by 10% within 12 months. I am pleased to announce that the Government have achieved that target, reducing emissions by 13.8%—I think I am entitled to round that up to 14%—using weather-corrected data. Never before have central Government achieved such a reduction in such a short space of time.

Jenny Willott: As the Government have done so well and surpassed their 10% target, may I encourage the Secretary of State to be ambitious when setting central Government's next carbon reduction goals? Will he work with business and the rest of the public sector to ensure that they achieve the same scale of reductions?

Chris Huhne: I am very pleased to confirm that the Prime Minister has announced a new five-year carbon reduction target of 25%, to ensure that we continue to drive down carbon and energy use in the Government. By focusing attention on the issue among decision makers, we can help to move the whole country along. We need to practise what we preach, and we will.

Barry Gardiner (Brent North) (Lab): Can the Secretary of State please tell the House what the exact level of carbon emissions from the parliamentary estate was previously, so that we can be absolutely clear what it is now, after the 13.8% reduction, or have the figures been estimated and banded?

Chris Huhne: I am sure that the hon. Gentleman would be shocked if I attempted to take responsibility for the parliamentary estate, which is clearly up to the House of Commons. This issue is strictly about central Government, not the parliamentary estate, but I would urge Mr Speaker, using all his great influence, to ensure that the parliamentary estate is performing just as well as central Government.

Mr James Gray (North Wiltshire) (Con): I warmly congratulate the Government on more than achieving their target, which stands in stark contrast with previous Governments. None the less, at a glance around the governmental estate—and the parliamentary estate, too—we see lights burning all night long, with no use of energy-efficient lighting. We also see the ambient temperature of Ministry of Defence buildings, such as the one in my constituency near Corsham, at 25°, which means that civil servants have to sit with their jackets off, because otherwise it would be too warm. Surely we should get our lights off at night and get the temperature down, so that people feel cold in the office and put sweaters on.

Chris Huhne: I hesitate to say this, but I entirely agree with my hon. Friend. We have set an ambitious target and there is more work to do. Whether that means getting people to put on woolly jumpers or getting them to turn the lights off, we will do it, and we shall continue our efforts.

Employment and Skills (Energy Sector)

4. **Nic Dakin** (Scunthorpe) (Lab): What discussions he has had with the Secretary of State for Business, Innovation and Skills on skills and employment in the energy sector. [64267]

13. **Catherine McKinnell** (Newcastle upon Tyne North) (Lab): What discussions he has had with the Secretary of State for Business, Innovation and Skills on developing skills in the low-carbon sector. [64277]

The Minister of State, Department of Energy and Climate Change (Charles Hendry): My Department works closely with the Department for Business, Innovation and Skills to promote skills and employment in the energy sector. The Budget announced £180 million of funding for 50,000 additional adult apprenticeships, and we announced in March that at least 100,000 green deal apprentices could receive Government funding towards their training. There are many opportunities, with the new build nuclear programme alone expected to create 30,000 high-skilled new jobs nationally.

Nic Dakin: What steps are the Government and the Minister's Department taking to ensure that jobs in the energy industry supply chain are developed in this country and not abroad?

Charles Hendry: I was very pleased indeed to have the chance to meet the hon. Gentleman, his local authorities and other Members of Parliament from Humberside to talk about the immense potential in those areas for developing the supply chain for the offshore wind sector. That is why we have put in place a £60 million programme

to attract manufacturing investment to those sites, and it is encouraging to see the number of manufacturers looking to the United Kingdom.

Catherine McKinnell: The Minister may be aware of my interest in apprenticeships. I welcome the increased number of apprenticeships, although I am concerned that it does not go far enough. What reassurances can he provide that there is a joined-up approach across Departments to ensure that apprenticeship places are created in low-carbon areas of our economy and regions such as the north-east which have real growth potential?

Charles Hendry: I hope the hon. Lady will be aware of the document "Skills for Sustainable Growth", which was produced last year. It addresses these matters so as to ensure that we can address apprenticeships issues in a more flexible and responsive way, enabling us to react to demand as it evolves in the system. We very much want this to happen in areas such as the north-east, and the local enterprise partnerships and local authorities will have an important role to play in ensuring that we take a joined-up approach to this.

Henry Smith (Crawley) (Con): Will my hon. Friend join me in congratulating a company in my constituency, Trade Skills 4U, which has taken on hundreds of apprentices? In particular, it has retrained former members of the armed forces to give them skills relating to solar energy and heating. Does he also share my perplexity at Labour voting in Committee against the fourth carbon budget?

Charles Hendry: My hon. Friend makes an important point. I absolutely welcome the work that is going on to retrain people who have one skill set that might be relevant to the low-carbon economy. We see the potential in the green deal for 100,000 jobs in that area by 2015, and perhaps 250,000 jobs in the longer term. The situation on the fourth carbon budget was even more extraordinary than my hon. Friend suggests, in that Labour Members voted three ways: some voted yes, some voted no, and others abstained.

Stephen Mosley (City of Chester) (Con): Given that some 70% of the UK's nuclear work force are due to retire by 2025, at the same time as we are planning to build some 16 GW of new nuclear capacity, what action is my hon. Friend taking to plug the nuclear skills gap?

Charles Hendry: We are working closely with other Government Departments, specifically the Department for Business, Innovation and Skills, and the National Skills Academy for Nuclear has offered 1,200 apprenticeships in the nuclear sector in the past year, along with 22 foundation degrees and 2,500 short-term courses in the nuclear sector. This is an area in which industry is rising up to the challenge, and our universities and further education colleges are all working together very constructively.

Luciana Berger (Liverpool, Wavertree) (Lab/Co-op): Further to the question from my hon. Friend the Member for Newcastle upon Tyne North (Catherine McKinnell), we were absolutely delighted, during the Energy Bill's Committee stage, when the Government did not reject Labour's amendment to establish a green deal apprenticeship scheme as part of the green deal. That kind of scheme will aid employers in the energy and low-carbon sectors who have a shortage of skills in their work force, but most importantly, green deal apprenticeships will give young people a route into a long-term career. However, the Minister has since indicated that the Government might seek to change these proposals on Report. Will he now guarantee that he will keep Labour's green deal apprenticeship scheme and not water it down or remove it from the Bill?

Charles Hendry: We always seek to bring absolute delight to the hon. Lady. We were delighted to find among the batch of amendments that she tabled one that we could endorse and support, although we are looking at the nature of that proposal to see whether it delivers exactly what we want and whether we could improve it still further.

Carbon Emissions (2020)

5. **Miss Anne McIntosh** (Thirsk and Malton) (Con): What representations he has received on his objectives for the reduction of carbon emissions by 2020; and if he will make a statement. [64268]

The Secretary of State for Energy and Climate Change (Chris Huhne): The Government have committed to reduce UK emissions by 34% by 2020. The Committee on Climate Change confirmed on 30 June that we are on track to meeting this target. Internationally, the Government remain committed to moving to a 30% EU target. I have had numerous discussions with my EU colleagues and a wide variety of stakeholders in recent months on the importance of the EU low-carbon transition, including a move to 30%.

Miss McIntosh: Given the agreement, and the ambition of the targets, what reassurance can the Secretary of State give the House today that businesses will be able to meet those targets without incurring ever higher energy bills or having to pass on the costs to their consumers, who might not be able to afford them?

Chris Huhne: We are working hard with the Department for Business, Innovation and Skills on a package to help energy-intensive industries to ensure that, for example, when we build much of the important energy infrastructure that we are going to be building over the next 10 years, the demand for steel and aluminium stays in the United Kingdom. That is a crucial part of what we are doing. My hon. Friend should not forget that we are also seeking an enormous increase in demand for British manufacturing as a result of the need to replace our energy infrastructure, and that investment levels will be running at double the normal level. That will give an enormous shot in the arm to manufacturing.

Fiona O'Donnell (East Lothian) (Lab): The Government are facing both ways on this issue. Can the Secretary of State tell me whether the Tory MEPs who last week voted against an increase to 30% in the EU commitment to reducing emissions by 2020 are part of the "greenest Government ever"?

Chris Huhne: Perhaps it is now the policy of Labour Members to incorporate Members of the European Parliament into this Chamber, but until that happens—

Chris Bryant (Rhondda) (Lab): Well, you got in here!

Chris Huhne: I got in here separately on the basis of an election. Let me point out to the hon. Member for Rhondda (Chris Bryant) that when I left the European Parliament to come here, I remember keeping a league table on the three main parties in this Chamber whose MEPs agreed with the policy at Westminster, and I am not at all sure that my Conservative colleagues would be the most embarrassed by it. On a number of occasions, then and now, Labour MEPs do not necessarily take the same line as Labour Members in Westminster.

Energy Supply (Decarbonisation)

6. **James Morris** (Halesowen and Rowley Regis) (Con): What estimate he has made of the number of jobs which could be created as a result of his plans for decarbonisation of energy supply. [64269]

The Secretary of State for Energy and Climate Change (Chris Huhne): The Government have not estimated the impact of the decarbonisation of energy on employment levels, but we have substantial opportunities—for example, offshore wind has the potential to employ a further 70,000 workers by 2020, bringing benefits to the UK of £6 billion to £8 billion a year. About 16 GW of new build nuclear could create up to 30,000 new jobs and equates to investment of around £50 billion, with the construction of each reactor delivering investment equivalent to that for the 2012 Olympics. We should not forget either the impact of the green deal in the current Energy Bill, which is forecast to increase the number of jobs in the insulation sector from 27,000 to 100,000 by 2015. This is a jobs-rich, green-growth programme.

James Morris: While I welcome the potential for new jobs in the green economy, does the Secretary of State agree that we need to strike a balance between generating new jobs and protecting jobs in the existing manufacturing sector, especially in the black country, part of which I represent, which has manufacturing businesses with high-energy intensiveness—Somers Forge being one particular example? Does he agree that we need to strike a balance so that we do not undermine the competitiveness of our manufacturing industry?

Chris Huhne: I absolutely assure my hon. Friend on that. As I mentioned previously, we have a working group with BIS looking exactly at what help is necessary for the energy-intensive industries. It is also worth pointing out that, particularly when we are emerging from such a deep recession, it is jobs in new industries, rather than merely the recovery of the old industries, that tend to drive the overall recovery. That was the story of the 1930s: we did not regain our prosperity by reversing the declines that had happened in the old industries that had caused the recession; we built entirely new industries. The low-carbon goods and services industry offers us enormous potential in that respect.

Albert Owen (Ynys Môn) (Lab): To consolidate and maximise the benefits of the low-carbon economy, does the Secretary of State agree that rather than having a broad concept of enterprise zones, we actually need to create energy zones so that we can maximise the skills base in those areas and transfer the skills from existing downgraded industries into the energy sector?

Chris Huhne: The hon. Gentleman is absolutely right that industries that share a skills base and a knowledge base often tend to cluster. As I understand it, however, that is not the enterprise zone concept. It is certainly the case that, through the ports infrastructure improvement programme, for example, we are encouraging the clustering of some of the new technologies in offshore wind and elsewhere.

Community Energy Projects

7. **Chris White** (Warwick and Leamington) (Con): What steps he is taking to promote community energy projects in co-operation with public sector organisations. [64271]

16. **Paul Flynn** (Newport West) (Lab): What recent steps he has taken to support community renewable energy projects. [64280]

The Minister of State, Department of Energy and Climate Change (Gregory Barker): The coalition agreement includes a strong commitment to encourage community ownership of renewable energy projects. We have taken a range of steps to deliver on this commitment. These include removing barriers to the development of community energy projects, setting up a website to provide practical support to communities and working directly with local government to promote best practice.

Chris White: In my constituency, Warwick hospital and Community Energy Warwickshire, a local social enterprise, have teamed up to put solar panels on the hospital's buildings. Given the amount of property owned by the public sector, does my hon. Friend not agree that we should do everything we can to encourage this kind of partnership? Will he meet members of Community Energy Warwickshire and Warwick hospital to see how we can replicate this kind of project across the country?

Gregory Barker: I would be delighted to meet my hon. Friend and his constituents. This is exactly the kind of project delivered through exactly the kind of partnership that we need to see more of. The coalition is working on a programme including a range of measures to ensure that we drive this forward. I look forward to explaining those in detail to my hon. Friend when I meet him and his constituents.

Paul Flynn: How can community energy projects be advanced if the Minister's Department is collaborating with the nuclear industry to lie about the true effects of Fukushima, as described in leaked e-mails published by *The Guardian*? Is it true that an official in his Department wrote to EDF and the other companies saying, "We must get in, and we must make sure that the anti-nuclear chaps and chapesses do not fill the space with the truth"?

Gregory Barker: I simply do not accept the hon. Gentleman's comments. I have absolute trust in my Department, and the suggestion that there has been some Fukushima cover-up is absurd nonsense.

Luciana Berger (Liverpool, Wavertree) (Lab/Co-op): Far from being a champion of community energy projects, the Government seem to be intent on punishing them. In June the Minister cut feed-in tariff funding for schemes generating more than 50 kW. The Secretary of State said a moment ago that he wanted to make feed-in tariffs affordable, but cutting them for medium-scale school, hospital and community projects makes them unviable.

The Minister is aware that we disagree fundamentally with his decision, and our view is shared by the solar industry. Howard Johns, chairman of the Solar Trade Association, has said that the move would cripple the UK's fledgling solar panel industry, adding:

"Crushing solar makes zero economic sense for UK plc because it will lose us major manufacturing opportunities, jobs and global competitiveness."

This is yet another example of Government policy damaging our economy and cutting support for industry, rather than generating jobs and growth. Will the Minister admit that he got it wrong, and that he should think again?

Gregory Barker: The people who got it wrong were the people in the Labour party who were in government and created this programme. They know full well that the model was fundamentally not fit for purpose. The hon. Lady and her Front-Bench colleague, the hon. Member for Hackney South and Shoreditch (Meg Hillier), decline to name a figure, but how much more money would they pump into a scheme that would be paid for from people's bills?

If we had left the scheme unreformed, more than £3 billion would have been added to the cost in the form of high subsidies. We are committed to rolling out solar energy, which is a dynamic technology of the future, but we must do it responsibly. We cannot do it by providing the open-cheque subsidies that would be encouraged by the irresponsible attitude of Opposition Front-Benchers.

Electricity Market Reform

8. **Zac Goldsmith** (Richmond Park) (Con): What recent assessment he has made of the potential contribution of demand-side measures to electricity market reform. [64272]

The Minister of State, Department of Energy and Climate Change (Gregory Barker): Demand-side measures have huge potential to help us to reduce emissions and cut costs. The coalition's green deal will be the most ambitious demand-side programme since the second world war, but we must go even further. Our proposals for energy market reform will drive radical new ways of reducing demand on an industrial scale, and will allow demand reduction measures to compete on an equal footing with new generation for the first time.

Zac Goldsmith: I am hugely encouraged by the Minister's answer. Will he bring forward detailed proposals on how energy efficiency will be supported by the EMR? Knowing, as he does, the importance of EMR and of public finance, emissions reductions and energy security, will he commit himself to pressing for the maximum possible ambition?

Gregory Barker: I can assure my hon. Friend, who is an expert on these matters, that there will be the maximum possible ambition in the EMR documents that we will publish next week, but there is much more work to be done. We will need to consult the industry. Demand reduction is not like alternative forms of energy generation. We are creating a new model, and different types of indices and accounting will be necessary. We will need a robust system of measurement as well as the market mechanism. I have absolutely no doubt that we can crack it, and I can assure my hon. Friend of our ambition and determination to do so.

Mr Mike Weir (Angus) (SNP): Last week I received my gas bill, which showed that my consumption had been 25% lower than it had been during the same period last year. At the same time, however, the direct debit payments requested by the company were rising substantially. How confident is the Minister that demand-led measures will help hard-pressed consumers?

Gregory Barker: I congratulate the hon. Gentleman on his heroic efforts to reduce consumption. He is right: the best way of ensuring less exposure to rising gas prices, oil prices and fossil fuel prices generally is to reduce consumption. The green deal—the most ambitious roll-out of home energy efficiency since the second world war—will be a massive bonus for all our homes, and we hope to have applied it to 26 million homes by 2030.

Energy Saving Trust

9. **Meg Munn** (Sheffield, Heeley) (Lab/Co-op): What assessment he has made of the performance of the Energy Saving Trust; and if he will make a statement. [64273]

The Minister of State, Department of Energy and Climate Change (Gregory Barker): The Energy Saving Trust has helped to deliver substantial carbon savings and has assisted in Government energy efficiency objectives. However, the step change in ambition that will come with the roll-out of the green deal will include the Government ending dependence on just one monopoly provider and opening up the market for advice and best practice to dynamic competition.

Meg Munn: I agree that the Energy Saving Trust has done great work. It has been publicly funded and it has provided a lot of advice and resources for people, so why will the Minister not ensure that all that publicly funded advice and resource information published to date continues to be available to the public through an organisation that will become a social enterprise?

Gregory Barker: There will continue to be publicly funded information, particularly on the green deal. We believe that the public should get the very best information and that the way to achieve that is by opening up the provision of advice to competition, rather than by just continuing with one monopoly provider. The Energy

Saving Trust has done good work in the past, and we certainly anticipate that it will be part of the tender for the new provision of advice under the green deal.

Domestic Energy Bills

10. **Gregg McClymont** (Cumbernauld, Kilsyth and Kirkintilloch East) (Lab): What recent discussions he has had on domestic energy bills with representatives of the six largest energy companies. [64274]

20. **Bill Esterson** (Sefton Central) (Lab): What recent discussions he has had on domestic energy bills with representatives of the six largest energy companies. [64284]

21. **Barbara Keeley** (Worsley and Eccles South) (Lab): What recent discussions he has had on domestic energy bills with representatives of the six largest energy companies. [64285]

The Secretary of State for Energy and Climate Change (Chris Huhne): Department of Energy and Climate Change Ministers and officials regularly meet energy suppliers to discuss market issues, and this afternoon I will be hosting an energy summit for small, non-big six suppliers, to discuss the barriers they face to competing in the market, with a view to making sure it is as easy as possible for them to enter it.

Gregg McClymont: Bringing the Secretary of State back to the issue of the big six energy companies, do they do enough to make vulnerable customers aware of their potential eligibility for a social tariff, and if they do not do enough, what will the Government do to make sure vulnerable customers are made aware of their potential eligibility?

Chris Huhne: The hon. Gentleman raises an important question, especially as we approach the winter months. As he may know, we have put the warm homes discount scheme on a legislative basis and it is absolutely crucial that our targeting efforts continue. We are doing a lot of work, not least with the Department for Work and Pensions, to try to ensure that we can identify the people who will be most in need, and of course the green deal, which will start next year, will prioritise those in fuel poverty so that we tackle the root causes of the problem and do not merely seek to apply a sticking plaster—

Mr Speaker: Order. We are grateful to the Secretary of State for his answer.

Bill Esterson: The Secretary of State did not answer the point about the big six, so I will give him another chance. We have some of the highest energy prices in Europe. What action is he taking with the big six to ensure that electricity and gas prices in this country are fair for those whose living standards are being squeezed by his Government?

Chris Huhne: The hon. Gentleman is incorrect about the comparison with other European countries' electricity and gas prices. In fact, in both cases our prices are among the lowest. They could certainly be lower, and I am determined to try to make sure that we have the maximum competition in the market, because in my experience that is always the best guarantee that the consumer will get the best deal. That is why we want more companies to enter the market, and the electricity market reform will encourage more market entrants on the generator side. That is also why in the long term—

Mr Speaker: Order. I think we have got the thrust, and we are very grateful, but we must have shorter answers. Exchanges are taking too long.

Barbara Keeley: The charity Age UK predicts that rising energy bills will take 250,000 more pensioners into fuel poverty, and those pensioners are under-heating their homes by rationing their consumption of fuel and thereby increasing their exposure to potential ill health, misery and depression. What action will the Secretary of State take to ensure that gas and electricity prices are fairer, something that the Prime Minister promised those pensioners?

Chris Huhne: As I said in a previous answer, we are doing two very practical things. One is providing the warm homes discount and ensuring that it is made available to those most in need; the other is ensuring that we tackle the root causes of these problems. Another key issue for anyone facing high energy bills is the need to switch, as I have been trying to encourage them to do. As the hon. Lady may have noticed, customers of the big six who are already on dual fuel direct debit accounts could have saved between £160 and £200 in 2010 merely by getting on to the cheapest tariff available at the beginning of the year.

Sir Robert Smith (West Aberdeenshire and Kincardine) (LD): But for people to make the savings they need to understand what they are being charged. Does the Secretary of State think that there could be improvements to and reductions in bills and that the market could be opened up if there was more clarity on the tariffs available and less confusion about what things were going to cost?

Chris Huhne: I entirely agree with my hon. Friend, and what he describes is one of Ofgem's objectives in tackling this issue. It is also one of the objectives we are introducing in legislation: we want to ensure that people can see on their bill that there will be a clear alternative with the same supplier at the cheapest tariff.

Jo Swinson (East Dunbartonshire) (LD): The big six seem very quick to put prices up, but they act much more slowly to reduce their prices when wholesale prices fall. There are alternatives out there, such as the social enterprise Ebico, which supplies energy on a not-for-profit basis. What more can the Secretary of State do to make customers aware that they do not need to stick with the big six if they are being ripped off?

Chris Huhne: The key is to encourage people to act. At the moment 99% of people are with the big six, and they are very unlikely to look at alternatives and to switch. If we can get people to look more comprehensively on a regular basis at alternatives, substantial savings can be made, and we can drive greater competition, we can simplify bills, we can bring more new entrants into

the market, we can make sure that Ofgem is keeping that market under review and we can give the best possible deal to British consumers.

Meg Hillier (Hackney South and Shoreditch) (Lab/Co-op): We have heard a lot of warm words from the Secretary of State today, and before the election the Prime Minister made promises about what he would do to tackle energy price increases if he got into power. We have seen these huge price increases, and customers are rightly confused and angry, so what is the Secretary of State going to do right now to tackle this problem? The electricity market reform is all very well, but we could deal with issues relating to doorstep selling and smart meters. There is action that he could take now, so I would like to hear what he is planning to do to help consumers today.

Chris Huhne: As the hon. Lady knows, much of what we can do takes time, but we have already, in just over a year in government, moved to legislate on the warm homes discount. That means that we will be providing a legal underpinning for the scheme which will help our poorest consumers and those most at risk in fuel poverty. We are also moving on energy saving and moving to increase competition in the market. We are trying to provide assurance and an increased ability to switch, and to simplify tariffs. That is quite an agenda, and none of it was being undertaken by the previous Government.

Energy Efficiency (Housing)

11. **Hugh Bayley** (York Central) (Lab): What steps he plans to take to increase energy efficiency in housing. [64275]

The Minister of State, Department of Energy and Climate Change (Gregory Barker): The green deal is our ambitious new programme to transform energy efficiency in housing and in small and medium-sized enterprises. From late 2012, home owners, landlords and tenants will be able to install energy efficiency at no up-front cost, with repayments coming from their energy bill savings. Alongside the green deal, the energy company obligation will offer targeted support to the fuel poor and hard-to-treat homes.

Hugh Bayley: On 30 June, the Committee on Climate Change published its third report to Parliament, saying the following about emissions from residential buildings:

> "Implementation of measures slipped in 2010. There will be a need for a significant acceleration in the pace of emissions reduction if indicators and carbon budgets are to be achieved".

Will the Secretary of State therefore table an amendment to the Energy Bill before the summer recess to produce a statutory strategy to ensure that these targets are met?

Gregory Barker: The hon. Gentleman is absolutely right: not only did we slip slightly last year in the final throes of the regime that we inherited from the previous Government, but if we had carried on at the rate of progress of the previous Labour Government it would have taken 80 years to retrofit homes to the standard that we hope to achieve in two decades. We will certainly be linking the green deal to our commitments in the climate change legislation, and that is an amendment that we introduced and is included in the Energy Bill.

Joan Ruddock (Lewisham, Deptford) (Lab): Despite my best endeavours when I was in the Minister's job, Londoners received only 5% of the insulation jobs and of the carbon emissions reduction target, even though they make up 15% of the population of England. Will the Minister now introduce a regional obligation on energy companies so that Londoners get a green deal and not a raw deal?

Gregory Barker: The right hon. Lady is right. Unfortunately, the programmes we had under the previous Government were ineffective, particularly in London. We are transforming that with the green deal and the energy company obligation and we shall certainly ensure that the roll-out of energy efficiency measures under the coalition is much fairer and much more ambitious than we saw under the previous Government.

Luciana Berger (Liverpool, Wavertree) (Lab/Co-op): Yesterday, a report by uSwitch showed that fuel poverty levels in the UK are spiralling, with 6.3 million households—almost a quarter of all UK homes—now classed as being fuel poor. That highlights the urgent need for energy-efficiency improvements coupled with support from Government. However, in the past year the Government have systematically scrapped support for fuel poor households. We have seen Labour's Warm Front scheme cut, winter fuel payments reduced by up to £100 and the rejection of many Energy Bill amendments that would have provided extra support to—

Mr Speaker: Order. I am sorry, but we must have a one sentence question straight away.

Luciana Berger: Will the Minister tell us how he will get a grip on this out-of-control fuel poverty situation?

Gregory Barker: The hon. Lady is absolutely right. She will know that under the final five years of the Labour Government, the number of those in fuel poverty rose from 1.5 million to more than 4 million—an absolutely catastrophic record bequeathed to the coalition. We will turn that around with the most ambitious energy-efficiency programme since the second world war and a far more effective way of delivering help to the fuel poor.

Wind Turbines

12. **Chris Heaton-Harris** (Daventry) (Con): What steps he plans to take in response to the recommendation to his Department from Hayes McKenzie on the adequacy of guidance to developers and local authorities on best practice in the assessment and rating of noise from wind turbines. [64276]

The Minister of State, Department of Energy and Climate Change (Charles Hendry): The Hayes McKenzie report was published in June and included a range of recommendations. The Institute of Acoustics has agreed to a request from me to set up a working group to take forward these recommendations and develop advice for communities, developers and planners on how best to assess the noise impacts of proposed wind farms in a consistent manner.

Chris Heaton-Harris: I thank the Minister for his reply. Footnote 34 of that report stated that the noise regulations were "inconsistently applied" and recommended better guidance on best practice for developers and planning authorities. Supposedly, the Government are working with the industry to draft that. Until the Government issue that guidance, developers across the UK are taking advantage of the confusion. When will we finally get these recommendations?

Charles Hendry: We have asked the Institute of Acoustics, because of its professionalism in this area, to consider things on a case-by-case basis rather than waiting until the entire report is complete so that we can have as much clarity and consistency as possible at the earliest possible stage.

Lindsay Roy (Glenrothes) (Lab) *rose—*

Mr Speaker: Order. The hon. Gentleman is asking Question 15.

Carbon Capture and Storage

15. **Lindsay Roy** (Glenrothes) (Lab): When he expects to announce a timetable for the additional carbon capture and storage demonstration projects. [64279]

The Minister of State, Department of Energy and Climate Change (Charles Hendry): We expect to launch an accelerated process for the selection of further CCS demonstration projects by the end of the year, when we will set out a detailed timetable. I cannot wait to hear the hon. Gentleman's supplementary question.

Lindsay Roy: I thank the Minister for his response and, indeed, for his reduced emissions.

The Government's claim to be the greenest ever is quickly unravelling. Carbon capture and storage is vital in tackling climate change and to the security of future energy supply, so why are the Government dragging their feet on these vital developments?

Charles Hendry: I simply do not recognise that description. We have given more money than any Government anywhere in the world to a single carbon capture project—£1 billion—and we have the most ambitious programme: when countries such as Norway and Holland are letting theirs slip backwards, Britain's is still on track. We aim to deliver four projects by 2020, and the hon. Gentleman should celebrate that success because of the jobs it will bring to his constituents, among others.

Carbon Floor Price Mechanism

17. **Jessica Morden** (Newport East) (Lab): If his Department will undertake an impact assessment of the effect of the carbon floor price mechanism on the competitiveness of energy-intensive industries. [64281]

The Minister of State, Department of Energy and Climate Change (Gregory Barker): An assessment of the impacts of the carbon price floor on energy intensive industries is given in HMRC's tax information and impact note, published alongside the Budget. Electricity bills for an average energy-intensive business are estimated to increase by 2% and 6% in 2013 and 2016 respectively as a result of the carbon price floor. However, in the late 2020s electricity bills will be between 2% and 5% lower than would otherwise have been the case.

Jessica Morden: Will the Minister outline what specific issues the Government are considering to prevent energy-intensive industries, such as the steel industry in my constituency, from being disadvantaged in comparison with their global competitors by policies such as the carbon price floor?

Gregory Barker: As the hon. Lady knows, we are meeting not just the steel manufacturers, such as those in her constituency, but a range of energy-intensive industries. I will be meeting the chief executives of several before the House rises for the recess. We are considering a range of measures in conjunction with the Treasury and the Department for Business, Innovation and Skills, and in the autumn we will announce the result of that collaboration.

Energy Tariffs

18. **Tony Baldry** (Banbury) (Con): If he will take steps to simplify energy tariffs for consumers. [64282]

The Minister of State, Department of Energy and Climate Change (Charles Hendry): Ofgem has just consulted on initial proposals to simplify tariffs and reduce consumer confusion. We welcome Ofgem's proposals but we think consumers need better information to help them to take control of their consumption and costs, so we are taking forward proposals to require information on bills about a supplier's cheapest tariff and how the consumer's consumption compares with that of similar households.

Tony Baldry: Is that going to be this year or next year? When are we going to see simplified, clearer energy bills?

Charles Hendry: We are taking that power in the Energy Bill so that if that does not happen we will in any case have the power within the next few months to deliver on that commitment.

Biogas Technology

19. **Dr Daniel Poulter** (Central Suffolk and North Ipswich) (Con): What assessment he has made of the potential long-term benefits to the economy of expenditure on biogas technology. [64283]

The Minister of State, Department of Energy and Climate Change (Gregory Barker): The coalition Government are committed to increasing substantially the generation of renewable electricity and heat from waste through anaerobic digestion as well as through advanced conversion technologies such as gasification. Energy from a range of waste products contributes to reducing emissions, enhancing energy security and creating green jobs.

Dr Poulter: Anaerobic digestion has a number of advantages over other renewable energy technologies. It is generated constantly and can be stored in the grid in the form of gas, but people are having specific problems

getting through the planning process to support the development of anaerobic digestion plants. What can the Minister do to help with this?

Gregory Barker: Obviously, planning per se is a matter for the Department for Communities and Local Government, but we are keen that where any renewable energy installation occurs in a local community, the local community should share in the wider benefits and the financial benefits, helping them to retain some of the business rates in their community and potentially to take ownership of those assets through community share ownership. There is a whole range of community benefits, but we need to do a better job of explaining them to local residents.

Underground Coal Gasification

22. **Chi Onwurah** (Newcastle upon Tyne Central) (Lab): What steps he is taking to provide support for underground coal gasification. [64286]

The Minister of State, Department of Energy and Climate Change (Charles Hendry): The Government recognise the potential of underground coal gasification, but the technology is still in its early stages. Our view is that as a carbon capture option it is not a priority to pursue at present. The Coal Authority has lead responsibility, as the freehold owner of our national coal resource, and we continue to monitor developments in the sector.

Chi Onwurah: Newcastle university in my constituency has spun out a start-up, Five-Quarter, to pioneer coal gasification. As the Minister will know, 75% of Britain's coal reserves are still deep underground, much under the North sea. There is potentially more energy there than in all the natural gas so far extracted from the North sea, so should not the Minister be doing more to help to support this pioneering work?

Charles Hendry: I would be very grateful if the hon. Lady would bring those people from the university to meet me to talk about the work they are doing and how that resource can be developed more effectively. In the past couple of years, 14 licences have been granted for areas close to the shoreline. This is a technology we are keen to watch, but I would be very grateful to learn from the university's expertise.

Topical Questions

T1. [64289] **Margot James** (Stourbridge) (Con): If he will make a statement on his departmental responsibilities.

The Secretary of State for Energy and Climate Change (Chris Huhne): Since the last departmental Question Time, the Energy Bill has completed its Committee stage. Yesterday, we announced that Whitehall carbon emissions have been cut by nearly 14% in one year: the Department of Energy and Climate Change achieved an impressive reduction of 21.3% and was only just pipped at the post by the Department for Education. We have also revealed the simplification proposals for the carbon reduction commitment and climate change agreements. We have responded to the Committee on Climate Change's third annual progress report to Parliament, as required under the Climate Change Act 2008, and the fourth carbon budget, covering the period from 2023 to 2027, is now law.

Margot James: There are many energy-intensive companies across the black country producing high-value items for export all over the world. Those companies, which I would not call old industry, are concerned about the carbon price floor and rising energy costs. Can my right hon. Friend advise whether the joint working group between the Treasury, the Department for Business, Innovation and Skills and his Department will meet representatives of the chemicals and aluminium industries to hear their concerns?

Chris Huhne: I can assure my hon. Friend that I met representatives of the aluminium industry very recently and that we have a regular programme of meeting companies from energy-intensive industries. Indeed, I have also had contact with trade union representatives from energy-intensive industries. We want to see a solution that will ensure those industries are able to thrive within the United Kingdom—she can have my absolute assurance on that. As my colleagues have pointed out, there are discussions under way between BIS, the Treasury and us on this.

Meg Hillier (Hackney South and Shoreditch) (Lab/Co-op): The green economy road map was promised in April. Where is it?

Chris Huhne: The green economy road map is under way in the Green Economy Council. It is very important that we get that process of work right, and the hon. Lady will know that getting a cross-governmental road map right is not always the easiest process, but I can assure her that it is under way and that she will be put out of her misery shortly.

Meg Hillier: Whenever the right hon. Gentleman's Department has to work with other Departments, progress on green issues stalls. We have now learned that the flagship Energy Bill, which the Minister of State, the hon. Member for Wealden (Charles Hendry), has spoken about a great deal today, has been shelved. When will we see the Bill back in the House, and will it delay the start of the green deal?

Chris Huhne: Obviously the timing of the final stages of the Energy Bill is a matter for the business managers, but we are determined to hold to the October 2012 deadline for the launch of the green deal and are working to ensure that we meet it, despite the congestion we have faced in the House of Commons. I am grateful to the hon. Lady for encouraging us to come forward with further details of our policy and note that she is about to offer what has been billed as the first detailed insight into the Opposition's thinking on low-carbon policy at a green business event, which I am sure we all look forward to.

T2. [64290] **Andrew George** (St Ives) (LD): As Ministers will know, Cornwall has ambitions to become the green peninsula in the UK through renewable energy and therefore warmly welcomes the Government's proposed marine energy park. What progress has been made on that, what timetable has been set and will

Ministers ensure that the park provides the vital stimulus so that the wave hub can get going off the north coast of my constituency?

Chris Huhne: My ministerial colleagues have had regular meetings on this with the green energy programme board and are making good progress. We will continue the workstream to try to accelerate our commitment to low-carbon goods and services in the UK economy. It is a high-growth opportunity, and obviously Cornwall will play an important future role in that.

T5. [64293] **Ian Lavery** (Wansbeck) (Lab): Will the Minister confirm his support for the pioneering plans for underground coal gasification off the Northumberland coast, as described earlier by my hon. Friend the Member for Newcastle upon Tyne Central (Chi Onwurah), and agree to meet representatives from the Opposition, from Newcastle university and from Five-Quarter to seek support on the issue?

The Minister of State, Department of Energy and Climate Change (Charles Hendry): That is exactly the offer I made to the hon. Member for Newcastle upon Tyne Central (Chi Onwurah). I am keen for that meeting to be as wide as possible, and indeed happy for it to include the entire parliamentary Labour party. This is an important technology and we are keen to understand the expertise that the university has.

T3. [64291] **Dr Daniel Poulter** (Central Suffolk and North Ipswich) (Con): The Minister will be aware that farmers and parish councils across Suffolk are keen to contribute to reducing local carbon emissions and supporting renewable energy, but there is great concern about the divisiveness of onshore wind turbines in local communities. What other renewable energy measures is his Department keen to promote on a local level?

Chris Huhne: There is a whole range of technologies for renewable energy that are appropriate at local level, such as anaerobic digestion, which has already been discussed today. Furthermore, we have introduced £860 million to support a range of renewable heat technologies that will be significant for our future, including air source heat pumps and ground source heat pumps. However, I urge my hon. Friend not to take too jaundiced a view of onshore wind turbines. So far I am the only Member of the House who has been booed on "Any Questions" for pointing out that onshore wind turbines are beautiful, a view I hold to firmly and with which I hope other Members will agree.

T7. [64296] **Chris Bryant** (Rhondda) (Lab): Many people in Wales are excited about the possibility of shale gas transforming the welsh economy, but equally many of my constituents are worried that the chemicals that are pushed down into the ground will end up in the watercourse and that the fracking process, which has possibly already led to problems in Blackpool, might lead to real problems across the whole of the south Wales coalfield. What will the Minister do to reassure my constituents?

Charles Hendry: The hon. Gentleman raises a very important issue. There is potential for shale gas in the United Kingdom, but only one application is going forward, in the north-west, and that is on hold to see whether there is any link between the recent minor earth tremors there and the drilling process. We need to understand fully any issues with that. It is a legitimate technology, but the fluid is 99% water and the majority of the remainder is an inert soapy-type compound—

Several hon. Members *rose—*

Charles Hendry: So we have very strong environmental controls on those issues.

Several hon. Members *rose—*

Mr Speaker: Order. Ministers are rather testing the knee muscles of a number of right hon. and hon. Members who keep bouncing up and down.

T4. [64292] **Greg Mulholland** (Leeds North West) (LD): Leeds has a strong case to be considered for the green investment bank, and I look forward to discussing it next week with the Minister, but may I ask for some cross-departmental working? The Department for Business, Innovation and Skills announcement, which appeared to suggest that Leeds was no longer in the running, was not helpful, so can the Minister assure me that it is not a foregone conclusion that the bank will be in London ?

Chris Huhne: I can assure my hon. Friend that no decisions on the matter have been taken. He is absolutely right that BIS is the lead Department on it, but decisions are some way off and we have some work to do on scoping and on getting right the detail of the proposals before siting becomes salient.

Diana Johnson (Kingston upon Hull North) (Lab): In relation to the Humber ports, the Minister talked earlier about the £60 million that is available for the development of green energy on the portside, but that was an announcement by the previous Labour Government of course. In terms of the job opportunities for my constituents, can he explain the targeted assistance that will be available to Hull?

Charles Hendry: The difference we have made is that that funding is linked specifically to manufacturing projects, rather than to speculative improvements in ports. In addition, £70 million has been brought forward in Scotland, and there will be perhaps more in Wales, so we are very keen to see specific projects. Siemens is looking at the opportunities on the north side of the Humber in Hull, where very good progress is being made, and there will be a fixed formula for establishing exactly how much Government support is going to be available for private sector investment.

T6. [64294] **Gordon Henderson** (Sittingbourne and Sheppey) (Con): What is my right hon. Friend doing to encourage the Danish company Vestas to build a wind turbine factory in my constituency?

Chris Huhne: I thank my hon. Friend for that question. I am very keen to see Vestas come back to the UK market as a manufacturer. I remember visiting its plant on the Isle of Wight some years ago, and it had a manufacturing facility in Woolston close to my constituency.

The fact that it is looking at re-establishing itself in the UK is enormously encouraging, and we are in conversations with the company. Clearly, Sheerness as a site is not an assisted area and therefore would not benefit from the subsidies that have been found for assisted areas, but it has other advantages, of which I am sure Vestas is well aware from its discussions with my hon. Friend, and I very much hope that it takes that decision to go forward.

Tom Greatrex (Rutherglen and Hamilton West) (Lab/Co-op): The Secretary of State, in one of his lengthy answers to his interviewer on the "Today" programme, waxed lyrical about the potential of wave and tidal energy. Will he therefore explain why the earmarked amount from the development fund has been reduced from £50 million to £20 million, which green energy specialists have described as a drop in the ocean and completely inadequate?

Chris Huhne: The hon. Gentleman should be aware that that is new money, which will be spent—unlike some allocations that were made under the previous Government. We are very committed to bringing forward such early-stage technologies, which are going to be part of our future, and I have been very keen to see for myself the progress that has been made, particularly on wave projects.

T8. [64297] **Mr Edward Timpson** (Crewe and Nantwich) (Con): By 2012, Bentley Motors in Crewe in my constituency will have made 100% of its range compatible with renewable fuels, reducing its CO_2 emissions by at least 15%. Will my hon. Friend visit the Bentley site to see how that and other investment is helping to reduce the impact on the environment, and to discuss what further support his Department may be able to offer?

Charles Hendry: I was very pleased to have the chance earlier this week to talk about those issues with Bentley, which is of course a world-class engineering company based in my hon. Friend's constituency. I shall be in touch with his office later today to fix a visit in the coming weeks.

Mr Dennis Skinner (Bolsover) (Lab): Will the Secretary of State reflect further on the anaerobic digester plants that are close to and in built-up areas? Is he aware that the stuff being carried by lorries trundling through the village of Whitwell in my constituency is not the green deal but brown and stinks to high heaven? What does he have to say to the people there?

Chris Huhne: I thank the hon. Gentleman for his question. The more I do this job, the more I realise that there is not a single energy source, whether it is anaerobic digesters, wind turbines or nuclear power, or indeed fracking with shale gas, that does not involve concerns and worries. It is our job to make sure that those are minimised, and we want to ensure that his constituents suffer the minimum disruption to their lives in built-up areas.

T9. [64298] **Mr Steve Brine** (Winchester) (Con): I thank the Minister for giving his time earlier this week to meet the GreenWin organisation from my constituency. He will have noticed that it stands well prepared for green deal roll-out in my part of the world. Will he keep at the forefront of his mind at all times the fact that it is not only these big society organisations that will make the green deal a success, but the small value-added services that can be offered to make energy efficiency possible for many of our constituents—services such as basic loft clearance, which he knows could be a deal breaker?

The Minister of State, Department of Energy and Climate Change (Gregory Barker): I was delighted to meet my hon. Friend and GreenWin, which is an excellent organisation whose expertise is now radiating beyond his constituency. He is absolutely right. Many of the barriers to the green deal and take-up of energy efficiency are not just financial but involve practical measures such as clearing the loft. A community response to overcoming those barriers is often the very best way. My officials will be working to see how we can spread the expertise of GreenWin right across the country.

Nia Griffith (Llanelli) (Lab): An observant constituent of mine noticed on a very sunny day that he was getting nothing back for the electricity he was generating from his solar panels. Luckily the problem—it was a grid problem—has now been resolved by Western Power. What is the Secretary of State doing to ensure that the infrastructure across the country is adequate to take on all the electricity, especially in areas where solar panels have become very popular, and to make absolutely sure that those people are able to get the feed-in tariff that they are generating?

Charles Hendry: Part of the solution to this is the rolling out of smart grids, which will measure two-way flows of electricity and therefore give an absolutely precise reading of what is being put into the grid. We are taking forward that programme, and we have already shaved a year off the time scale that we inherited from the previous Administration because of the many benefits that it will bring.

Sarah Newton (Truro and Falmouth) (Con): Will my hon. Friend update the House on what recent actions he has taken to ensure that the problems encountered last winter by constituents of mine who heat their homes with fuel oil will not be repeated this year?

Charles Hendry: My hon. Friend is absolutely right to raise that at this time of the year, because this is when we need to be planning for the winter. The Office of Fair Trading is investigating the matter. I have asked for its report to be completed by the early autumn so that we can decide exactly what measures need to be introduced to make sure that the problems of last winter are not repeated.

Gavin Shuker (Luton South) (Lab/Co-op): I am sure that a Minister as progressive and forward thinking as the Secretary of State is convinced by the arguments put forward by those who advocate double summer time. What efforts is he making to reduce carbon emissions by following this approach and speaking to his Cabinet colleagues about the issue?

Chris Huhne: I was quite intrigued by the whole issue of double summer time because I, perhaps like the hon. Gentleman, thought that it was a bit of a silver bullet

and an easy solution. Unfortunately, it turns out that there are more complications, not only north of the border but certainly there, and that the extent of the carbon reductions is not as clear cut as it may appear. However, it is a matter not for my Department but for the Department for Business, Innovation and Skills.

Mr Speaker: Last but not least, I call Tessa Munt.

Tessa Munt (Wells) (LD): Sir Michael Pitt from the Infrastructure Planning Commission, supported by the Department, requested a fair, independent and transparent report on the cost of undergrounding and any alternative to cables and pylons. Now that KEMA has been sacked, the Institution of Engineering and Technology cannot endorse a report because there is not one. National Grid is implicated for not providing the figures that are necessary for whole-life costs. The public are left with buried figures rather than buried cables. What can the Minister do to get information on costs available to people before the development consent applications have been received by the IPC?

Chris Huhne: I am grateful to my hon. Friend for her question. She is a particularly doughty campaigner on this issue, and I am aware of how significant it is in Somerset. All I can say is that we will try to be as open as possible about all the information. If we have in any way failed to be open, I ask her to get in touch and we will make sure that we are being so. My understanding is that the costs of undergrounding are roughly 10 times as high as the costs of pylons, and that pylons are going to be quite important.

Business of the House

11.34 am

Hilary Benn (Leeds Central) (Lab): Will the Leader of the House give us the forthcoming business?

The Leader of the House of Commons (Sir George Young): The business for the week commencing 11 July will include:

MONDAY 11 JULY—Consideration of Lords amendments to the European Union Bill, followed by motion to approve European documents relating to rights and protection of victims.

TUESDAY 12 JULY—Motion relating to the retirement of the Clerk of the House, followed by Second Reading of the Public Bodies Bill [*Lords*], followed by if necessary consideration of Lords amendments.

WEDNESDAY 13 JULY—Consideration of Lords amendments to the Fixed-term Parliaments Bill, followed by Opposition day [20th allotted day] [Half day]. There will be a debate on an Opposition motion. Subject to be announced.

THURSDAY 14 JULY—Consideration of an allocation of time motion, followed by all stages of the Sovereign Grant Bill.

The provisional business for the week commencing 18 July will include:

MONDAY 18 JULY—Motions relating to national policy statements. Motion to approve the appointment of the Parliamentary Commissioner for Administration and Health Service Commissioner for England.

TUESDAY 19 JULY—General debate on matters to be raised before the forthcoming Adjournment, as nominated by the Backbench Business Committee.

I applaud the Chair of the Backbench Business Committee for her award last night as *The House* magazine's Back-Bencher of the year.

Hilary Benn: I am grateful to the Leader of the House for that reply. May I join him in congratulating my hon. Friend the Member for North East Derbyshire (Natascha Engel) on her award?

Today, we remember the 52 victims of the 7 July bombings and their bereaved families. The terrible pain that they must still feel will be shared across the House. That anyone could have tried to exploit their raw grief to sell newspapers shows exactly why yesterday's debate was so important. The best way to uphold the kind of journalism that we respect is to root out the kind of journalism that none of us can stomach. I have, therefore, three questions to ask the Leader of the House.

The first is on the public inquiry, which must be judge-led. I welcome the Government's swift change of mind since the Deputy Prime Minister rejected an inquiry on Tuesday. When will we have a statement setting out how the inquiry will be established, who will chair it and what its powers will be? Can we be assured that it will cover the culture and practices that led to what happened, the nature of regulation, and the relationship between the police and the media?

Can we have an urgent statement from the Home Secretary? The Prevention of Corruption Act 1906 makes it an offence for anyone to pay money to a police officer or for any officer to receive it. The House wants to be assured now that whatever the current investigation reveals, including on the allegation that the Prime Minister's former director of communications sanctioned payments to police officers while he was at the *News of the World*, this practice is no longer happening anywhere. The Home Secretary has so far been conspicuous by her absence. It is time she came to the House to answer questions.

Can we have an urgent statement from the Secretary of State for Culture, Olympics, Media and Sport on the BSkyB bid? It was clear yesterday that the House will no longer accept the course of action that he has been intent upon. In the light of what has been revealed about the activities at News International, this matter must now be referred to the Competition Commission.

Last week, I asked for a statement by the Secretary of State for Transport on the award of the contract to build 1,200 Thameslink train carriages to Siemens. It turns out that at the same time as the Secretary of State for Work and Pensions was in Madrid telling British employers to give British jobs to British workers, his Cabinet colleagues were having to explain why they had given a contract for British trains to German workers. Instead of blaming the procurement process, the Ministers who took this decision need to explain what they propose to do, given that this week Bombardier announced that 1,429 skilled workers in Derby, long the proud home of train manufacturing in Britain, will lose their jobs. So much for all the Government's empty words about British manufacturing.

In welcoming the £38 million in British aid announced this week to help the millions facing starvation in the horn of Africa, may I ask for a debate on the food crisis affecting our fellow human beings there? The world cannot make it rain, but we can and must lend a hand.

May we have a statement on housing benefit from the Secretary of State for Communities and Local Government so that he can explain the letter that he authorised his private secretary to send to the Prime Minister's office in January? It revealed that the Government's housing benefit plans could make 40,000 people homeless, cut house building and end up not saving money but costing it. Yet while raising those "very serious practical issues" in private, the Communities Secretary was saying in public that he backed what the Government were doing.

The House also wants to know which Minister knew what and when about that information, which was clearly available back in January but was not revealed during the passage of the Welfare Reform Bill. Here is another policy that just has not been thought through. Only Conservative Ministers could come up with a housing policy that makes people homeless and costs taxpayers more.

Finally, may we have a debate on prime ministerial authority? Asked two weeks ago about the threat by his Tory MEPs to oppose tougher carbon emission targets, the Prime Minister promised the House that he would "work on" them. What happened? Such is his diminished influence that a majority of them simply ignored his pleas and voted against a binding 30% reduction this week.

I have a suggestion that might help. The next time Tory MEPs are rebelling on climate change, perhaps the Communities Secretary could offer to assist. Famous for his lecturing of local government about belt-tightening,

[Hilary Benn]

it seems that he has recently replaced his £20,000 fuel-efficient ministerial Prius with a £70,000 Jaguar. Perhaps he could offer to drive over to Strasbourg and remind his Tory colleagues just how important it is to cut carbon emissions.

Sir George Young: I am grateful to the right hon. Gentleman. The Deputy Leader of the House and myself travel almost everywhere by bicycle, so we are making our contribution to energy saving, and we have a very small carbon footprint between us.

May I begin with the serious issue that the right hon. Gentleman raised? Yesterday's debate marked a sea change in the House's perception of certain sections of the press, which I think reflects a much broader change in how the public now view the allegations. They have been made even worse by the allegations in the press today that the families of soldiers who have fallen had their phones tapped. It was a good debate, because the mover of the motion and many others who spoke from throughout the House understood and recognised that it was not a party political issue.

The Government are now looking at two inquiries. The first is on the specifics of the original police investigation and why it did not uncover some of the allegations that are now emerging, and the second is on the wider issue of media ethics, to which the right hon. Gentleman referred. There is a relationship between those two inquiries, which means that we will have to give careful thought to their terms of reference and their relationship with the ongoing police investigation. We will consult widely on the terms of reference, including with the Joint Committee on privacy, party leaders and the Cabinet Secretary. We want to get this right, and we plan to make an announcement to the House before Parliament rises for the summer recess. I will pass the right hon. Gentleman's questions on to the Home Secretary, who will be in the House today for Second Reading of the Police (Detention and Bail) Bill.

On BSkyB, as the right hon. Gentleman knows, the Secretary of State for Culture, Olympics, Media and Sport is acting in a quasi-judicial way, and it is quite right that he carries out his role in that manner without any interference from anyone else in the Government. As the right hon. Gentleman will know, my right hon. Friend was on the Treasury Bench for the debate yesterday and will have heard what the House said. Yesterday's debate was about newspapers not being above the law, and it is quite right that Ministers are not above the law either.

On Bombardier, the right hon. Gentleman sought to dismiss the way in which the procurement process was designed and initiated by the previous Government. As I have just said, newspapers are not above the law, but Ministers are not above the law either. We are bound by the criteria that the previous Government set out, and we must continue with the decision that has been made according to those criteria. Of course, any job losses are regrettable, but Bombardier had previously advised the Government that it expected to make 1,000 redundancies at this time, regardless of the outcome of the Thameslink procurement, as several of its existing orders had reached completion. Derby is a priority area for the European regional development fund under the east midlands programme. I understand that a large amount of the £6.6 million ERDF funding available for Derby to use for suitable projects is still available, and there are six bids from Derby for the regional growth fund.

Turning to the Department for International Development, the shadow Leader of the House will have seen the written ministerial statement by the Secretary of State for International Development on 6 July. He is holding a briefing on the horn of Africa at 5 pm this evening in room 15 and will update colleagues if they go along. The shadow Leader of the House will have seen in the ministerial statement that the Government have contributed help with food for 1.3 million Ethiopians for three months as well as helping to tackle the problem of hundreds of thousands of starving children.

The Secretary of State for Communities and Local Government has replied to the shadow Secretary of State and placed the letter in the Library. The letter deals with all the questions raised by the shadow Leader of the House. I note in particular that Secretary of State says that

"since it was written, the Government has said it will be looking at transitional arrangements for particularly hard cases. We are putting in a series of policy measures to assist local authorities with that transition, and to provide considerable financial support to tackle homelessness."

He goes on to say:

"I...hope Her Majesty's Opposition can support"

the benefit cap,

"not least since it was in the Labour Party's general election manifesto."

The matter of Conservative MEPs and climate change was covered in the exchange that just took place in Department of Energy and Climate Change questions. Of course, we are disappointed about the European Parliament vote, but I am sorry that when it came to voting on the amended report as a whole, Conservative MEPs mostly voted in favour, and Labour MEPs largely voted against.

Adam Afriyie (Windsor) (Con): On 12 May, the House tasked the Members' Allowances Committee to review the Parliamentary Standards Act 2009. I welcome the Leader of the House's support in doing so, but there is a motion on today's Order Paper that suggests, on the face of it, that the remit of the Committee should be restricted to looking at expenses. It looks that way, but I feel sure that that is not what the Leader of the House is seeking to do, and that he wants to ensure that a full review takes place. I just invite him, to save time this afternoon, to make it absolutely clear that the motion will not restrict the Committee from conducting a full review into all aspects of the 2009 Act.

Sir George Young: Following the debate that my hon. Friend initiated, we had informal discussions with him, and I tabled a motion earlier this week that, as I understood it, met all his concerns and provided the right remit. I was very sorry that the motion was blocked on two occasions, and of course, amendments to it have been tabled, which automatically blocks it. I cannot undertake to find time between now and the end of the Session to debate this particularly important issue. I very much hope that those who blocked the motion or tabled amendments to it will think again, and enable us to make progress and set up the Committee as it was originally envisaged.

Kate Hoey (Vauxhall) (Lab): When can we have a debate, and indeed some action, on the shocking situation whereby Sinn Fein MPs, who refuse to recognise this Parliament or Her Majesty the Queen, still get their huge allowances and travel expenses? When will we accept that if they will not accept this Parliament's rule, they cannot accept British money?

Sir George Young: The Government's view is that all hon. Members who have been elected to the House should take their place in it. We see no reason why that should not happen. As I said in business questions last week, my right hon. Friend the Secretary of State for Northern Ireland is having discussions with the parties in Northern Ireland with a view to bringing that unsatisfactory situation to a satisfactory conclusion.

Martin Vickers (Cleethorpes) (Con): The major development in my constituency—the South Humber gateway project—is delayed yet again by Government agencies, particularly Natural England, carrying out their duties within the planning process. Will the Leader of the House find time for a debate on the role of those agencies in planning, because it is causing severe problems, and we need the jobs?

Sir George Young: I announced a debate on Monday week on national planning statements, and it may be that the hon. Gentleman can intervene in that. Failing that, the Adjournment debate on the last day may be an appropriate opportunity for him to raise the matter at greater length.

Mr. Tom Harris (Glasgow South) (Lab): The Leader of the House has been extremely supportive in my many and varied disputes with the Independent Parliamentary Standards Authority and I am genuinely grateful to him for that. I copied him into my recent letter complaining that my constituency office rent for the last quarter of 2010, which was submitted in December, has still not been paid. Since then I have been asked by IPSA, on two occasions, to resubmit the same claim each with a different and fictional date attached so that the computer can cope with it. The situation is descending into a cross between a "Carry On" movie and a Kafka novel. If the Government are so keen to clean up the so-called mess left behind by the last Government, he could do an awful lot worse than clean up the mess that is the failed and failing organisation that is IPSA.

Sir George Young: I am sorry that the hon. Gentleman has been diverted from his serious duties of representing his constituents in this House by the issues that he has just described. I will raise it with IPSA later today and see whether we can resolve it. I draw to his attention, and to the attention of the House, the National Audit Office report on IPSA, which was published today and, I hope, will provide the basis for a more satisfactory relationship between the House and IPSA. The report refers to the "adversarial relationship" that has developed between IPSA and many MPs, and I hope that some of the recommendations in the report will enable us to move on to a more harmonious basis.

Nicholas Soames (Mid Sussex) (Con): My right hon. Friend will have noticed the rising tide of rivalry between the west and China. Does he agree that this presents a unique opportunity for the United Kingdom and her extraordinary, exceptional and unique network based in the Commonwealth to move into that space with the countries of the Arab spring and the African countries seeking prosperity and stability? Will he arrange time for a debate on this subject which touches on the future prosperity and success of this country?

Sir George Young: I am grateful to my hon. Friend and I will of course draw his remarks to the attention of the Foreign Secretary. Later this month, there is a Commonwealth Parliamentary Association conference, which may be an opportunity to raise the profile of the subject on a much broader plane. He is right that there is an opportunity to fill the vacuum, and I will draw his remarks to the attention of my right hon. Friend.

Mr Pat McFadden (Wolverhampton South East) (Lab): As my right hon. Friend the Member for Leeds Central (Hilary Benn) said, today is the sixth anniversary of the bombings on the London underground, and the victims and their families are in our thoughts. Can the Leader of the House tell us when the Government will bring forward their legislation to water down control orders and why his Government are so determined to introduce legislation that would give those who would aid and abet terrorism increased access to mobile phones and computers; put increased pressure on the security services by requiring them to increase surveillance; and place the public at greater risk?

Sir George Young: The right hon. Gentleman is right to remind the House of the bombings six years ago today, and our thoughts are with the families and friends of those who lost their lives. The issue that he raised is subject to legislation before the House in the form of the Terrorism Prevention and Investigation Measures Bill and I hope that he, or his colleagues in the other place, will have an opportunity to raise their concerns.

Robert Halfon (Harlow) (Con): Has my hon. Friend seen early-day motion 2037 about the disgraceful decision by *Diva* magazine to rescind a work placement that they had originally offered to Harlow college student Simone Webb on the grounds that she was not rich enough to afford her bus fare and did not have independent means?

[That this House notes that Simone Webb is a 17 year old Harlow College student hoping to study at Oxford University; further notes that she was offered a one month unpaid internship at DIVA magazine, but was later refused on the grounds that she hoped to be reimbursed just £5 transport expenses a day, and was told that DIVA was 'uncomfortable' offering her an internship as she was 'so young and without an independent budget of [her] own'; believes that barriers of this kind are a major threat to social mobility and that this is an outrageous example of internships being abused; and calls for DIVA magazine to pay reasonable transport expenses where it can, and to drop its discriminatory policy of refusing to employ people who lack 'an independent budget'.]

May we have an urgent debate on social mobility to ensure that work experience and internships are available to the many, not the few?

Sir George Young: My hon. Friend is right: internships should be available according to not who you know, but what you know. The House has set an example with the

[Sir George Young]

internships that have recently been announced. We are committed to social mobility and we encourage businesses to offer internships openly and transparently and to provide financial support to ensure fair access.

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab): Could the Leader of the House tell us what contingency provisions he has made for the House to return and have a debate in the event of a Greek default during the summer recess?

Sir George Young: There are always questions about recalling the House during the summer recess, but they are normally slighter closer to the recess. The hon. Lady raises an important issue. The issue of recall is a matter for the Government, after contacting Mr Speaker. If the situation arises, the Government will take the necessary steps to recall the House.

Mr Peter Bone (Wellingborough) (Con): I do not know if you tweet, Mr Speaker, but may I direct you to a person called "Mrs Jennie Bone" on Twitter, who is being followed by more than 100 people, including journalists and Members of Parliament? It is very interesting and amusing, but with one slight problem—it is completely bogus. This is a really important issue if people are taking other people's names and purporting to be them. While that person is saying funny things at the moment, they could put up something racist or pornographic at any time. So may we have a statement about people taking over other people's identity on the internet?

Sir George Young: You may not tweet, Mr Speaker, but I believe that you know somebody who does. My hon. Friend raises a serious issue about impersonation, and I wonder whether I might encourage him to take part in the debate that he has helped to organise on the last day before the recess, when there may be an opportunity to debate this at greater length and give advice to those who find themselves facing the same difficulty.

Grahame M. Morris (Easington) (Lab): I wonder whether the Leader of the House would agree to a debate in Government time on sector-specific support for the UK film and media sector. I raise that issue because I have a particular interest in promoting a scheme in my locality—the Centre of Creative Excellence in Seaham. The difficulty that we have is that the three pillars of support that were there previously—the regional development agency, Northern Film and Media and the UK Film Council—and grant aid through Durham county council have been withdrawn. We need to know how we can make progress on this and create 1,200 jobs and apprenticeships.

Sir George Young: I agree that we should do all we can to support the UK film and media industry, which is one of our success stories. There will be an opportunity a week today to raise this issue with the Department for Business, Innovation and Skills, in either an oral question or a topical question, but in the meantime, I will draw the hon. Gentleman's concern to the attention of my right hon. Friends so that they know where he is coming from.

Duncan Hames (Chippenham) (LD): May we have an urgent debate on media regulation, given that Ofcom declines to exercise the fit and proper person test in relation to News International despite certain *News of the World* reporters having been jailed for their actions in the course of their work and the testimony of its executives before Parliament having been seriously undermined by the revelations that we have witnessed this week?

Sir George Young: I understand what my hon. Friend says, and he may have seen the exchange that took place on 30 June, when my right hon. Friend the Secretary of State for Culture, Olympics, Media and Sport answered an urgent question. He said:

"Before coming to such a view"—

on the application before him—

"I will of course seek once again the advice of the independent external regulators."—[*Official Report*, 30 June 2011; Vol. 530, c. 1107.]

That includes Ofcom and, of course, the Office of Fair Trading.

Kevin Brennan (Cardiff West) (Lab): We need that urgent debate on the BSkyB/News Corp takeover because yesterday we had the ludicrous spectacle of the Culture Secretary communicating with the House of Commons by whispering in the ear of the Government's lawyer, as if he were on trial at the Old Bailey. Should not the Culture Secretary man up and take the stand himself by making an urgent statement today at the Dispatch Box?

Sir George Young: I think the hon. Gentleman is somewhat unfair. My right hon. and learned Friend the Attorney-General was intervening in a debate and speaking about his own responsibilities. He generously took questions that related to another Minister's responsibilities and, in answering them, he sensibly took advice. As the Prime Minister has said, Ministers in this Government talk to each other.

Christopher Pincher (Tamworth) (Con): One of the most difficult educational problems we face in Tamworth is that not enough young people aspire to go to university. May we have a debate on the pupil premium and how over time it can drive up aspiration among our most disadvantaged young people and encourage more of them to go to university?

Sir George Young: There will be Education questions on Monday, but my hon. Friend is right, and I hope that the pupil premium will enable more pupils from low-income families to aspire to university. The figures at the moment are deeply depressing, and I hope that as the pupil premium feeds through the education system, more children who would not otherwise have considered a university education will find it accessible to them.

Gloria De Piero (Ashfield) (Lab): This week I saw figures from my constituency showing that demand for debt advice over the past year has risen dramatically, yet opening hours of citizen advice bureaux are falling dramatically. May we have a debate on how we might support people who need help during this crisis in CABs?

Sir George Young: I applaud the work of the CABs, which are indeed under greater pressure. I attended a reception that other colleagues might have attended earlier this week on the Terrace at which my right hon. and learned Friend the Justice Secretary outlined the support that the Government were giving to CABs to help them cope. Hon. Members will have an opportunity next Thursday to ask Ministers in the Department for Business, Innovation and Skills about CABs.

Dr Andrew Murrison (South West Wiltshire) (Con): Amid the chaos of north Africa, last week the Kingdom of Morocco quietly, efficiently and peacefully conducted a referendum that will usher in far-reaching constitutional changes that I am sure we will all welcome. In the context of the Arab spring, may we have a debate on how this commendable model can be exported in a region which is too often reliant on violent disorder and bloody civil war to usher in change?

Sir George Young: I congratulate my hon. Friend on raising the profile of a good example of how orderly reform can take place. There will be an opportunity at Foreign and Commonwealth Office questions on 19 July to ask my right hon. Friend the Foreign Secretary about that matter and about how the example of Morocco might be spread more widely.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): The Leader of the House will realise that this is the 10th anniversary of the dreadful Bradford riots. May we have an early opportunity to debate the progress made since then? In that debate, may we discuss how the cutting of youth services and of courses for English as a second language and the inability to integrate so many schools in our major cities will come back to haunt us?

Sir George Young: I have every sympathy with the hon. Gentleman's point, but he will recognise that if his party had won the last election it would have had to take some difficult decisions that might have had exactly the same impact on youth services.

Charlie Elphicke (Dover) (Con): May we have a debate on the crisis in the horn of Africa, looking particularly at the work done by the Department for International Development? The UN estimates that about 10 million people face food shortages or starvation. The assistance being provided by DFID is precisely the sort of practical, targeted aid that makes a difference and which we should encourage.

Sir George Young: I repeat what I said a few moments ago and draw the House's attention to the written ministerial statement from my right hon. Friend the Secretary of State for International Development outlining the extensive support that the Government are giving to the horn of Africa and urging other countries to match our contribution. As I said, later today my right hon. Friend is giving a briefing to colleagues to which my hon. Friend is welcome to come.

Ann Clwyd (Cynon Valley) (Lab): May we have a statement before the recess on two important human rights issues? The first is the continuing detention of hundreds of children at Heathrow despite a coalition promise last year that the practice would end. Secondly, it appears that the Government's plans for an inquiry into the UK's role in torture and rendition are in complete disarray after human rights groups labelled the inquiry a sham and lawyers and witnesses said that they were going to boycott it.

Sir George Young: On the first point, it is indeed our intention to phase out the detention of children, and I will draw the Home Secretary's attention to the matter. I will also raise the second issue with the appropriate Minister—either the Home Secretary or the Foreign Secretary.

Stephen Williams (Bristol West) (LD): I do not know whether the Leader of the House reads *The Times* over breakfast, but if he does, this morning he will have noticed that the share price of News Corp has fallen by 3.6% and that companies as diverse as Ford, the Co-op, Butlins and, I am pleased to say, the state-controlled Lloyds Banking Group have withdrawn their advertising from the *News of the World*. Will he ask a Cabinet Office colleague to make a statement to the House on the level of Government expenditure on advertising with News International titles? Where private business and investors have given a lead, could not the Government now follow?

Sir George Young: I read a digital version of *The Times* at 5.30 this morning, but I am not sure that all the advertisements appear in the digital version. However, my hon. Friend raises an important issue about whether the Government should continue to sponsor advertisements when the private sector has acted as he mentioned. I will raise the matter urgently with the Minister for the Cabinet Office, my right hon. Friend the Member for Horsham (Mr Maude), and see whether the House can be kept in the picture.

Mr John Spellar (Warley) (Lab): There are increasing numbers of complaints from colleagues about being refused meetings with Ministers on constituency matters. I do not include the Leader of the House in this complaint—I never heard such a complaint made about him while he was a departmental Minister—but as he knows, the fundamental route for Members in pursuing constituency cases is through such meetings. May we therefore have a debate to air this issue, and will he lay down proper guidelines for his fellow Ministers?

Sir George Young: The right hon. Gentleman raises a serious issue. I would welcome more information, if he is prepared to let me have it, on the exact instances in which my right hon. and hon. Friends have refused to meet hon. Members. I think that there is a convention that, unless there are strong legal reasons not to do so, Ministers should meet MPs. If he could give me an appropriate list, I would be more than happy to take it up with my colleagues and facilitate every appropriate meeting.

Priti Patel (Witham) (Con): In November, the United Kingdom will take over the chairmanship of the Council of Europe. In view of the persistent attacks that this body, including the European Court of Human Rights, has inflicted on this country, will the Leader of the House give an assurance that we will have a debate in

[Priti Patel]

Government time before November so that Members can debate and influence how we can reform that out-of-touch institution?

Sir George Young: I know that this is a matter of concern to my hon. Friend and other of my hon. Friends. Work is under way to agree UK objectives and priorities for our chairmanship of the Council of Europe. That includes consultation, as appropriate, with interested parties, and I will certainly feed into that consultation the issue that my hon. Friend has just raised.

Bill Esterson (Sefton Central) (Lab): I am sure that the Leader of the House is aware that *The Daily Telegraph* has said that we need a checklist of the Prime Minister's social meetings with Rebekah Brooks. May we have a statement about those meetings and what was discussed?

Sir George Young: My right hon. Friend and all Ministers are obliged to publish regularly details of meetings that they have had with commercial organisations. I am sure that this Government, like the previous one, will continue to observe the relevant parts of the ministerial code.

Stephen Mosley (City of Chester) (Con): In March a constituent of mine, Rebecca Coriam, disappeared while working for a British employment agency on a Bahamian-registered, American-based Disney cruise ship in international waters off the coast of Mexico. Despite an investigation by the Bahamas Maritime Authority, her family are still awaiting news of their daughter. May we have a debate on the safety and regulation of cruise ships that would enable me to highlight the difficulties faced by those trying to identify the facts and the responsibility behind events at sea?

Sir George Young: I understand my hon. Friend's concern. I believe that the Minister with responsibility for shipping is aware of that case and understands my hon. Friend's concerns, and is happy to meet him and the family to discuss how we might take the matter forward.

Valerie Vaz (Walsall South) (Lab): There has been cross-party and international support for Sakineh Ashtiani, who remains alive but still under threat of execution while her male co-accused is free. May we have an urgent debate on cases such as hers and that of Aung San Suu Kyi—women who are victims of repressive regimes—so that their cases are not forgotten?

Sir George Young: I am grateful to the hon. Lady. It is monstrous that Ms Ashtiani remains in prison having not had fair representation at her trial and having gone through a terrible year, not knowing whether on any given day she would be executed. My right hon. Friend the Foreign Secretary continues to make representations about her case to the Iranian authorities. It was highlighted in the press today how important it is that continuing pressure be kept on Iran to release this lady as soon as possible.

Michael Ellis (Northampton North) (Con): The Leader of the House might be aware that there is a plan in Parliament for a stained glass window to mark Her Majesty the Queen's diamond jubilee. It is attracting support from both sides of the House and in both Houses of Parliament. Will my right hon. Friend elucidate on any plans for a Loyal or Humble Address from Parliament for Her Majesty's visit next year during her diamond jubilee?

Sir George Young: I am grateful to my hon. Friend for the initiative he has taken in raising funds for the stained glass window—I have sent an envelope with something in it to the appropriate authorities. You will have heard what my hon. Friend has said, Mr Speaker, and I am sure that when we come to celebrate the event, there will be an appropriate opportunity for an Address to Her Majesty.

Barry Gardiner (Brent North) (Lab): In the past 24 hours, Portuguese Government debt has been downgraded to junk status. At a time when the Government are increasing their contribution to the IMF from £10 billion to £20 billion this year, may we have an urgent debate to ensure that taxpayers in this country are protected from the contamination in the eurozone?

Sir George Young: It is worth remembering that it was exactly to avoid the problems that confront Portugal that this coalition Government had to take some difficult decisions last year to clear up the mess that the hon. Gentleman left behind. There will be an opportunity to ask questions to my hon. Friends at the Treasury, but what Moody's has done to Portugal is a reminder that we need responsible housekeeping here in the UK.

Brandon Lewis (Great Yarmouth) (Con): Young people in Great Yarmouth are already starting to see the benefits of more apprenticeships and growth in the tourism and energy sectors, partly thanks to the Government's strategy and work, so may we have a debate on youth employment, in order to highlight some of the opportunities and growth in that area?

Sir George Young: There will be an opportunity in a week's time to raise the issue of apprenticeships with Ministers at BIS. It is good news that youth unemployment has now fallen below the level that we inherited. With initiatives such as apprenticeships, we hope to make further progress in reducing the level as the economy picks up.

Kelvin Hopkins (Luton North) (Lab): A report in *The Independent* today shows that research by the Medical Research Council at its laboratory in Cambridge has concluded that alcohol damages the DNA of unborn children beyond repair. Given that Britain has a serious problem with binge drinking among young women and one of the highest teenage pregnancy rates in the world, is it not likely that thousands of babies are being born damaged as a result of teenagers drinking while pregnant? May we have an urgent debate about what can be done to address this serious matter?

Sir George Young: The hon. Gentleman raises a serious issue. I hope that pregnant women will have heard what he said and will drink sensibly while carrying their child. There will be an opportunity at Health questions next Tuesday to raise the matter further with Health Ministers, but I will warn them in advance that

the hon. Gentleman is pursuing the issue. I am sure that he has wide support in all parts of the House for encouraging a sensible approach to alcohol that will safeguard the health of the next generation.

Mr James Gray (North Wiltshire) (Con): The important question of the way in which electronic devices such as iPads can and should be used in this Chamber and in Committee is delicately balanced, between the split Procedure Committee report—which recommended their unfettered use for twittering and all the rest of it—and those of us who believe that their use ought to be much more constrained. Does the Leader of the House agree that this subject is worthy of a full, reasoned and careful debate, that it should not be rushed through in the short time between now and the recess, and that it should therefore be allowed—presumably—an hour and a half after the summer recess?

Sir George Young: My hon. Friend will know that we had planned to debate this issue, but the need for urgent legislation to deal with police bail meant that the debate in the time allocated to the Backbench Business Committee had to be postponed. I agree with him that it is important that we should make progress on the issue. I happen to take a different view from the one that he espouses: I am broadly in favour of hand-held devices. I agree that, as soon as we can find the time, the issue should be resolved, but I cannot promise a debate between now and the summer recess.

Tom Blenkinsop (Middlesbrough South and East Cleveland) (Lab): May we have a debate about extending the benefits of Northern Ireland's McCallister Bill across the United Kingdom? In my constituency, Tingdene, a company that owns Hazelgrove caravan park, thoroughly intimidates and abuses its customers on that site, many of whom are pensioners in their latter years who have saved over their lives to retire in comfort.

Sir George Young: Many Members would like to amend the legislation on mobile homes, as I am sure that many with mobile home parks in their constituencies have similar cases to the one that the hon. Gentleman has just mentioned, which I will raise with Ministers at DCLG. There is no legislation imminent, but I think I am right in saying that they have the existing legislation under review.

James Morris (Halesowen and Rowley Regis) (Con): The Leader of the House will be aware that we are currently in co-operatives fortnight. May we have an urgent debate about the importance of developing co-operative and mutual models, particularly for the delivery of public sector services?

Sir George Young: I am grateful to my hon. Friend, and I would like to be as co-operative as I can. The coalition agreement sets out commitments to public service mutuals that are being taken forward by the Cabinet Office, and I hope that there might be an initiative in that direction before the House rises.

Yvonne Fovargue (Makerfield) (Lab): With the Committee stage starting next week on the Legal Aid, Sentencing and Punishment of Offenders Bill—a Bill that will have major consequences for not-for-profit advice agencies—can the Leader of the House tell us when the review of advice services is likely to be completed and when a statement will be made to this House?

Sir George Young: The short answer is that I do not have that information at my fingertips, but I will get an answer from the appropriate Minister and communicate it to the hon. Lady.

Julian Sturdy (York Outer) (Con): May we have a debate on the fairness of supermarkets apparently undercutting independent fuel service stations, which is sadly forcing many independent forecourts to close?

Sir George Young: My hon. Friend raises an issue that many Members will have confronted. Independent petrol stations are finding it tough at the moment, as the purchasing power of supermarkets is enabling them to undercut independents. This is a matter for the Office of Fair Trading, and I strongly encourage my hon. Friend to raise it with that body.

Steve McCabe (Birmingham, Selly Oak) (Lab): I see that the Prime Minister has promised to restrict the use of business-class flights for Ministers and officials. I am anxious that this policy should be rather more successful than the promise to restrict the use of ministerial cars, so could we have a statement about how it will be implemented and reported to the House, so that we can measure progress on that promise?

Sir George Young: One of the first things that this Administration did was to bring to an end contracts for individual cars for individual Ministers. When the figures are published, I think that the hon. Gentleman will find that there has been a substantial saving in the cost of ministerial transport under the coalition Government.

Greg Mulholland (Leeds North West) (LD): May we have a debate on the role of local authorities in providing residential care for vulnerable older people, including those with dementia? Labour-run Leeds city council has caused uproar by announcing a raft of residential care home closures, including Spring Gardens in Otley, without offering any alternative provision to its 27 residents or any plan for where they might go.

Sir George Young: My hon. Friend raises an important issue that I hope the Dilnot report will begin to address. At some point we need a serious discussion about how we will fund residential and social care in future, in order to avoid the sort of decisions to which he has just referred.

Mr Dave Watts (St Helens North) (Lab): May we have an urgent debate or statement from the Prime Minister on the phone hacking scandal, to give him the opportunity to say how he will remove himself from any inquiry, given his close relationship with the Murdoch corporation? Secondly, will the Leader of the House give an assurance that any investigation will be run by a judge and not by one of the Prime Minister's cronies?

Sir George Young: On the second issue, as I said in response to the shadow Leader of the House, we are consulting Opposition party leaders and others about the precise terms of reference and composition of the

[Sir George Young]

inquiry. The hon. Gentleman asked for a statement by the Prime Minister. The Prime Minister was at the Dispatch Box yesterday, and he indeed made such a statement.

Bob Blackman (Harrow East) (Con): Harrow PCT and Harrow council successfully bid for £2.6 million from the Department of Health for support for adult social care. Some £500,000 went to the PCT, which is applying the money correctly, but I understand that Labour-run Harrow council is using that £2.1 million to fund redundancies, to support its website and for other illicit purposes. May we have an urgent statement from the Department of Health on the millions of pounds of public money going into supporting adult social care, to ensure that it is spent on the purposes for which it is intended?

Sir George Young: My hon. Friend is right: we allocated money to PCTs with the specific objective of transferring it through to local authorities to be used to fund social care. That was the precise objective. We asked PCTs to work with local authorities to agree jointly on appropriate areas for social care investment. I will raise what my hon. Friend has said with a Health Minister.

Luciana Berger (Liverpool, Wavertree) (Lab/Co-op): The Charity Commission has recently completed a strategic review to determine how Government spending cuts will affect staff in its organisation. Draft proposals show up to 42% of staff at the Liverpool office being made redundant, with a large amount of those staff on lower pay grades. In view of the urgency of the situation and the threat of job losses in Liverpool, may we please have an urgent debate on how Government cuts to the charitable sector are affecting the lowest paid?

Sir George Young: I hope that the hon. Lady will concede that we took a number of initiatives in the Budget to promote giving to the charitable sector. We also set up a transitional fund to help charities through what is a difficult time. There will be an opportunity on the final day before the recess for the hon. Lady to speak in one of the Adjournment debates that I announced at the beginning of business questions.

Alun Cairns (Vale of Glamorgan) (Con): May we have a debate on the administration and regulation of the Arch Cru investment fund? Some 20,000 people were left hanging when the fund was suspended two years ago. A compensation package has been offered by some of the stakeholders involved, but it is highly conditional and seems quite inadequate.

Sir George Young: I am sorry to hear about the investors who lost their funds in the Arch Cru debacle. On 21 June, the Financial Services Authority announced a £54 million package for the investors, to which my hon. Friend has just referred. This is a matter for the FSA. The package will be used to make payments to eligible investors in Arch Cru funds, and will assist the return of a substantial part of their investment to them. I suggest that my hon. Friend pursue the matter further with the FSA.

Thomas Docherty (Dunfermline and West Fife) (Lab): May I press the Leader of the House to update us on when the Department for Environment, Food and Rural Affairs proposes to publish its water White Paper?

Sir George Young: Ministers have made a commitment to publish a water White Paper, and it will be published by December 2011. It will cover England only, but it will be developed in close conjunction with the Welsh Assembly Government.

Chris Bryant (Rhondda) (Lab): Of course I welcome the Government's change of mind on a public inquiry into phone hacking, but may I urge the Leader of the House to ensure that that inquiry is led by a judge, that it is a statutory inquiry with full powers to subpoena evidence and witnesses, that witnesses will be able to give evidence on oath, that it will look not only at the broad issues but specifically at what happened at the *News of the World*, and that it can start as soon as is possible and practicable to gather the evidence before it is destroyed at the *News of the World*?

Sir George Young: I commend the hon. Gentleman for his initiative in generating the debate on this matter, and indeed for what he said yesterday. The inquiries will be independent and they will be in public. I note what he has said about the specific format of the inquiries, and that will form part of the consultation process in which we are now engaged.

Barbara Keeley (Worsley and Eccles South) (Lab): Last week, the Deputy Prime Minister made the following announcement at a conference in Birmingham:

"We will localise...business rates. No ifs, no buts, no maybes."

The localisation of business rates is a key policy change that could make the difference to the city of Salford of a loss of £36 million, while the City of London could gain £550 million. May we therefore have an urgent debate on the Government's intentions for local government finance, so that Members can ask the questions that they should have been able to ask last week?

Sir George Young: If the hon. Lady looks at the coalition agreement, she will see a clear statement of our intention to make local government finance more independent of central Government. We will be consulting in due course on the specific issue of business rates.

Diana Johnson (Kingston upon Hull North) (Lab): I am saddened to tell the Leader of the House that the Royal Society for the Prevention of Cruelty to Animals Hull branch is due to close because of funding problems. May we have a debate on the big society and its practical implications for the vast parts of this country that are poorer and more deprived and do not have the same access to funding and resources as other parts?

Sir George Young: I was sorry to hear about the problems that are confronting the local branch of the RSPCA in the hon. Lady's constituency. The RSPCA has one of the broadest bases of funding in the country. It is a very well supported and well respected organisation, and I was sorry to hear about that particular decision. As I said a few moments ago, we have made available

transitional funding to help certain charities to get through a difficult time, but I am sorry that I cannot offer any immediate assistance to her local branch.

Jessica Morden (Newport East) (Lab): In the recent past, there were far more opportunities to discuss Welsh issues on the Floor of the House in the presence of the Secretary of State for Wales, but we now have only Welsh questions. Would the Leader of the House be amenable to discussing with the Secretary of State more opportunities to talk about Welsh issues, especially in view of the disproportionate effect of the cuts on Wales?

Sir George Young: I understand the hon. Lady's concern. She will know that, under the recommendations of the Wright Committee, responsibility for allocating days for debate other than on Government legislation now falls to the Backbench Business Committee, whose Chair will have heard her plea.

Paul Flynn (Newport West) (Lab): The Fukushima disaster continues and intensifies, with three reactors still in melt-through and leaking radiation without any chance or hope of remedy. The investigation taking place in Britain excludes any consideration of cost, but cost is the main consequence for Britain in increased charges for guarding power stations against a nuclear attack or unexpected natural event, so should not we in the House be doing the job that Weightman is forbidden to do?

Sir George Young: Weightman is doing the task that he was asked to do. We have had the first stage of his report, and we will then address the second. On Monday week, we will be dealing with national planning policy statements, and the hon. Gentleman might have an opportunity to raise these issues again in that debate.

Graham Jones (Hyndburn) (Lab): May we have an urgent statement from the Housing Minister on the crisis of rogue landlords in the private rented sector, following a series of television exposés, including "Dispatches" on Channel 4 on Monday night, which showed one landlord, who was operating as a charity, boasting that he could break the law and that he would sort his tenants out with a baseball bat? Tens of thousands of people are trapped with poor or rogue landlords in the private rented sector. Following the programme, the Housing Minister was bombarded on Twitter, to which he replied. May we have an urgent statement from the Minister about his comments?

Sir George Young: It is a serious offence, punishable by imprisonment, to threaten a tenant in the way that the hon. Gentleman has just described. I will draw his remarks to the attention of my right hon. Friend the Housing Minister and ask whether there is any action that he should be taking in the light of that television programme.

Mr Speaker: I thank the Leader of the House and other Members for their pithiness, which has enabled all 46 Back Benchers who wanted to contribute to do so.

Business without Debate

SUPPLY AND APPROPRIATION (MAIN ESTIMATES) BILL

Motion made, and Question put forthwith (Standing Order No. 56), That the Bill be now read a Second time.

Question agreed to.

Bill accordingly read a Second time.

Question put forthwith, That the Bill be now read the Third time.

Question agreed to.

Bill accordingly read the Third time and passed.

Business of the House (Police (Detention and Bail) Bill)

12.27 pm

The Minister for Policing and Criminal Justice (Nick Herbert): I beg to move,

That the following provisions shall apply to the proceedings on the Police (Detention and Bail) Bill:

Timetable

1.-(1) Proceedings on Second Reading, in Committee, on Consideration and on Third Reading shall be completed at today's sitting in accordance with the following provisions of this paragraph.

(2) Proceedings on Second Reading shall (so far as not previously concluded) be brought to a conclusion at 3.00 pm.

(3) Proceedings in Committee shall (so far as not previously concluded) be brought to a conclusion at 5.00 pm.

(4) Proceedings on Consideration and on Third Reading shall (so far as not previously concluded) be brought to a conclusion at 6.00 pm.

Timing of proceedings and Questions to be put

2. When the Bill has been read a second time—

(a) it shall (notwithstanding Standing Order No. 63 (Committal of bills not subject to a programme order)) stand committed to a Committee of the whole House without any Question being put;

(b) the Speaker shall leave the Chair whether or not notice of an Instruction has been given.

3.-(1) On the conclusion of proceedings in Committee, the Chairman shall report the Bill to the House without putting any Question.

(2) If the Bill is reported with amendments, the House shall proceed to consider the Bill as amended without any Question being put.

4. For the purpose of bringing any proceedings to a conclusion in accordance with

paragraph 1, the Speaker or Chairman shall forthwith put the following Questions (but

no others)—

(a) any Question already proposed from the Chair;

(b) any Question necessary to bring to a decision a Question so proposed;

(c) the Question on any amendment moved or Motion made by a Minister of the Crown;

(d) any other Question necessary for the disposal of the business to be concluded.

5. On a Motion so made for a new Clause or a new Schedule, the Chairman or Speaker shall put only the Question that the Clause or Schedule be added to the Bill.

6. If two or more Questions would fall to be put under paragraph 4(c) on successive amendments moved or Motions made by a Minister of the Crown, the Chairman or Speaker shall instead put a single Question in relation to those amendments or Motions.

7. If two or more Questions would fall to be put under paragraph 4(d) in relation to successive provisions of the Bill, the Chairman shall instead put a single Question in relation to those provisions.

Consideration of Lords Amendments

8.-(1) Any Lords Amendments to the Bill shall be considered forthwith without any Question being put.

(2) Proceedings on consideration of Lords Amendments shall (so far as not previously concluded) be brought to a conclusion one hour after their commencement.

9.-(1) This paragraph applies for the purpose of bringing any proceedings to a conclusion in accordance with paragraph 8.

(2) The Speaker shall first put forthwith any Question already proposed from the Chair and not yet decided.

(3) If that Question is for the amendment of a Lords Amendment the Speaker shall then put forthwith—

(a) a single Question on any further Amendments to the Lords Amendment moved by a Minister of the Crown, and

(b) the Question on any Motion made by a Minister of the Crown that this House agrees or disagrees to the Lords Amendment or (as the case may be) to the Lords Amendment as amended.

(4) The Speaker shall then put forthwith—

(a) a single Question on any Amendments moved by a Minister of the Crown to a Lords Amendment, and

(b) the Question on any Motion made by a Minister of the Crown that this House agrees or disagrees to the Lords Amendment or (as the case may be) to the Lords Amendment as amended.

(5) The Speaker shall then put forthwith the Question on any Motion made by a Minister of the Crown that this House disagrees to a Lords Amendment.

(6) The Speaker shall then put forthwith the Question that this House agrees to all the remaining Lords Amendments.

(7) As soon as the House has—

(a) agreed or disagreed to a Lords Amendment; or

(b) disposed of an Amendment relevant to a Lords Amendment which has been disagreed to,

the Speaker shall put forthwith a single Question on any Amendments moved by a Minister of the Crown and relevant to the Lords Amendment.

Subsequent stages

10.-(1) Any further Message from the Lords on the Bill shall be considered forthwith without any Question being put.

(2) Proceedings on any further Message from the Lords shall (so far as not previously concluded) be brought to a conclusion one hour after their commencement.

1.-(1) This paragraph applies for the purpose of bringing any proceedings to a conclusion in accordance with paragraph 10.

(2) The Speaker shall first put forthwith any Question which has been proposed from the Chair and not yet decided.

(3) The Speaker shall then put forthwith the Question on any Motion made by a Minister of the Crown which is related to the Question already proposed from the Chair.

(4) The Speaker shall then put forthwith the Question on any Motion made by a Minister of the Crown on or relevant to any of the remaining items in the Lords Message.

(5) The Speaker shall then put forthwith the Question that this House agrees with the Lords in all the remaining Lords Proposals.

Reasons Committee

12.-(1) The Speaker shall put forthwith the Question on any Motion made by a Minister of the Crown for the appointment, nomination and quorum of a Committee to draw up Reasons and the appointment of its Chair.

(2) A Committee appointed to draw up Reasons shall report before the conclusion of the sitting at which it is appointed.

(3) Proceedings in the Committee shall (so far as not previously concluded) be brought to a conclusion 30 minutes after their commencement.

(4) For the purpose of bringing any proceedings to a conclusion in accordance with sub-paragraph (3), the Chair shall—

(a) first put forthwith any Question which has been proposed from the Chair but not yet decided, and

(b) then put forthwith successively Questions on motions which may be made by a Minister of the Crown for assigning a Reason for disagreeing with the Lords in any of their Amendments.

(5) The proceedings of the Committee shall be reported without any further Question being put.

Miscellaneous

13. Paragraph (1) of Standing Order No. 15 (Exempted business) shall apply so far as necessary for the purposes of this Order.

14.-(1) The proceedings on any Motion made by a Minister of the Crown for varying or supplementing the provisions of this Order shall (so far as not previously concluded) be brought to a conclusion one hour after their commencement.

(2) Paragraph (1) of Standing Order No. 15 (Exempted business) shall apply to those proceedings.

15. Standing Order No. 82 (Business Committee) shall not apply in relation to any proceedings to which this Order applies.

16.-(1) No Motion shall be made, except by a Minister of the Crown, to alter the order in which any proceedings on the Bill are taken or to re-commit the Bill.

(2) The Question on any such Motion shall be put forthwith.

17.-(1) No dilatory Motion shall be made in relation to proceedings to which this Order applies except by a Minister of the Crown.

(2) The Question on any such Motion shall be put forthwith.

18. The Speaker may not arrange for a debate to be held in accordance with Standing Order No. 24 (Emergency debates)—

(a) at today's sitting, or

(b) at any sitting at which Lords Amendments to the Bill are, or any further Message from the Lords is, to be considered, before the conclusion of any proceedings to which this Order applies.

19.-(1) Sub-paragraph (2) applies if the House is adjourned, or the sitting is suspended, before the conclusion of any proceedings to which this Order applies.

(2) No notice shall be required of a Motion made at the next sitting by a Minister of the Crown for varying or supplementing the provisions of this Order.

20. Proceedings to which this Order applies shall not be interrupted under any Standing Order relating to the sittings of the House.

21.-(1) Any private business which has been set down for consideration at seven o'clock, four o'clock or three o'clock (as the case may be) on a day on which the Bill has been set down to be taken as an Order of the Day, shall, instead of being considered as provided by Standing Orders, be considered at the conclusion of the proceedings on the Bill on that day.

(2) Paragraph (1) of Standing Order No. 15 (Exempted business) shall apply to the private business for a period of three hours from the conclusion of the proceedings on the Bill or, if those proceedings are concluded before the moment of interruption, for a period equal to the time elapsing between seven o'clock, four o'clock or three o'clock (as the case may be) and the conclusion of those proceedings.

22. The Speaker shall not adjourn the House at the sitting on the day on which the Bill is sent back to the House from the Lords until—

(a) any Message from the Lords on the Bill has been received, and

(b) he has reported the Royal Assent to any Act agreed upon by both Houses.

The motion provides for some five hours of debate on the Police (Detention and Bail) Bill. If the House approves the motion, we will move directly on to Second Reading, which will take us to no later than 3 o'clock. The Committee of the whole House will then follow until no later than 5 o'clock, with a final hour for the remaining stages, to be completed by 6 o'clock. The motion also provides for programming of the later stages of the Bill in this House on consideration of Lords amendments, should there be any. I fully recognise that today's timetable is a tight one. None the less, given the very specific issue that the House is being asked to consider, I am satisfied that the House, and in due course the other place, will have sufficient time to scrutinise this short Bill properly.

As I indicated in my oral statement in the House last week, it is imperative that we act speedily to put an end to the uncertainty created by the recent judgment of the High Court in the case of Hookway. As I then explained to the House, that judgment is having a direct and immediate impact on the police's ability to investigate offences and protect the public. The view of the Association of Chief Police Officers, which we share, is that we cannot wait until the outcome of the Supreme Court's hearing of the appeal on 25 July. We need to act now, not least because we can make no assumption about the outcome of the appeal to the Supreme Court.

Mark Tami (Alyn and Deeside) (Lab): The Minister says, "We need to act now", but why have not we acted earlier?

Nick Herbert: I am sure that these matters will be covered in the Second Reading debate. I set out in my statement last week why it had not been possible to act until the written judgment had been properly considered and until we had received formal advice from the Association of Chief Police Officers that it wished us to proceed in this way. In that regard, I should like to quote the chief constable of Essex, Jim Barker-McCardle. On this issue, he has said:

"It was only when ACPO received the written judgment on 17 June, and a number of senior people were able to spend some significant time considering the issue, that the seriousness of this became apparent. As the ACPO lead on this issue, I was not going to advise Ministers that the police service needed, in exceptional circumstances, fast track legislation until I had satisfied myself first that the legislation was necessary and that the police service could not operate effectively in light of this judgment, beyond the very short term."

We acted: within two hours of receiving that written advice, I was here giving a statement to the House announcing that we would introduce emergency legislation. The suggestion that we did not act swiftly flies directly in the face of what ACPO is saying about how it wishes this matter to be considered. Opposition Members do not have the backing of senior police officers for their contention that we acted too slowly in this respect.

Keith Vaz (Leicester East) (Lab): I am grateful to the Policing Minister, who has accurately reflected the evidence given by the chief constable to the Select Committee on Tuesday. I have one point on the business motion. Is there any outstanding legal advice that the Home Office is seeking on this matter or is the issue of the legal advice now closed?

Nick Herbert: No, I am not aware of outstanding legal advice that we have taken. As I told the House last week, the Association of Chief Police Officers sought advice from two QCs before coming to us with a formal request for emergency legislation.

In conclusion, I welcome the continued support from the Opposition Front-Bench team for expediting this Bill. I hope that the whole House will understand the need for fast-tracking and will therefore support the motion.

12.31 pm

Yvette Cooper (Normanton, Pontefract and Castleford) (Lab): We support the motion, and we will address some of the main issues when we get to Second Reading and further stages. I simply point out to the Policing Minister that we would have supported this motion on Monday, we would have supported it last week and we would have supported it the week before. I do not think it is acceptable for the Home Office, which has responsibility

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for justice, to hide behind the Association of Chief Police Officers when it should also have made preparations and taken some decisions in this regard. The Home Office should have been trying to speed this up as rapidly as possible. We should get on with the main debate; we support the programme motion.

12.32 pm

Lorraine Fullbrook (South Ribble) (Con): I am grateful for being called to speak in this debate on emergency legislation for police bail. It is fitting on this occasion to extend our sincere sympathy and condolences to the victims of the 7/7 terrorist attacks in London. I am sure our thoughts are with them on this day.

This is a very short Bill, so I will make my comments brief. We are here to debate this emergency legislation today because—

Mr Deputy Speaker (Mr Nigel Evans): Order. The hon. Member may be straying into the next debate. At the moment, we are debating just the programme motion.

12.33 pm

Sir Alan Beith (Berwick-upon-Tweed) (LD): I am no fan of emergency legislation, which I think is generally a bad thing for the House to get involved with. However, the circumstances we face are such that the Government have been right to act and to bring the procedure forward in this way. I have looked at the concerns of the House of Lords Committee, but it seems to me that the procedure advocated for today is necessary and appropriate, so long as in the subsequent debate, the House can be satisfied that what the Government are seeking to do is to put the law on the footing that we all thought it was on in the first place. They should not make changes to the law without much more detailed and careful consideration. We should support the programme motion and ensure that Ministers can satisfy us that what they are doing is putting the law back to what we thought it was. If changes to the law are advocated, that should be done through a legislative process that allows consideration at greater length.

12.33 pm

Nicholas Soames (Mid Sussex) (Con): I rise wholly to endorse the words of the right hon. Member for Berwick-upon-Tweed (Sir Alan Beith) and to say to my right hon. Friend the Policing Minister that I applaud the way in which he has handled this matter and the speed with which he has responded to what was clearly a completely untenable situation. Does he agree—as I am sure he does—that the history of emergency legislation is not always a happy one, so that the right hon. Gentleman's points carry even greater weight?

12.34 pm

Chris Bryant (Rhondda) (Lab): I wholeheartedly agree that we need to move as swiftly as possible with this legislation, but we should always note whenever emergency legislation is going through in one day that it has to be an extraordinary process because, in the ordinary course of events, the House should have an opportunity after Second Reading to table amendments that could then be considered on Report on a different day. When everything is truncated into one day, it is impossible to do that. I recognise that the Government tabled a business motion—and we agreed it earlier this week—that allowed the tabling of amendments before today. In the end, that is not best practice, as I know Government Members would fully accept. With the proviso that we do not do this often—as the right hon. Member for Berwick-upon-Tweed (Sir Alan Beith) said, we can end up with legislation that is either bad or not as good as it might be—I support the motion.

12.35 pm

Hazel Blears (Salford and Eccles) (Lab): I feel a slight sense of responsibility for the position we are in today as it is the district judge in Salford, Judge Feinstein, who made the original decision. I support the proceedings today, as I think we need to resolve the issue and get clarity. Judge Feinstein does a tremendous job in Salford in the local criminal justice system and has been particularly effective in dealing with antisocial behaviour. He construed the law as he saw it at that time. His judgment was upheld in the High Court; we await to see what the Supreme Court will do in relation to the appeal. Clearly, he was carrying out his duty in making the decision he did. That said, I entirely support the need to ensure that the police have the powers and the clarity they need to deal with defendants in these circumstances. I support the programme motion.

Question put and agreed to.

Police (Detention and Bail) Bill

Second Reading

12.36 pm

The Secretary of State for the Home Department (Mrs Theresa May): I beg to move, That the Bill be now read a Second time.

Since the Police and Criminal Evidence Act came into effect in January 1986, it has been widely recognised by the police and the courts that time spent on bail does not count towards the maximum permitted period of detention without charge. That is entirely right and proper. Being held in custody in a police cell is clearly not the same as being free on police bail, even with conditions attached.

For more than 25 years, the sensible interpretation of the law has enabled the police to investigate crimes and keep the public safe, but on 19 May, in a judicial review, Mr Justice McCombe gave an oral judgment that it was his view that a district judge—as we have just heard from the right hon. Member for Salford and Eccles (Hazel Blears), Judge Feinstein—had been right to refuse a routine application for a warrant of further detention of Paul Hookway, a suspect in a murder investigation.

I should stress to the House that at the time of the oral judgment on 19 May, it was not at all clear what the implications of this case would be. Indeed, in his oral judgment, Mr Justice McCombe himself said that "the consequences" of this ruling

"are not as severe as might be feared in impeding police investigations in the vast majority of cases".

At that time, it was not clear whether the ruling was restricted to the details of the Hookway case alone, whether it had a limited application or whether it was restricted to warrants of further detention beyond 36 hours. It was not until the complex written judgment was received on Friday 17 June—and considered in detail with the advice of counsel—that it began to become clear that this case had wider implications for police detention and bail.

Robert Halfon (Harlow) (Con): I thank the Government for their speedy action on this issue. Does my right hon. Friend agree that the reason why we are here today is that judicial interpretation in recent years, as so often, has been in favour of the criminal rather than the victim? Does not this legislation shift the balance in the right direction?

Mrs May: I am grateful to my hon. Friend for his intervention, but he tries to tempt me down a path of discussion which I think is probably inappropriate for today's debate, although I have been on record in this House in commenting on previous judicial decisions. I know that there are those who do indeed feel the way my hon. Friend does, but we had better not get into that in today's debate.

Keith Vaz (Leicester East) (Lab): I am grateful to the Home Secretary and thank her for giving evidence about this matter to the Select Committee on Tuesday. She mentioned the legal advice sought by the Association of Chief Police Officers. Has the Home Office sought its own independent legal advice? I see the Solicitor-General sitting beside the right hon. Lady. Presumably, the Home Office, independent of ACPO, is satisfied that everything is in order so far as the legal advice is concerned.

Mrs May: Given his experience, the right hon. Gentleman will know that Ministers never confirm or deny when asked what legal advice or opinion they have sought. However, I can tell him that the Home Office is satisfied that the legislation is necessary. If it were not, we would not be introducing it.

One hour and two minutes after the Home Office received ACPO's professional, legal and operational advice on Thursday 30 June, the Minister for Policing and Criminal Justice delivered an oral statement to the House in which he announced our intention to introduce emergency legislation. The police's professional and operational judgment, backed up by the legal expertise of two leading QCs, has guided the Government's decision. Only fast-track primary legislation can give the police the necessary certainty and immediacy in restoring the law as it was understood to operate. As was pointed out by my right hon. Friend the Member for Berwick-upon-Tweed (Sir Alan Beith), what we seek to do is return things to how they have been for the last 25 years.

Steve McCabe (Birmingham, Selly Oak) (Lab): What many Opposition Members find difficult to deal with is the time scale. The Home Secretary says that the Government acted as speedily as possible, but Ministers did not meet representatives of ACPO until 24 June. The right hon. Lady could have read what was said by Michael Zander on 18 June, when he made it absolutely clear that we would need an appeal or emergency legislation. If she is the person in charge, why did she know nothing about that, and why did she not meet ACPO representatives until 24 June?

Mrs May: The hon. Gentleman asked me the same question earlier this week when I appeared before the Home Affairs Committee. The issue has also been raised by a number of other Opposition Members, who are doing their best to suggest that there was a delay. There was no delay. It was necessary for all the parties concerned to examine in detail the judgment that had been made available on 17 June. Professor Michael Zander is well respected in this field, in which he has considerable expertise, but I think that if I had come to the House and proposed to the Opposition that the Government introduce emergency legislation on the basis of an article that had appeared in a journal, the Opposition would have rightly told the Government that they should take a rather more professional approach.

The Supreme Court's decision on Tuesday not to grant a stay in the case has made the legislation all the more vital and all the more urgent. I welcome the support for it that has been promised by Opposition Front Benchers, as well as the support given by the Chair of the Home Affairs Committee, the right hon. Member for Leicester East (Keith Vaz).

Mark Reckless (Rochester and Strood) (Con): It is clear to me, at least, that the Government acted with alacrity, but perhaps the Home Secretary can help me by explaining earlier events involving Greater Manchester police. Why, despite the discussion following the judgment, did they not apply for a certificate for an appeal on 19 May, and why did it then take so long for that to happen? In particular, why was no reliable written note taken of the oral judgment?

Mrs May: The answer to the question about the written note is that we were waiting for the judge who had made the decision to produce his own written judgment, so that it would be absolutely clear to us what we would need to interpret. What Greater Manchester police were dealing with was the oral judgment that had been delivered on 19 May. As I have just said, Mr Justice McCombe himself indicated that he did not think that the consequences would be especially severe. Only after further consideration did Greater Manchester police conclude that it would be necessary to appeal against the judgment.

It is important to understand that it was not simply a question of looking at the legal judgment. It was for the police to consider, in operational terms, whether they were able to work within that judgment. When the written judgment was made available to them, the operational implications became clear. It is those operational implications that give cause for concern, and they are the reason for the Bill that we are introducing today.

Yvette Cooper (Normanton, Pontefract and Castleford) (Lab): The Home Secretary has been dealing with issues relating to the emergency legislation. Will she tell us why the Attorney-General did not immediately join Greater Manchester police in applying for a stay of judgment as well as joining them in applying for an appeal?

Mrs May: The right hon. Lady has already raised a number of questions relating to this matter, including the question of the stay of judgment. She has claimed that there was a considerable delay before we came to the House, but, as I said earlier, one hour and two minutes after we received the formal and final judgment from ACPO on the basis of advice from the two QCs whom it had been consulting, my right hon. Friend the Minister for Policing and Criminal Justice made his statement here. As for her previous question about why the Home Office did not join the police in requesting a stay, the answer is simple: we had no locus standi. We were not part of the initial legal proceedings, and it was not open to us to be party to that request.

Let me add—just in case the right hon. Lady intends to ask about this—that she has implied in the past that if Greater Manchester police had applied for a stay earlier, a different decision would have been made and everything might have been okay. However, it is now clear, both from the decision that the Supreme Court issued earlier this week and from what has been said by leading legal commentators such as Joshua Rozenberg, that it is not even certain that the Supreme Court has the power to order a stay in relation to such an appeal.

Yvette Cooper: Did the Attorney-General consider joining the case for both the appeal and the stay as soon as he was made aware of the position? In the end the Supreme Court asked him to do so, but did he consider doing so as soon as he was told, and when was he told?

Mrs May: I thought I had made the position clear to the right hon. Lady. Those who were party to the initial legal proceedings were able to grant a stay, and Greater Manchester police were able to make a decision—which they did at a certain point in the timetable—on whether to apply for one.

If the right hon. Lady is trying to play party political games with the question of the application for a stay, she should consider the comments that have been made and the decision of the Supreme Court, which, as I have just said, suggests that there is considerable doubt not about the timetable for a stay, but whether the court even has the power to order one in this case. The right hon. Lady should think about that very carefully.

I think it important that the Home Affairs Committee has had an opportunity to scrutinise the Bill and also, fortuitously, an opportunity to ask me questions about it during the evidence session that I held with the Committee on Tuesday. I also note the support of leading legal figures such as Professor Michael Zander—who was mentioned earlier—and Liberty, which has said:

> "Liberty supports the Government's intention to amend the law as proposed. In our view the proposed reform is clarificatory and would do nothing more than return the law to the original intention of Parliament and the way in which it has been interpreted—by judges, prosecutors and defence lawyers—for the best part of 25 years."

I could not agree more.

Paul Goggins (Wythenshawe and Sale East) (Lab): I fully support the Bill, but may I take the Home Secretary back to the last session of Home Office questions and her surprisingly dismissive comments about the Joint Committee that had been considering her proposals for emergency legislation in relation to pre-charge detention? The Committee had described those proposals as unsatisfactory and unreliable.

In the light of the experience of the last few days, is the Home Secretary beginning to revisit her views on the role of emergency legislation in dealing with pressing and urgent issues? In particular, will she tell us what she would have done if all this had happened two or three weeks later, and the House had been in recess?

Mrs May: The premise of the right hon. Gentleman's question is that I was dismissive of the Joint Committee's views at Home Office questions, but I was not. Indeed, I have not been dismissive of its views because I have made it clear that we are accepting one of the points it raised on the emergency legislation, and I hardly think accepting one of its points can be described as being dismissive of its views.

The Bill seeks to restore the law on police detention to the position as it has been understood for the last 25 years. The Police and Criminal Evidence Act 1984 set out the rules governing detention and bail prior to charge.

Paul Goggins *rose—*

Mrs May: Very well; I will give way again.

Paul Goggins: I am sorry to exasperate the Home Secretary, but I was rather hoping she would address the point I made at the end of my intervention: what would have happened if all this were taking place when we were in recess?

Mrs May: The right hon. Gentleman is trying to tempt me to debate hypothetical situations. It is right that we are introducing this legislation today, precisely

so that it can be debated on the record and, we hope, receive Royal Assent before the House goes into recess. The right hon. Gentleman knows full well about the debates we have had on the emergency legislation for pre-charge detention and what would be applicable and possible for Parliament to do during a recess, and I am sure we will continue to have such debates. As I have said, I have accepted one of the Joint Committee's points on this issue, and that can hardly be described as dismissing its views.

As I was saying, PACE set out the rules governing detention and bail prior to charge. It provides that once a person is arrested and brought to a police station, that person must not be detained for longer than 96 hours in total without being charged with an offence. Within the overall maximum permitted 96-hour period, continued detention must be authorised by a police officer of at least the rank of superintendent after the initial 24 hours, and by a magistrate after the initial 36 hours, with fresh warrants required at 36-hour intervals.

There are numerous other safeguards. For example, ongoing detention must be subject to periodic review, and an individual can challenge their detention at any time by bringing an action for habeas corpus in the High Court. The idea some have put forward that this judgment means the police should in some way just "work quicker" to gather evidence ignores the reality of policing and the necessity of the police being able to, for example, take forensics tests, and identify, contact and interview witnesses. The judgment effectively takes away police time in which to do such things.

The Bill seeks to reverse the effect of the High Court's ruling, but it only seeks to reverse that. It amends PACE to make it explicit that in calculating any period—whether a time limit or a period of pre-charge detention—any periods spent on bail shall be disregarded. The Bill also amends PACE to make it clear that periods of police detention before and after a period of bail are to be treated as if they form a single continuous period. This is an important safeguard that the High Court judgment had overturned, and, again, it restores the position to what it has been understood to be for the past 25 years.

Hazel Blears (Salford and Eccles) (Lab): The Home Secretary clearly regards police bail as an important tool for bringing people to justice. It often applies to people accused of serious crimes, and they can be required to live at locations well away from their home address so that they do not mix with any associates who might be involved in crime. Will the Home Secretary therefore explain why in the terrorism Bill that has just left Committee she is proposing that the restrictions for those suspected of being involved in terrorism should be weaker than the restrictions in this Bill for people suspected of being involved in serious crime who are on police bail?

Mrs May: The right hon. Lady is asking me to talk about a Bill that is entirely separate from the one we are addressing today. As I think she knows, in replacing control orders with the terrorism prevention and investigation measures—TPIMs—we have put together a package that includes both the measure itself and increased funds available to the Security Service and the police for surveillance. That is the basis on which we are going forward with that measure and that Bill.

The Bill before us today provides that the amendments to PACE should have retrospective effect. That means that they are deemed always to have had effect, despite the High Court's judgment in the Hookway case.

Dr Julian Huppert (Cambridge) (LD): I support the Bill, but the purist in me is slightly anxious about the concept of retrospective legislation. Will the Home Secretary say a little more about how normal that is and whether this step might be opening a door for rather more concerning retrospective legislation?

Mrs May: My hon. Friend sneaked in with his intervention as I was nearing the conclusion of my speech. Perhaps I use the term "retrospective" a little loosely. This is not retrospective legislation in that it merely corrects the decision that has recently been made and puts the situation back to what it had been understood to be. That is supported by Liberty, which has said:

> "We do not believe that the proposals are retrospective in their nature as they do not seek retrospectively to create a criminal offence, sanction or other burden. They would, in our view, not fall foul of Article 7 of the European Convention on Human Rights or the common law rule against retrospective penalties."

Frank Dobson (Holborn and St Pancras) (Lab): Does the Home Office, any other part of Government or the Association of Chief Police Officers have any figures to show how many people have been on police bail for, let us say, more than six months and then are not charged?

Mrs May: I am not aware of such figures, but the right hon. Gentleman's question gives me an opportunity to comment on remarks that some lawyers and others have made as to whether the original judgment is in some way a response to a problem that had been getting worse. I am not aware of such a problem. The rules that we are restoring are those that the police have been operating under for the past 25 years. I say to those who have suddenly raised this issue that if they did feel there was a problem they should have raised it sooner. I also say that this Bill is merely restoring the situation to what has been understood to be for the last 25 years, and that I do not think it is an appropriate vehicle for doing any more than that. We have a task to perform today. The Bill achieves that task, and it is right that it is restricted to that.

Mr David Winnick (Walsall North) (Lab): I am not necessarily opposed to restoring the position to what it was before the court judgment, but I am always anxious about our rushing through all the stages of a Bill, as we are doing today. The Home Secretary has been very dismissive of critics, but my view is that if there was more time, those critics, who may or may not have a very reasonable case, would be able to put their case to Members and there would be further deliberations before we rushed into making law. I have many hesitations in my mind because, as the Home Secretary herself has admitted, when we have previously rushed through legislation, it has not always proved to be useful.

Mrs May: I understand the point that there have in the past been occasions when emergency legislation has been felt to have had consequences other than what was intended. This is a different kind of emergency legislation however, in that it simply reinstates the situation to

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what it was understood to be for the past 25 years in terms of the operation of PACE and detention and bail. I say to the hon. Gentleman that the Government have done what we can to ensure that there has been an opportunity for the Bill to be considered. I made the draft Bill available to Members and others on Monday, and it was formally introduced on Tuesday. We therefore made it available early so that people would have an opportunity to look at it. It is a very short Bill, and it does not need to be more than a short Bill because, I repeat, it is simply reinstating the situation to what it has been for the past 25 years.

The judgment in the Hookway case significantly impairs the police's ability to investigate offences and protect the public. I am not prepared to stand by and ask the police to fight crime with one arm tied behind their back. The Bill will restore vital powers to the police that they have operated under, without complaint from the courts, for the past 25 years. I commend this Bill to the House.

12.59 pm

Yvette Cooper (Normanton, Pontefract and Castleford) (Lab): We should take the opportunity to pay tribute to the victims of the 7/7 bombings and to their families, as the anniversary is today.

The Labour party supports this legislation, as it is needed to overturn the judgment made on 19 May in the case of Greater Manchester police and Paul Hookway. The Home Secretary has set out the judgment's implications for policing practice and the difficulties of suddenly treating time spent on bail in the same way as time spent in custody, which was clearly not Parliament's intention when the legislation was drawn up and is clearly not the intention of this House today. The judgment does cause serious problems for policing operations, for ongoing investigations and, potentially, for the delivery of justice and, most seriously of all, for the protection of victims and witnesses. We should pay tribute to the chief constables, the custody sergeants, the other officers and police staff who are having to deal with this situation as the professionals that they are.

The situation does mean that the police are not able to recall people from police bail if they have been bailed for more than four days, unless they have new evidence that allows them to re-arrest. It also means that the police are constrained in enforcing bail conditions if the period of up to four days from the initial arrest has elapsed—that has serious implications, especially as 80,000 people are on police bail right now.

Currently, the police will routinely bail people in ongoing investigations but may need them to return to the police station for further interviews, even where there is no new evidence since the original arrest. They might need them to return for an identity parade or for clarification of a victim's statement, pending advice from the Crown Prosecution Service. There are many such cases where, in practice, there is no new evidence since the time of the original arrest.

The situation also raises serious issues in terms of the application of bail conditions, particularly in domestic violence cases, as these conditions can include important protection for the victim. Such conditions could include someone being prohibited from going to their ex-wife's workplace, to the family home or to their children's school. Bail conditions are an extremely important part of protecting the safety of victims and witnesses, and if they cannot be enforced, protection is put at risk.

Hazel Blears: My right hon. Friend will have heard the response that I received from the Home Secretary. Does my right hon. Friend agree that, if conditions are appropriate to be applied to those suspected of involvement in serious crime, it is illogical and inconsistent if those same conditions are not at least to be considered and to be available to be applied to those suspected—to those "reasonably believed", under the new test in legislation—to be involved in terrorism-related activity?

Yvette Cooper: My right hon. Friend makes an extremely important point, as we are rightly discussing this measure because of the seriousness of the situation and the need to protect people. In police bail cases, that need often applies in respect of particular individuals—victims and witnesses. In the kinds of terrorism cases that she is talking about, the risk may be much wider and may involve a much wider group of people, so we would expect that additional and even greater protection might be needed. It raises concerns if the security services and police do not have the ability and the powers to provide that protection. She is right in what she says and I know that she is continuing to raise that issue as part of the debate on the other legislation.

Dr Huppert: Does the right hon. Lady agree that the logical consequence of what the right hon. Member for Salford and Eccles (Hazel Blears) was just saying is that we should be trying to use police bail conditions to deal with terrorist cases, as far as is possible and given sufficient safeguards?

Yvette Cooper: There are cases where police bail can, of course, be used and there ought to be cases where we should explore that. Our view remains that there are also cases where that is not possible, which is why we need control orders, the son of control orders or whatever we are calling these things now—we need some other kind of safeguard. Clearly, where more traditional aspects of the criminal justice system can be used instead, they should of course be used. Control orders are always a last resort and should be used only in those circumstances.

We have seen some worrying cases across the country, and this goes to the heart of why emergency legislation is needed now. Hon. Members are right to say that we should bring in emergency legislation only on the basis of very serious consideration; we should never do this lightly and there are always risks involved. However, Parliament also needs to balance the risks, and there are risks to the public and to the course of justice if we do not legislate now.

The National Association of Probation Officers has warned of a case where a suspect who is already on a 12-month suspended sentence for assault and who has five previous convictions for offences against the same partner was arrested again for assault. He was bailed while drugs found upon his person were sent off for analysis, but that may take a week and the 96 hours have expired. His victims are deemed at physical risk and it is hugely important, in those circumstances, that bail conditions should be able to apply. Another case

involves the harassment of a former girlfriend by a suspect who has been arrested and released on bail. His phone and computer were taken for analysis, which takes time—far more time than 96 hours. He is not due back on bail until later this month, but his conditions are not enforceable if the current legal state of affairs persists. I have been told of other cases by police officers, including that of someone arrested as he was accused of sexual assault on women he was supposed to help in the course of his work. Further investigations are under way, but his bail conditions included a requirement that he should have no unsupervised contact with women in his professional capacity and, again, those conditions cannot now be enforced.

In many cases, bail conditions were used to give people a time and date for returning to the police station for further interview once further evidence was expected to be in place. Now, even though that further evidence might subsequently have been gathered, the police will still have to go out to look for the suspect and take that extra time to bring them in. So, in addition to the risks to justice and to the victims, this situation is placing considerable extra burdens on police time and resources, causing additional pressures for them, too.

Mr Winnick: My right hon. Friend is making a powerful case for the situation that existed prior to the court judgment, and I do not dispute what she is saying in any way, as public safety is absolutely essential and nobody in this House is going to challenge that view. We are dealing with the substance of the matter, so does she not have a concern about the amount of time that a person can be endlessly bailed for as they return to the police station and that happens again? Would it not be far better, as far as is possible, for charges to be brought as quickly as possible where there is sufficient evidence to do so?

Yvette Cooper: We are talking about wider issues here and, if I may, I will deal with those later. If my hon. Friend wishes to intervene then, I will be happy to take a further intervention from him. I wish to finish the point that I am making and then deal with his point.

The case for rapid action to resolve the situation is extremely clear. Nevertheless, it is important that we set it out in the House to make it clear to the courts what our view and judgment are. The costs and administrative burdens for the police in trying to manage this interim situation should also not be underestimated. There is also a significant risk that clever defendants or defence lawyers might use that interim period as a way to get off on a technicality, which would mean that justice would not be done, the House and Parliament not having clarified the situation for the police and the courts.

It would be irresponsible for Parliament to wait longer to deal with the situation. It is not possible for Parliament to take the risk of waiting for the Supreme Court hearing on 25 July, as thousands of domestic violence victims alone need the protection of enforceable bail conditions right now, not in several weeks' time. So we do support the legislation, as I explained in Parliament on a point of order within hours of learning about the issue eight days ago.

However, we should reflect on some genuine concerns. We have not proposed any amendments, even probing ones, because we think that the most important thing today is to get the legislation on to the statute book and to restore the position for the police and crime victims as soon as possible. However, the House should also have concerns about the possibility of the use of endless police bail. There are cases, and there have been cases, where people have been left on police bail, including with conditions, long after another suspect has confessed to the offence. There are other cases where investigations have run dry but action was not taken to end the bail arrangements. Long bail can sometimes mean that delays are allowed to develop, and they eventually become counter-productive in securing justice.

Therefore, we should, in due course, have a wider debate about the appropriateness and proportionality of different lengths of police bail and what safeguards are needed. If Parliament, the Government and the police do not have those debates about what we think is appropriate, we risk the courts making those decisions for us. It is important that the police have the powers and the flexibilities to pursue those investigations, but we need to give them support in doing that, and make sure that that is properly reflected in the arrangements that we have. There are issues to do with the fact that the Police and Criminal Evidence Act 1984 has been amended many times and clarity might be needed on wider matters, too. It would be helpful if the Home Office and ACPO considered more closely when, how and for how long police bail is used and whether the current framework is appropriate or needs amending.

In the meantime, the most important thing is to restore to the police the ability to operate in the way in which they have operated, and with the framework with which they have operated, for several decades.

Steve McCabe: I accept my right hon. Friend's point about not tabling any amendments, but given what she has said about the application of bail conditions, is there not a persuasive argument for having a sunset clause in this emergency legislation so that we deal with the immediate problem but have proper time to debate the issues she mentions?

Yvette Cooper: That would have been one way to do it. When the issue came to light last week, we suggested that one option might be to introduce emergency legislation with a sunset clause before considering the subject more widely. The most important thing, given the time we have available, is that the Government have proposed a way to restore the system, and the whole House should support it. I hope that the Government will have further discussions with ACPO about whether any other developments are needed.

As several hon. Members have said, we should never legislate lightly when it takes retrospective effect. Changing the law retrospectively is, in general, undesirable and creates great uncertainty. It threatens natural justice if people end up breaking a law when they did not know of its existence, when it did not exist at the time the act was committed and when they could not have been expected to know that it would exist.

I have thought very carefully about the question and I know that members of the Government have, too. I am clear that a retrospective clause is justified in this case. Indeed, I urged the Minister for Policing and Criminal Justice to include a retrospective clause when I

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discussed the issues with him last Thursday. In this case, we are simply restoring the law to what we in Parliament thought it was, to what we intended it to be and to that which the police, the CPS and others have been following in good faith for many years. We have made clear our intention and so in this period of uncertainty the police, suspects and others should know what Parliament intends. If we had not made our intentions clear, we would have opened the police and victims up to considerable uncertainty about the prospects for individual cases, especially those under investigation at the moment. It would be deeply wrong for a victim to be denied justice and for the offender to escape on a technicality simply because the crime was committed in the limbo period between 19 May and Royal Assent and the police interviews did not comply with the temporary legal position owing to any confusion.

An even more troubling possibility is that historic cases, in which the standard practice was followed in good faith by the police and CPS, could end up being overturned or dragged back through the courts because of the Hookway judgment. In such circumstances, we should legislate retrospectively but we should be clear that we are doing so because we have considered the seriousness of the issue and that we have made the judgment after serious consideration rather than lightly.

I have some concerns about the process and about why we are doing this now, in such a way. I am concerned about the initial judgment. My right hon. Friend the Member for Salford and Eccles (Hazel Blears) mentioned the judgment of the judge in Salford, which was confirmed by the High Court judge. Judges, not Parliament, interpret the law and it was the role of the High Court judge to come to a view on what the legislation meant. The fact that the judge came to a new view on the interpretation of the law or a different view from experts, such as Professor Zander QC, is still part of the judicial process. It is possible for us to disagree with the judge's decision while respecting his constitutional role in making such decisions.

My greatest concern is about the final paragraph of the High Court judge's judgment, which the Home Secretary quoted. He does not simply interpret the law but makes a practical assessment of the impact of his judgment:

> "It seems to me however...the consequences are not as severe as might be feared in impeding police investigations in the vast majority of cases. This is simply because in the usual case a suspect returning on bail will either be released because the evidence is not sufficient to warrant a charge or he will be re-arrested under statutory powers because new evidence has come to light."

I strongly disagree with that practical assessment and the evidence of cases that the police have to handle at the moment disproves it.

Michael Ellis (Northampton North) (Con): That does not tally well with the right hon. Lady's earlier suggestion that the Home Secretary and others have acted in a dilatory fashion, because the judge himself said in his oral judgment that he did not think that the judgment would have those consequences. Was it not right, therefore, to wait for the written judgment and find out what the consequences would be?

Yvette Cooper: No, I disagree. I think that the judge was wrong in that aspect of his judgment. There are serious questions about the fact that there is no sign that he considered any extensive evidence on the practical application of his judgment and about why he did not consider making clear that the judgment should be stayed pending appeal and consideration of the wider evidence. However, that does not go to the heart of the role of the Home Office and the Home Secretary. The Home Office could have done considerable things between the oral statement and the written judgment, rather than simply hoping for the best, which is what it appears officials have done.

Let me turn to the Government's response. The oral judgment was given on 19 May and Home Office officials were informed soon after that—certainly before the end of May. The Home Secretary and the hon. Member for Northampton North (Michael Ellis) have claimed that they had to wait for the written judgment, and of course the written judgment brings the decision into effect and can provide further clarity, but that does not mean that everybody had to suspend action and judgment until the written judgment was available. Given what Home Office officials should have known from the oral judgment, they should immediately have notified the CPS and the Attorney-General. The Home Secretary did not explain when she discussed the decision with the Attorney-General or at what point the Attorney-General was made aware of the seriousness of the case.

Michael Ellis: Does the right hon. Lady not appreciate that, at the time of the oral judgment, it could have related only to the instant case before the judge in question? It was only clear later that it would have a wider-reaching effect.

Yvette Cooper: The point is that the Home Office should have prepared. Immediately after the oral judgment was issued, it was possible that there would be concerns and Professor Zander knew enough about the judgment to write a considered view in *Criminal Law and Justice Weekly* on 17 June. He was clearly extremely worried and on that basis he was already offering advice. Home Office officials should have sought information and should have been concerned even on the basis of the oral judgment.

Mrs May: On a point of clarity, will the right hon. Lady confirm the time line? She just referred to Professor Michael Zander in a way that might give Members the impression that his article was written off the back of the oral judgment. Will she confirm that it was made available after the written judgment?

Yvette Cooper: The article was published on 18 June, following the written judgment becoming available on 17 June. He will have needed time to write it, however, and to seek more information and details about the case; Home Office officials, however, chose not to do that—*[Interruption.]* Hon. Members on the Government Benches might think that this is amusing or a case for dismissing the argument, but they ought to consider the serious consequences for domestic violence victims and police operations across the country. Faced with such circumstances, Home Office officials are obliged to consider that risks are involved. They might not have known the final details until the written judgment arrived,

but they should have been preparing, asking for further information from the judge and starting to work out options in case Home Office Ministers needed to act fast when the full information became available.

Keith Vaz: Evidence was given to the Select Committee on Home Affairs on Tuesday that a note was written by counsel for Greater Manchester police, which could have alerted officials to a possible issue, but my right hon. Friend would need to have the opportunity to read that note.

The point I wanted to make was that there is the Treasury Solicitor's Department, which is headed by the Attorney-General and the Solicitor-General, so there are resources that could have allowed this issue to be looked at when ACPO was taking advice from Clare Montgomery and Steven Kovats. Does my right hon. Friend agree that that is relevant for the future and that, if alarm bells start ringing again, there is machinery in Government to allow the Home Secretary to have the kind of advice we are talking about?

Yvette Cooper: My right hon. Friend is right. He makes his points diplomatically, but the complacency of Home Office Ministers is worrying. They seem to think that they have done everything right in this case, that there have been no delays and that everything has moved as rapidly as possible, but that clearly is not the case. I hope that they will learn lessons for the future from this incident because there clearly has not been rapid movement every step along the way. Whether that applies to what Home Office officials should have done when they received the note on this case, what work they should have done, or what further information they should have sought either from the judge in question or through legal advice at that point, it is their responsibility to prepare options for Ministers, so that Ministers can take rapid judgments, know what their options are and move very fast. That is especially true given the significant risks from this case to the operation of police work and to justice.

My right hon. Friend's point about the role of the Treasury Solicitor's Department is important. The point of having the Attorney-General and those solicitors is to be able to seek additional legal advice from them. The Home Secretary said that it is not normal practice for the Government to confirm whether and when they have sought legal advice, but in fact it is very common for Ministers to say that they have had legal advice from the Attorney-General or others. They might not reveal the detailed content of that advice but in this case the Home Secretary is not even confirming whether she has had or sought separate legal advice or whether the Attorney-General provided any such advice to set out options, so that the Government could move fast and deal with this matter considerably faster than has been the case.

Mark Reckless: Will the shadow Home Secretary accept that the Government and the Home Office were not parties in the proceedings? We can see from the judgment that counsel for Greater Manchester police were asked at the end of the oral judgment whether they would like to apply for a certificate in relation to an appeal. To the extent that questions have to be asked, surely they should be addressed to Greater Manchester police about why they did not apply to the judge for a stay or for a certificate despite having been specifically asked about doing so. We should be addressing those questions to Greater Manchester police, who are party to the case, rather than trying to twist this in relation to the Home Office.

Yvette Cooper: The hon. Gentleman is right that there are issues for Greater Manchester police in terms of how fast they respond and react and whether they apply for appeals and stays, but the issue for the Home Office is that, in the end, it matters to the Home Office if policing practice and the protection of victims right across the country are jeopardised. His point goes to the heart of my concerns about the way in which the Home Office and Home Office Ministers have responded. There seems to be an attitude that "We'll let Greater Manchester police and ACPO do their bit; we'll just sit back and wait until it all comes to us." Ministers finally acted only when ACPO said that emergency legislation was needed, rather than Ministers and the Attorney-General recognising that they would have to take responsibility for the consequences. Even if Greater Manchester police did not take the first steps, there was still a responsibility on the Home Office and the Attorney-General to go and talk to Greater Manchester police about whether they had applied for a stay of judgment or appeal. That is where there have been delays and, frankly, incompetence in the way the Home Office has responded.

Bob Stewart (Beckenham) (Con): I have sat and listened very carefully to the debate. I am no lawyer but it strikes me that the Government have tried to act as fast as they can. We are having this emergency debate at speed because we have to make sure that when a judge makes a wrong decision we put the law right—first, to protect the public and, secondly, to allow the police to proceed properly. Does the right hon. Lady not agree?

Yvette Cooper: We do have that responsibility, but my reason for continuing to press this point is that these things will come up again because that is the nature of home affairs and Home Office work. There will inevitably be judgments and other issues that cause problems and suddenly raise difficulties in the criminal justice system. We have dealt with them previously, sometimes through emergency legislation and sometimes through other responses. These things happen and the question is whether, when they happen, the response is fast enough or active enough. My concern is that, if the Home Office continues to be complacent about how it has responded, there will be further difficulties in future.

It is worth considering the time line. We are now seven weeks from the original judgment, three weeks since the written judgment was put in place and two weeks since Ministers were informed. That gap alone between Home Office officials' being informed of the written judgment, the written judgment's being published and Ministers' being told puts Ministers in a deeply difficult position. I have considerable sympathy with the position they were put in when the written judgment came out and was commented on almost the same day by Professor Michael Zander, who said:

> "This is a very unfortunate decision if it is not quickly overturned on appeal it will need to be speedily reversed by legislation."

That criminal expert came out with that statement, the written judgment was published and it was still a week

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until Home Office Ministers were even told there was a problem. I think that is of concern and that the Home Office should recognise it is of concern.

Mr Winnick: Given that my right hon. Friend is giving her full support to the Government, is she at all surprised by how sensitive Conservative Members are to any form of criticism whatever?

Yvette Cooper: My hon. Friend makes an extremely important point. Given the number of Back Benchers who have leapt up to mention, as part of their intervention, "the speedy action from Ministers" and "the fast response from Ministers", one might think that a Whip's note has gone around saying that that might be the phrase to put into every intervention, whatever the point might be.

Our first concern is about the initial delay before the Home Office got the written judgment. I am very clear that more work should have been done between the oral judgment and the written judgment. Then, once the written judgment arrived, there should have been very fast advice to the Home Secretary and the Minister for Policing and Criminal Justice about the risks in this case. Instead, the Home Office seems to have sat on this for a week before Ministers were informed. Once they were informed, it was then important for them to accelerate action because the Home Office clearly had not been acting fast enough before then.

What did happen once Ministers were informed? We still do not know when the Home Secretary discussed the matter with the Attorney-General and we still do not know why it has taken so long for there to be support via the Attorney-General, working with Greater Manchester police and the Supreme Court, to get an expedited hearing for a stay of judgment. I recognise the point that the Home Secretary made about the stay of judgment. Clearly, a series of different issues are relevant, some of which the Supreme Court has raised in relation to its powers. The Court also raised the issue of timeliness because by the time it was considering a stay of judgment, that judgment had been in place for many weeks. Timeliness is always a factor when the Supreme Court takes decisions and those delays might well have made it harder for the Court to bring in that stay of judgment.

Mrs Eleanor Laing (Epping Forest) (Con) *rose—*

Yvette Cooper: I shall give way to the hon. Lady, who I am sure will say something about how speedily the Home Office has acted.

Mrs Laing: No, indeed—I have no Whip's note or other briefing on this matter whatever. The right hon. Lady was statesmanlike in her opening remarks in supporting what the Government and Parliament are now doing out of necessity and—I am not going to say speedily—as soon as it could be done in Parliament, and the whole House agrees that the Bill must be passed today. Might I point out, however, that whereas the right hon. Lady was statesmanlike in her tackling of the issue, she is now grovelling around looking for party political points to make, which can sometimes be unseemly?

Yvette Cooper: The hon. Lady might think that the speed with which the Home Office has responded is okay, but I think it demonstrates a worrying level of complacency that might cause problems in future. The reason for making that important point about the delays we have seen is that such delays cause risks for victims and the judicial process. At the heart of the matter is the question of whether the Home Office is prepared to take responsibility for justice in this way, or whether it will just sit back and leave it to the police and ACPO.

The Policing Minister has told us that the Home Office waited for ACPO to conclude that emergency legislation was needed. When he responds, will he state at what point Ministers asked for draft legislation to be prepared, even if only on a contingency basis, because that is important? Ministers should have commissioned emergency legislation on a draft basis as soon as they were informed of the problem and saw the clear advice from Professor Zander that emergency legislation might be needed. Instead, they appear to have waited for ACPO to commission legal advice twice, but it is not just a matter for ACPO. Inevitably, ACPO will always try to make existing legislation work—they are the police and that is their job—but the job of the Home Secretary's officials was to contingency plan and get emergency legislation on stand-by, yet there is no sign that they did that. Also, they appear to have made no effort to start discussions with the Opposition through the usual channels on how we could get the legislation in as fast as possible. After the Home Secretary was made aware of the situation, it took her a week to raise it with the Opposition and ask whether we would support emergency legislation if needed. The usual channels could have started making contingency plans a week before and we could have had this debate earlier. In the end, the reason for making this point is that in these cases every day matters, because the risks to people who rely on bail protection are considerable and persistent. Therefore, every day matters in how fast we can get this legislation in place.

We support this legislation, will give it a fair wind through the House today and hope that it gets through the House of Lords as rapidly as possible, but I must say to the Home Secretary that it is important when things go wrong and she has to respond that lessons are learnt so that the same mistakes are not made again. There have been a catalogue of delays at every stage of the process, things could have been done faster and we could have moved to resolve this earlier. Unless the Government recognise those delays, I worry that we will see further problems and risks. The Home Secretary cannot always pretend that everything in her Department is perfect; it will not be, and we all know that. A little more recognition when failings take place and learning from them would help us to have a more effective Home Office and a better criminal justice system for the future.

Mr Deputy Speaker (Mr Nigel Evans): Take two: Lorraine Fullbrook.

1.33 pm

Lorraine Fullbrook (South Ribble) (Con): I am delighted to have caught your eye for a second time in the past hour, Mr Deputy Speaker.

We are debating this emergency legislation today because accepted police practice of more than a quarter of a century has been challenged. The legislation is not only vital, but urgent for maintaining the ability of our police forces across the country to do their job of catching criminals and protecting the public they serve. The ruling by High Court judge Mr Justice McCombe on 17 June—that time spent on police bail over any period should count towards the maximum 96-hour limit for pre-charge detention—has destabilised our police and the very heart of our criminal justice system. In the words of the chief constable of West Yorkshire police, this has left officers

"running around like headless chickens...wondering what this means to the nature of justice."

As a Member of the Home Affairs Committee, I was fortunate to hear from some of the most senior police officers in the country about the negative effects that this ruling has on the police and the criminal justice system. A staggering 80,000 people in pre-charge bail cases would be affected by the ruling. In Lancashire, where my constituency is, 2,227 suspects would be affected on pre-charge bail. This Tuesday the Committee heard from Steve Bloomfield, a Metropolitan police commander and the lead in the fallout of this case, and Jim Barker-McCardle, the chief constable of Essex police and the ACPO lead in this area. These professionals, who are truly eminent in their field, outlined the detrimental effects of suspects who would normally be released on bail being detained for longer. They were asked whether the police would have sufficient cell capacity as a consequence of the judgment. Chief Constable Barker-McCardle said that they would have the capacity in the short term—for the next few weeks—but that over a period of months they would cope but with some difficulty.

Mel Stride (Central Devon) (Con): On that point, does my hon. Friend also accept that in the case of mass demonstrations and the arrests that accompany them, it is often physically impossible to detain everyone necessary?

Lorraine Fullbrook: My hon. Friend is absolutely right that the fallout from the judgment would be exacerbated by mass arrests resulting from public order incidents. Without this urgent and necessary legislation, we will need more cells than we currently have. Otherwise, suspected criminals will be set free until they commit a further crime. As my hon. Friend has said, the fallout from mass arrests as a result of public order incidents would increase.

This judgment also puts victims of crime and the general public at greater risk. Chief Constable Barker-McCardle was asked by the Home Affairs Committee whether this was an issue of public safety, to which he responded that it undoubtedly was. He said, "unhesitatingly, unqualified –yes".

I was astounded to hear that under the judgment a situation could arise in which a perpetrator of domestic violence would be perfectly able to revisit the home of the initial crime, breaching a bail order, and the police would not be allowed to detain such a person for the breach unless a new offence was committed. Under these circumstances, the perpetrator cannot be detained until a further violent incident occurs. We have a responsibility to victims of domestic violence to ensure that this madness is not allowed to continue and that we allow the police to do their job and protect the public from crime.

I am glad that the Bill is retrospective, which will prevent people taking action in the courts. The judgment prevents the police from doing their job and puts victims at greater risk. I am delighted that the Government have introduced the Bill so speedily and with such urgency. I am sure that it will be supported by Members on both sides of the House.

The judgment by Mr Justice McCombe has upset the balance in our criminal justice system. For 25 years the police have been relied upon to catch criminals and we entrust the courts to ensure that justice is served. This emergency legislation redresses that balance by giving the police the assurance that they can continue to operate in the way they have for many years—protecting the public. I am sure that the House will give the police that assurance today by passing the bill, which is essential to put things right.

1.38 pm

Steve McCabe (Birmingham, Selly Oak) (Lab): I, too, will support the emergency legislation, but two questions seem to have been raised: first, what happened; and secondly, what are the implications of the legislation itself? On the question of what happened, there seem to be two different versions of events. The Government version suggests that they acted within one hour and two minutes, and we have heard a lot of support for that view, with Members telling us about the speed of events. Another version suggests that the clock started ticking on this issue on 5 April, when the judgment was made in the Salford court, and that it has been going on for three months. There has been a crucial judgment, albeit after a 25-year gap, about the interpretation of a piece of parliamentary legislation that identifies a drafting error that no one appears to have spotted in 25 years, which I find slightly strange.

Michael Ellis: Will the hon. Gentleman give way?

Steve McCabe: I will in just a second.

I understand that the Government need to deal with the immediate situation, but I find it slightly strange that we are going to do so by simply sweeping the matter under the carpet, because it is worth holding a debate in the future about how the situation could have occurred.

Bob Stewart *rose—*

Mr Robert Buckland (South Swindon) (Con) *rose—*

Steve McCabe: They are queuing up for me, but I will go first to the hon. Member for Northampton North (Michael Ellis).

Michael Ellis: Does the hon. Gentleman not realise that the alleged drafting error in the 25-year-old Bail Act has been referred to before in learned texts, and that other judges have used common sense in applying the law as they thought Parliament intended? That is where there has been a departure by the judge in the instant case.

Steve McCabe: All judgments depend on what the judge thinks Parliament intended; that is the point. We have someone who was able to draw a different conclusion, however, and as we have reached this position I am happy to deal with the legislation today, but it would be useful if the Government gave us a further opportunity to debate the implications of the situation.

Mr Buckland: I was going to try to help the hon. Gentleman by saying that the matter had never been ruled upon—it had never been a matter of controversy. Practitioners and everybody involved in the system had assumed that the clock would stop on release from custody, but, for the first time in 25 years, that particular decision was taken and it confounded everybody who has experience of the criminal justice system.

Steve McCabe: That is largely the same point as the hon. Member for Northampton North made. Does the hon. Member for Beckenham (Bob Stewart) still wish to intervene?

Bob Stewart: I was going to make just one point—about whether the public have been put at more risk because it has taken some time to bring in this legislation, and about whether the police have been able to manage the situation. It seems that no one has really suffered apart from the police, who have had to manage the situation, and that now we require to put the matter right. If the public have not been put at risk, that is great, and if the police have been able to manage, that is good, too, so let us get the legislation through as fast as we can.

Steve McCabe: We agree on getting the emergency legislation through; that is why we are here. But it is a little premature to say that no one has been harmed by what has happened, because that remains to be seen.

It can be argued that what happened on 5 April led to people thinking that they were dealing with a little local difficulty, because that is a perfectly reasonable conclusion to draw, but it is reasonable also to say that, when the judgment was made on 19 May, people should have started to think that it had wider implications and alarm bells should have started to ring. It appears, however, that at that point no alarm bells whatever rang in the Home Office.

On 24 June, by which time the written judgment was available, no one thought it sufficiently important to be dealt with on the Friday afternoon. The Home Office received it on 24 June and waited until the Monday—the whole weekend—before starting to consider its implications.

The Home Secretary was dismissive of my comments on Michael Zander's article, but here was a respected legal expert giving a clear warning on his concerns about the judgment. I do not know whether the Home Secretary knows, and I am quite happy to table a parliamentary question, but I should be really interested to find out whether the Home Office takes that journal, *Criminal Law and Justice Weekly*. I imagine that it does, and I therefore presume that somebody whom the Home Secretary employs reads it, so we should not be quite as dismissive of Michael Zander's piece as she suggests.

Mel Stride: Will the hon. Gentleman give way?

Steve McCabe: Oh, why not.

Mel Stride: Does the hon. Gentleman not accept, however, that the article was published after the written judgment? That is the critical point.

Steve McCabe: Presumably, one reason why that guy is one of the country's leading legal experts is that he, rather remarkably, anticipated such a judgment and was able to give some advice and guidance on what might be necessary if it were so. I am not therefore too concerned with that point.

Are we seriously being asked to believe that Ministers and officials sit in the Home Office and wait to see whether the police have any concerns, and that if the police do have concerns, they e-mail, phone or send a carrier pigeon to the Home Office at which point Ministers suddenly start to take their responsibilities seriously? If that is what we are being asked to believe, I have a suggestion for the Home Secretary: why does she not make some cuts by sacking some of her useless officials, rather than police officers? It sounds as if they are not serving her particularly well.

The hon. Member for Beckenham, who has left his place, asked whether it was true that no one had been harmed as a result of the judgment. We do know, as the Minister for Policing and Criminal Justice said, that 80,000 criminal suspects were affected by the decision, and the implications of it are one obvious reason why we are here today.

I am not entirely sure that I agree with the hon. Member for South Ribble (Lorraine Fullbrook), who said that there were no problems with detention, because earlier this week I read a report stating that, certainly in the west midlands, the police are decommissioning detention cells as a result of the budgetary savings that they are required to make, so in some parts of the country there may be pressure on police cells as a result of the situation.

Lorraine Fullbrook: I was citing evidence that was given to the Home Affairs Committee, and the hon. Gentleman, as a fellow member of the Committee, was at the relevant session on Tuesday.

Steve McCabe: The hon. Lady may remember that during the same evidence session the police officer concerned referred to 5,000 as opposed to 80,000, but under further examination we discovered that he was talking about the Met police area rather than the whole country.

I plan to support the legislation, because we are where we are and I do not want to make the job of the police any more difficult. The Government's police cuts, in what looks like a concerted attack on Britain's policing institutions, are making their job hard enough, and I have no desire to make it any worse, but I do not accept the Government's version of the events that brought us here.

I have a question about how the emergency legislation has been framed. Earlier, the Home Secretary cited Liberty as an organisation that supported it, and I think I am right that Justice is one of the others, but Liberty makes an interesting case about the lack of safeguards in the legislation and a persuasive case for a sunset clause, whereby we deal with the immediate problem

but then, at a more leisurely pace, look at the wider issues. Given that the problem went undetected for 25 years, that may be a worthwhile route to pursue.

On the retrospective nature of the legislation, I agree that it is necessary in order to deal with those 80,000 cases—and probably even more so in order to deal with what happens between now and 12 July, when it comes into effect. However, our law—I think this is the point that the hon. Member for Cambridge (Dr Huppert) was alluding to—relies on citizens being able to predict in advance when the act of a public authority will be lawful. Introducing a retrospective clause, albeit for understandable reasons, creates a situation whereby something that someone was doing yesterday, reasonably assuming it to be lawful, could be unlawful tomorrow, so that retrospectively they could suffer the consequences. That has major implications for the way in which citizens should view their relationship with the state. I do not object to the retrospective aspect, but it leads to an argument for a sunset clause so that we could have an opportunity, at some point in the future, to consider the implications of having to make such judgments.

Members have mentioned the problem of the length of time for which people may be held on police bail, particularly where it has conditions attached. The shadow Home Secretary used the example of bail restrictions designed to protect the victim from the alleged offender in domestic violence cases. I can understand that. However, I can think of a case in my constituency where a constituent had a bail order applied to him for over 12 months, and one of its restrictions was that he could not use his bank account because the case involved a fairly complex fraud. As a result, he had immense difficulty in meeting his daily living expenses. In the end, all the charges were dropped and he was never brought to court for anything at all. There is already a provision in PACE whereby, when the police apply for an extension, they have to give assurances that they will not take undue time in dealing with the matter and having excessive periods of bail.

These provisions raise once more the issue of bail conditions. We are putting through legislation to deal with a very particular crisis, but in the course of examining it we are opening up wider questions that would merit a much broader debate at some point in the future. Even at this stage, the Government could consider a sunset clause. They are getting absolute co-operation today in dealing with the immediate problem that we face: whether that is partly their own fault or entirely the fault of the courts is a matter of debate. In return for that, the emergency legislation should be used only very sparingly. It is not unreasonable for Parliament to say that the issues that are raised while emergency legislation is being passed should be subject to much greater debate and scrutiny in future.

1.53 pm

Tom Brake (Carshalton and Wallington) (LD): Let me start, Mr Deputy Speaker, by apologising to you and to other Members for my brief absence from the Chamber. I had to attend the Programming Sub-Committee on the Legal Aid, Sentencing and Punishment of Offenders Bill. I must say that the process that took place therein would not have been out of place in a "Carry On" film.

As Members will know, we are having this debate because the High Court has ruled that suspects cannot be bailed for longer than four consecutive days, or 96 hours. That decision comes after a ruling from Salford magistrates court that the police could not detain suspect Paul Hookway again because his "detention clock" had been running while he was on bail—a ruling that has immediate effect. It is clear that the damage that this would have done to police investigations had we not taken the action that we are taking would have been very substantial in stopping the police being able to keep track of a suspect while they continued their investigations, collected new evidence, and so on. Given that that would have affected more than 85,000 people across England and Wales, it was clearly necessary for us to debate emergency legislation and implement it as soon as possible.

However, I would like to take this opportunity to raise some concerns. Liberty's briefing, which I support, includes the perhaps understated comment that it is

> "somewhat surprising that this appears to be the first time that the issue has arisen in the 25 years that the PACE Act has been in force."

Indeed, other Members have made that point. It is concerned about having a requirement to stick to a consecutive 96-hour period, stating:

> "Unduly limiting the period for which a suspect may be bailed by police could have the effect of encouraging premature or inappropriate charging with all the injustices that would flow. It could also have the effect of encouraging police to detain for the maximum (96 hour) period in circumstances where a suspect could be released earlier thereby supporting prolonged detention rather than release on bail."

Those are genuine concerns which have been supported in other representations that I have received. Although the action we are taking is necessary, there is no possibility today of our debating and perhaps amending these clauses to reflect some of the concerns about the use of police bail. Liberty goes on to say:

> "While 96 hours may well be too short a limit to allow effective further investigation in more complicated cases, it should not be the case that police bail can go on forever."

It also notes that

> "police bail can have attached to it a number of highly onerous conditions."

I should like to refer to a couple of anonymised cases that highlight some of the issues of police bail and, in some cases, its very extended use. A barrister contacted me to say that he was aware of a serious fraud case where certain suspects were on bail for a period of two years and 10 months, and released from it only recently when a trial of some of the other suspects in the same investigation ended with acquittals or a hung jury. He referred to another case in which he was instructed where the period was 18 months—from December 2007 to the point of charge in June 2009. He accepts that investigations will sometimes take a long time to progress, particularly in cases involving high-value frauds, as in the two that he cited, which I have now put on the record. He goes on to highlight the pernicious impact of police bail, particularly regarding the obtaining of restraint orders for the assets of the accused. He says that although there will be occasions where such restraint orders are justified, perhaps to ensure that criminal assets are not dissipated, their impact is substantial and

[Tom Brake]

can sometimes affect the ability of the accused to pay their mortgage, for instance—and of course such people often remain unconvicted.

It is legitimate, in the limited time available to us, to raise those points and to flag up the fact that while emergency legislation is necessary, we need to be careful about the implications of police bail and its uses and to ensure that it is not abused. Liberty says in its briefing that we might at some point—it suggests in the Protection of Freedoms Bill—want to consider a statutory time limit on the use of police bail. It suggests that the statutory limit for pre-charge bail should be set at six months. I am not sure whether I support that contention—I suspect that in fraud cases, in particular, it would be rather hard to deliver and perhaps insufficient—but it might be appropriate for us to debate the subject at a later date.

Mr Buckland: A potential solution to that issue would be the imposition of a time limit in most cases, unless there was a particular element, for example fraud, which would bring the applicants back to court to apply for an extension. That could be a way around the problem that my hon. Friend is so eloquently adumbrating.

Tom Brake: I thank the hon. Gentleman for his helpful intervention. He is knowledgeable in these matters, and I am sure that what he suggests would be an appropriate solution.

The Law Society has also made representations to Members. As well as supporting a length of time for which pre-charge police bail applies, it is keen that the police should admit people to pre-charge bail only when it is necessary. If people voluntarily accept that they must attend, it may not be necessary to put pre-charge bail conditions in place.

It is clear that there is an urgent need to implement this emergency legislation. I am pleased that the Government are taking urgent action on this matter, and I wish the Bill a speedy passage through the House today.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Nigel Evans): Order. Seven Members wish to speak and I will call the Minister for Policing and Criminal Justice at 10 minutes to 3, because the debate is time-limited. Members should therefore be considerate of other Members who wish to speak.

2.1 pm

Keith Vaz (Leicester East) (Lab): It is a pleasure to follow the hon. Member for Carshalton and Wallington (Tom Brake). I congratulate him on the recent announcement of his elevation to the Privy Council.

The Home Secretary is in the enviable position of coming to the Dispatch Box with the support of Opposition Front Benchers—who seem to have disappeared temporarily; they are hiding behind the Chair—and that of the Liberal Democrat spokesman, ACPO, Liberty and every police officer in the country. The only person missing is His Holiness the Pope. Everybody seems to accept that it is vital that the Government get the legislation through as speedily as possible, within the time frame that was set out by the Minister for Policing and Criminal Justice. I thought he was very generous in saying that we would have until 3 o'clock to complete our debate, because everyone who has spoken so far has said that they agree absolutely with everything that the Government are doing, as do I. I shall learn from my own lesson by speaking as briefly as I can.

I thank the Home Secretary for showing great courtesy to the Home Affairs Committee. She promised us a copy of the draft Bill by 6 o'clock on Monday and we received it. She then appeared before the Select Committee on Tuesday. This may seem like déjà vu because there are so many members of the Select Committee here. In fact, we could adjourn the House and straight away be quorate. This is a model not just for emergency legislation, but for the way in which the Government should deal with Select Committees. If she carries on like this, our next report might have to recommend her for canonisation. *[Interruption.]* Steady on. I said only that we might have to recommend her for canonisation.

Mr Winnick: There would be a vote against, I can assure my right hon. Friend.

Keith Vaz: I am sure that there would be a vote against it, probably led by my hon. Friend the Member for Walsall North (Mr Winnick).

It is important that Parliament is kept informed. The fact that this legislation had to be scrutinised in this way meant that the Home Secretary's presence this week was very helpful.

Government Members need to be mindful of the fact that Opposition Front Benchers are supporting the Government on this matter. Government Members were a little unfair to the shadow Home Secretary. It is right that she is able to raise issues concerning the time line. Select Committee members from both sides of the House necessarily raised that issue with the Home Secretary on Tuesday, and indeed with the chief constable of Essex and the commander in the Met who deals with these matters. I commend the hon. Member for South Ribble (Lorraine Fullbrook) and my hon. Friend the Member for Birmingham, Selly Oak (Steve McCabe) for their speeches. Although they disagreed on issues concerning the time line, there was absolute agreement with what the Government propose, just as there is unanimous support for it in the Select Committee.

I want to raise two issues with the Home Secretary. The first relates to the position of the Attorney-General and the importance of Law Officers being involved in this process. As the Home Secretary said and as I know from being a Parliamentary Private Secretary to the Attorney-General and the Solicitor-General and a junior Minister in the Lord Chancellor's Department in the last Government, advice given by the Attorney-General or Solicitor-General is by its nature confidential to the Government. However, when this case was first decided on in Salford, I think it was incumbent on Greater Manchester police, who had conduct of this matter, to inform Home Office officials about it, and I am sure that they did. I have not checked the time line, but I am sure that is what they said they did. The Home Office officials should then have consulted the Law Officers. After all, the Attorney-General and Solicitor-General

have superintendence over the Director of Public Prosecutions, whose role is extremely important in these matters.

I am sure that if the hon. Member for Rochester and Strood (Mark Reckless) catches your eye, Mr Deputy Speaker, he will talk about the role of ACPO in this matter. Of course we are interested in the role of ACPO, because under the new landscape of policing, ACPO will be reformed. In making this legislation, we are putting a lot of faith in the advice given to ACPO by two Queen's counsel, and in the advice that it gave Ministers. The chief constable of Essex clarified after the evidence session that he finally told the Minister for Policing and Criminal Justice last Thursday that it was time to go back to the House to pass legislation, which is what the Minister told the House last Thursday. The chief constable had originally told the Committee in open session that it was the day after when he finally made up his mind.

I do not think that these issues ought to be left to ACPO. They are serious issues that ought to occupy the time of Home Office officials. I hope that Home Office officials in this case did alert the Law Officers. I am not asking for a time line from the Minister when he replies, but it would be nice to know whether that happened. I believe that the Law Officers and the Treasury Solicitor's Department have a role in this, because at the end of the day, it is they who have to go to the courts to represent the Government. I accept what the Home Secretary says and that she has no locus standi in these matters, but this needs to be kept under review. If we look to the future rather than the past, and accept that what the Government have to do, as outlined by the Home Secretary, is the right approach, we should be aware that these things may well happen in the future. I know about the points made by Professor Michael Zander. I have not put down a parliamentary question to ask whether *Criminal Law and Justice Weekly*, where he wrote his article, is standard reading in the Home Office or the Law Officers' Department.

Mrs May: The right hon. Gentleman is setting out his concerns in relation to the time line, and much has been made by his right hon. and hon. Friends on this matter. Every reference is being made to the legal advice. I am sure that with his immense experience at the Home Affairs Committee, he will accept the role that ACPO had, not only in seeking its own legal advice, but in looking at the operational implications. Understanding whether the police could operationally work within the judgment was a crucial part of the decision making in this matter.

Keith Vaz: The Home Secretary is absolutely right; the operational decisions have to be taken by ACPO. I just say to her that in her new landscape, ACPO's role will change. She may therefore want to consider whether this area should be led by whatever ACPO becomes or whether it should be another part of the new landscape. This issue might happen again. I want to make it absolutely clear that none of this is the fault of Ministers. We raise the time line only—at least I raise the time line only—because should this happen again, we may need to look at the way in which things develop.

On that note, I will terminate my speech, Mr Deputy Speaker, so that I can earn some brownie points for the future.

2.9 pm

Nicola Blackwood (Oxford West and Abingdon) (Con): It is a pleasure to follow the right hon. Member for Leicester East (Keith Vaz). As always, I agree with much of what he says, if not quite all.

I rise, of course, to speak in support of the Bill. It has yet to be made entirely clear to me exactly how it could have been thought appropriate to put public safety at risk for the sake of a literalist interpretation of the Police and Criminal Evidence Act 1984 that flies in the face not only of the intentions of Parliament in passing the Act in the first place but of a full quarter-century of practice and interpretation of it by police, defence lawyers and judges up and down the country. Surely if *Hansard* could not have acted as a guide, case law might have served that purpose. I accept that sections 41 to 44 of the Act may leave the point unclear on the face of it, but given that parliamentary debates show the clear original intention that a suspect should be detained and questioned for 96 hours in total, rather than for only 96 hours following arrest, not to mention the precedent of 25 years of criminal law, one would have hoped for a little common sense, especially considering the stakes at hand.

As has been stated, Mr Justice McCombe was of the opinion that the consequences of his judgment were

"not as severe as might be feared".

I am afraid that, as has also been pointed out, that was not the view of the chief constable of Essex, who is the ACPO lead on police bail, or of Commander Steve Bloomfield of the Met, who gave evidence to the Home Affairs Committee on the subject on Tuesday. They are of the opinion that not only does the ruling throw into disarray the investigation and case management of the more than 80,000 suspects in this country who are currently on police bail, but it renders any conditions attached to that bail all but unenforceable.

That has deeply worrying public protection implications for victims and witnesses of violent crimes, and particularly for victims of domestic abuse. Suspects who have been arrested for domestic violence-related offences and released on bail are likely to have conditions attached to that bail, designed to protect their victim. In the absence of those conditions, the police have lost not only part of the time needed to investigate and build solid cases against violent offenders, but a tool used to protect victims and witnesses while they do it.

I know that ACPO has issued guidance to police forces on how to protect victims and witnesses in the short time that remains until the Bill is passed, but will the Minister give the House an assurance that the Home Office is doing everything it can to offer additional support to ensure that victim and witness protection is in no way compromised by this irresponsible judgment?

It is entirely appropriate, in this case, that the Bill is retrospective. In almost every other instance retrospective legislation would be controversial, but in this case I believe the Bill is intended merely to create continuity, not to create new taxes or offences. As I understand it, the retrospective nature of the Bill is necessary to ensure that no criminal cases or convictions that have proceeded in the gap between the initial judgment and the passing of the Bill are rendered unsafe. I wonder whether, in his winding-up speech, the Minister might be able to confirm that.

[Nicola Blackwood]

From looking into this issue, the only area of the bail system that seems to me to need further consideration that will be impossible within the context of the Bill is the issue of time limits and overly onerous conditions. At the moment there are no statutory time limits on bail, and there are uncertain guidelines for magistrates as to appropriate conditions to be placed on bail. As a result, a suspect could theoretically be left on bail indefinitely. Although I am aware that the Crown Prosecution Service must charge someone suspected of a summary offence within six months, it seems to me that the current system of indefinite bail should be considered in the context of wider policing and justice reforms in future.

I will close now, so that we can make progress. Needless to say, I think it is entirely appropriate that this emergency legislation has been brought forward today, to make it absolutely clear that the detention clock may be stopped by bail. It is not just a matter of convenience for the police; it is a matter of justice and public protection.

Bailing suspects while police continue investigations ensures that police are not pressured into premature or inappropriate charging that could result in all manner of miscarriages of justice. It means that police are not tempted to try to detain people for the maximum 96 hours needlessly, when release on bail would be more proportionate to the offence and would not pose any risk to the public. Most importantly, bailing suspects with conditions means that victims, witnesses and potential victims of violent offences can be better protected by the police while the case against an offender is investigated and a conviction secured. The Bill will help the police do their job better and keep the public safer, and as such it has my full support.

2.14 pm

Frank Dobson (Holborn and St Pancras) (Lab): It is the anniversary of the bomb outrages of 7 July, and the bulk of the people who were killed and maimed in those outrages were in my constituency. That is one reason why I would not want anything to happen that made life and work more difficult for our police service. Like the ambulance service and the fire service, the police are different from the rest of us. When something disastrous occurs, the rest of us prudently run away. The police, like the firefighters and ambulance crews, rush in the opposite direction to offer aid and assistance. Nothing that I say should be interpreted as being against the police.

I welcome the Bill and accept the need to clarify the law so that it is what everyone thought it was when it was passed by the House 25 years ago. If there was any ambiguity in it, I think I am the only guilty party present in the House today. I was a Member at that time, and I do not think anyone else here was.

Clearly, being on bail is better than being in jail, but being on bail is being not quite free. A considerable number of people are released on police bail and eventually turn out not to be guilty of anything. We need to remember that bail is applied to our fellow citizens, and we need to try to protect them from what is unreasonable. I have had cases drawn to my attention in the past few years of people on greatly protracted periods of bail. I do not believe that that is acceptable.

It seems to me that there has been a gradual build-up of protracted periods of bail. My understanding is that neither the Home Office nor the police have the faintest idea whether that is true, because they do not have any figures. I urge the Minister to accept that it would be a sound idea for the Home Office to start collecting such figures, so that we have a measure of the problem. Clearly, given the need to clarify the law urgently, we do not have the opportunity now to consider properly what constraints might be put in place to protect people against unjustifiably protracted periods of bail, but we need to consider introducing such constraints.

There might be objections to making the extension of bail subject to a judicial process, because in at least some cases the police might not wish to disclose publicly at that point what evidence was available to them. However, we do need some constraints, and I wonder whether the Minister will accept that if he takes advice from ACPO, he might also give it some advice so that the chief police officers take more seriously the problem of protracted bail. We could say, for instance, that if bail goes beyond a year, it has to be renewed with the specific personal consent of the chief constable of the area concerned. That might turn out to be a useful management tool, because it would draw to the attention of the chief constable how many cases were particularly protracted.

I hope that we can at least agree in principle that in future, we need some measurement and logging of protracted periods of bail, and some constraint on them. We owe that to our fellow citizens. It is always worth remembering that all the people who are on bail are innocent until charged and found guilty. They are our fellow citizens, and we need to remember that.

I strongly support the Bill, but I hope that we will consider the problem much more seriously and at greater length, and perhaps with a little more sympathy for people who are out on bail, in the near future. It is not something that we can knock forward for another 25 years.

2.19 pm

Gareth Johnson (Dartford) (Con): It is a pleasure to follow the right hon. Member for Holborn and St Pancras (Frank Dobson). I am sure that he would agree that the reason for this debate is a surprising decision by the High Court that clearly needs to be overturned. The decision highlights the problems that can occur when courts use the literal rule when interpreting Acts of Parliament, and do not look closely enough at Parliament's intention. It is regrettable that in this case, Parliament's intention did not prevail over the literal interpretation of the Police and Criminal Evidence Act 1984.

The Hookway case effectively prevents the police from bailing someone for more than 96 hours. Clearly, that situation cannot be allowed to prevail. I spent many years working in the criminal justice system, and I have dealt with a number of warrants for further detention. In my experience, they are not rubber-stamped by the magistrates courts, but very carefully considered. They are also fairly rare, and even rarer when the suspect has previously been on bail. However, the decision in Hookway has clear implications far beyond that case, hence what was previously a necessary intention to change the judgment because of a narrow interpretation of the case very rapidly became an urgent necessity, because of the wider implications that we now know exist in Hookway.

One area where that judgment will have the greatest impact is, I believe, identity parades. Suspects are often released on bail so that they can return for ID procedures to be carried out. They are booked into custody for that to happen, at which stage the detention clock recommences. The Hookway case actually prevents that from happening—it has stopped a perfectly logical ID parade procedure taking place in future—and undermines all the work that has taken place to provide effective ID parades.

The case also affects procedures when suspects are bailed more generally, because they are usually placed temporarily and technically back into custody when charging takes place. That cannot now occur without adequate revision of the Hookway case, which the Bill seeks to implement.

During the debate, it has been said a number of times that the police can detain initially for a 24-hour period after the custody sergeant has given his authorisation. That is correct, but it is also the case that it is subject to a review by an inspector after a six-hour period, and then twice more after successive nine-hour periods have elapsed. The checks and balances that we want to see in place exist while a suspect is in police custody, and indeed thereafter.

I therefore support the Bill. The only danger is that it could be misinterpreted—the police might believe that there is no longer a requirement for them to act in an expeditious manner. I sincerely hope that the police will not see the Bill as some sort of green light to keep suspects on bail for an inordinate period before any charging decision is made. That was the point that my hon. Friend the Member for South Swindon (Mr Buckland) tried to make—he came up with some suggestions on how we can ensure that there is adequate provision to prevent that from happening, and to ensure that there is a greater degree of certainty than is currently in place. Liberty is suggesting that a period of six months should be the maximum. Like my hon. Friend, I am cautious about having a prescribed period, but there needs to be clear justification when suspects are kept on bail for lengthy periods. We would all agree that that situation helps neither the suspect nor the victim of the crime.

I have dealt with numerous situations in which people have been bailed for the inordinate periods that my hon. Friend mentioned. There is little recourse for those people, other than making a lengthy and costly judicial review application to the High Court. They simply have to suffer that inordinate delay and return again and again to the police station, waiting, and sometimes hoping and pleading, for a decision to made in their case.

One positive aspect of this situation is the opportunity it has given to us to look at the issue of the length of police bail and the issues that surround it. I hope that we can look for some improvements in future.

2.25 pm

Dr Julian Huppert (Cambridge) (LD): I shall try to be brief, so that we can conclude the debate. I support the Bill, for the reasons that have been set out admirably by right hon. and hon. Members on both sides of the House. I am concerned about any form of exceptional legislation—it is something that we should always be extremely guarded about, whatever the reason for it is—but this is exceptional legislation, and I understand absolutely why we need it. There is no issue with that, but I have a number of concerns about police bail in its wider sense, as has been discussed. I shall therefore not focus on the legal niceties of the Hookway case—that has been discussed already—but I want to say a few things about police bail in the wider sense.

First, the Bill is clearly a necessary clarification of the law—there is no doubt about that. Looking at previous legislation, it is clear that the Hookway case is a matter of interpretation. The best thing to do is to make its interpretation easier for judges and lawyers in future. I am tempted to talk about how legislation is drafted in this country—we do not always seek to avoid such problems—but I will restrain myself from doing so in any great detail.

My one concern is the retrospective nature of the Bill and saying that the amendments are

"deemed always to have had effect".

I should like to place on record my gratitude to the Home Secretary for clarifying that in her earlier remarks, but I want to flag up now that we should be very cautious and careful in examining anything that purports to be retrospective. We should not allow it to sail past, but carefully ask questions about the rationale for such measures.

One question that I did not put to the Home Secretary, but to which the Minister for Policing and Criminal Justice will perhaps respond, is on a topic in which I am not normally interested: the royal diary. Are we clear exactly when we will get Royal Assent to the Bill?

There is urgent need for wider reform in this area, and I hope the Government return to it, and that they do not end with this Bill.

My second point is that it was absolutely right for a number of leading lawyers, including a former Solicitor-General, to today raise concerns about some of the abuses of police bail. I do not agree with their comments on the Bill—they called for it not to go through, but I believe that it is absolutely necessary—but the Home Secretary needs to introduce greater safeguards to prevent abuse of such wider powers.

The Bill returns us to a position in which there is no statutory time limit, as we have already discussed, and the police can impose a number of conditions. That means that police bail can be very oppressive. I am particularly concerned about that in the context of peaceful protest. In the past couple of years, we have seen a number of cases of the use of pre-emptive arrest before planned, legal and peaceful protests. In 2009, 114 environmental protesters were arrested at the Iona independent school in Sneinton, Nottingham. They were arrested shortly before a planned protest at an E.ON power station. They were then released without charge on police bail, which prevented them from getting involved with the protest. Potentially, restrictive police bail conditions give police the cumulative power to extinguish the right of peaceful protest—especially for time-sensitive demonstrations—which we should all wish to see supported. There was a similar case of police bail during the occupation of Fortnum & Mason on 26 March this year, which I have discussed in the Home Affairs Committee.

I agree with Liberty and other hon. Members who say that we should consider a time limit. That time limit should be proportionate both to the complexity and the

[Dr Julian Huppert]

severity of the case. This is not the Bill to do that, as obviously we could not use it to do the issue justice, but I hope that we could consider it in the plethora of other Home Office Bills before Parliament. It would be simple to do it via the Protection of Freedoms Bill or the Terrorism Prevention and Investigation Measures Bill. One could also look at the issue of bail for immigration in that context, because there are some questions about that that need to be looked at.

There is a slightly bizarre lacuna, introduced by the last Government, in the police bail powers, which is that pre-charge police bail is not allowed in terrorism-related cases. It is important to mention that today, the sixth anniversary of the London bombings, because we have made a mess of how we deal with terrorism cases. We have warehoused people under a system outside the normal legal framework. I have argued that we should use the police bail system, which offers similar restrictions and controls to what is proposed in control orders and the Terrorism Prevention and Investigation Measures Bill. It differs in detail, of course, but it does fit within the normal legal framework. I was delighted by the comments of the shadow Home Secretary—in stark contrast to the shadow Minister on the Terrorism Prevention and Investigation Measures Bill—when she agreed that police bail should be explored where it can be used for terrorism offences. That is a great step forward. It may not be appropriate in every single case, but we should have a system—with appropriate safeguards, via the Home Secretary's applications, as I outlined in the Bill Committee—so that police bail could be used when possible for terrorism cases. That would help to move us towards a normal legal process.

I well understand the urgency behind the Bill and I do not wish to detain the House any longer. I urge the Home Secretary to consider all the issues that have been raised and the importance of getting police bail right, when the rush is over. We need to ensure that we safeguard peaceful protest, improve our national security and restore our liberty. It would be great to do all that at once. If we controlled police bail better, we could use it in terrorist cases to give us due legal process, security and liberty, as well as more of the normal rule of law.

2.31 pm

Mr Robert Buckland (South Swindon) (Con): The liberty of the individual should be a matter for this place first and foremost, so the fact that this is emergency legislation should not be a cause of embarrassment or shame—it should be welcomed. Judges have an important role in interpreting the law. Their role is primarily to interpret rather than to enact. That is why I am entirely content that it is this place that will make the important decision about the ambit of police bail. It is not a matter for shame, but nor is it quite a matter for celebration, bearing in mind the fact this House is a busy place and we have a lot of work to do.

It should perhaps be a matter for quiet reflection that it is the primacy of the legislature that matters when it comes to fundamental issues of liberty—that is what we are dealing with today—and the constant balance that we have to maintain between liberty and the public interest in being protected from crime and its consequences, however minor or serious. I was glad to be reminded by the right hon. Member for Holborn and St Pancras (Frank Dobson) about the sad anniversary that we have reached today.

My hon. Friend the Member for Dartford (Gareth Johnson), in his excellent contribution drawn from years of experience as a criminal practitioner, made some important practical points about the problems that would quickly come about if the House did not take swift action. The examples that he gave—including the identification procedure problem—were well made and do not need repeating by me. However, on a more fundamental level, one aspect that perhaps we have not emphasised today is the interests of the victims and witnesses of crime. In many cases, they give the police statements and then have to wait an inordinate length of time before they know the outcome of the case or are called to court to give evidence. That is one of the main problems encountered day in, day out by courts across the land when dealing with some of the delays caused by readmission to police bail by suspects, sometimes for an inordinate length of time.

The debate comes at an opportune moment because it gives us a chance to look at the whole ambit or spectrum of police bail, not only from the point of view of the suspect or the defence lawyer, but from the point of view of the victim of crime, the complainant or witness, waiting anxiously. In many cases, I have seen the frustration of judges when they hear that decisions about charge have been put off time and again, causing witnesses to lose heart or to lose interest. Sometimes cases fail at that final stage in court, and that is unforgiveable from a variety of perspectives, but most of all from the public interest perspective. That is why the points made today about limits on police bail were well made and deserve serious consideration as we proceed.

The challenge facing the court in Salford was one that the learned judge himself described in paragraphs 18 and 19 of his judgment as being of "limited application". That was the view of the learned High Court judge, and it was a view that, on examination by Professor Zander, was challenged. A debate then began. Professor Zander is an eminent academic and has enjoyed a peon of praise today from hon. Members on both sides of the House—I am sure that he is enjoying every minute of it. It is thoroughly deserved, but I think that he would agree that to elevate his article to advice status would overplay it. In my view, he opened a welcome debate on the effects of the judgment. It is a debate that Mr Justice McCombe put himself on the other side of by dint of his remarks in paragraph 18 and 19. With respect to the right hon. Member for Normanton, Pontefract and Castleford (Yvette Cooper), it is a little trite to suggest that the consequences of the decision were set in stone some weeks ago. The position only became clear when that debate was initiated, and I think that the Government are to be congratulated on taking effective action.

The Police and Criminal Evidence Act 1984 was seminal legislation. It was not drafted on the hoof, but put together after many months of careful work and input from all sections of those interested in the criminal justice system. It was a game-changer in so many important ways. It was progressive legislation that, at a stroke, made clear and transparent certain procedures that had often seemed in the police station obscure and frankly worrying not only to suspects but to police officers themselves. It was a Conservative Government—the

noble Lord Brittan was Home Secretary and his Minister of State was the noble Lord Hurd—who steered that excellent legislation through the House. It has stood the test of time admirably.

As with all legislation scrutinised by the House, however, the 1984 Act might be found to be only human. I am reminded of the remarks of my hon. Friend the Member for Oxford West and Abingdon (Nicola Blackwood). She was right to say that the Act was silent on the effect of section 44. We all have to concede that. After Royal Assent, however, practitioners and everybody concerned with the process came to the assumption—the right assumption, I think—that the clock would stop and start as long as the suspect was in police detention, and that the concept of time was not absolute but relative to the time spent in detention. That was well understood by everybody in the system. For 25 years that assumption will have been made by practitioners from the humblest junior solicitor to the highest of High Court judges. They need make no apology for having done so.

Nicola Blackwood: To be clear, is it not the case that that assumption arose not out of thin air or a desire for convenience, but out of the fact that that was the intention made clear in parliamentary debates at the time?

Mr Buckland: That is indeed the case, as was helpfully set out in Professor Zander's article, where he took the trouble to remind himself of the case of Pepper *v.* Hart, which allows judges to look at *Hansard* if there is any ambiguity about the intention of the legislature. Unlike the judge in the decision in question, he examined *Hansard* and found buried in the debates in what were then called Standing Committees—the predecessor title, as it were, of Public Bill Committees—a clear understanding on the part of all parties. It was the former Member for Birmingham, Ladywood, Miss Short, who tabled an amendment designed to ensure that the suspect would be detained for no more than 96 hours, and the then Minister of State, now the noble Lord Hurd, who responded. It was quite clear from that debate that there was an understanding that time would stop and start according to when the suspect was in detention.

With respect to the learned High Court judge, that debate would have assisted him in his deliberations and given him great comfort and support in coming to what we would all have regarded as a purposive decision—that is, a decision that would have given purpose to the intention of the legislators and reinforced a quarter of a century of practice. Sadly, we know that that was not the case, although we should hesitate before rushing to criticism of our judges. They have a tough job to do. They have to make decisions day in, day out. They are presented with a range of different scenarios and cases. I do not think that anyone should rush to criticise the judiciary in that respect because of one difficult case. However, I return to the point that I made at the beginning of my speech. I am glad that it is this place—this House—that is reinforcing and reiterating the law as we have all understood it to be, and which will now, in my submission, be put beyond any doubt whatever.

I know that voices outside this place have urged caution on us in rushing this legislation through, although a lot of their concerns have been addressed in the remarks made by other Members today, which I will not repeat. I have made some suggestions about the potential limitations on police bail—for example, in cases that do not involve a large amount of documentation or serious fraud—but I want to return to straightforward examples of cases involving violence or assault, where far too often, over-cautious lawyers have waited before charge for all the evidence to be gathered, including medical evidence. Frankly, my suggestion to them is to remember how we used to do it. We would charge and then gather the evidence as quickly as possible, to ensure that we did not lose the interest, enthusiasm and participation of prosecution witnesses along the way.

The coalition Government quite rightly restored the decision-making power for certain offences to the police. That was a wise decision, which I believe will allow minds to be focused in the police station when dealing with a range of less serious offences. That will leave more serious offences to be dealt with by the Crown Prosecution Service as part of the advice-before-charge procedure. At that stage, everybody needs to remember what we have said today in this House and elsewhere about the need for expedition and the need for good judgment to be exercised, even though all the evidence might not have been gathered.

I will draw my remarks to a close. I support giving the Bill its Second Reading, and I think that we as a House should be glad that such decisions are falling to us.

2.43 pm

Mr Tobias Ellwood (Bournemouth East) (Con): It is important that we should have this debate. There has been a lot of discussion about why this has been rushed through in the way that it has. We are here to amend the Police and Criminal Evidence Act 1984. The sole purpose is to clarify the distinction between periods of detention and periods of police bail. I want to add my concern about rushed legislation and fast-tracking Bills. It was before my time, but I can certainly remember the Dangerous Dogs Act 1991 going through—as well as legislation to deal with handguns—at a time when Governments wanted to be seen to be doing something, rather than amend the law in a correct and measured way. It is important when we debate legislation to ensure that there is time to digest the impact, make amendments and allow the public and other interested groups to comment on what is going on.

This, however, is a simple and straightforward Bill. In fact, I have never seen such a short Bill. It consists of one page containing two clauses, the second of which simply deals with the geographical reach of the measure and confirms the Bill's full name. Indeed, the explanatory notes are longer than the Bill. It is none the less an important Bill. It looks at periods of detention in England and Wales, wherein a suspect can be detained initially for up to 24 hours, and for a further 12 hours if approved by a senior officer such as a superintendent. Detention for a further 36 hours can be applied for through a magistrates court, which can then be added on, giving a total cap of 96 hours, at which point the detention clock, as it has been labelled, stops.

At that point, the police have the option either to charge the suspect or to release them, or to place them on bail. We previously assumed that the detention clock paused when that bail was imposed, and restarted after the bail period was complete. However, we now face a new interpretation of the 1984 Act. Following the murder

[Mr Tobias Ellwood]

case involving Paul Hookway, Salford magistrates court has thrown a different light on the provisions. That has led to the police detention period and the bail period being capped at a total of 96 hours. That decision has been upheld in the High Court and, as a consequence, we are now having to rush this legislation through today.

The Opposition have called for temporary legislation or a sunset clause to deal with this, but I think that that is unnecessary on two counts. First, we are a legislative body, and if we eventually find that this legislation is inappropriate, we can come back and amend it through primary legislation at any time. Secondly, this is not new law. It will simply take us back to the status quo.

There has clearly been some confusion since the new interpretation of the law was confirmed, and I have a number of questions for the Minister. During the period of confusion before the Bill gains Royal Assent, what will be the impact on the 80,000 or so people who are on bail at the moment? Given that bail conditions are designed for the protection of victims, will there be any consequences for victims who need to be protected during this period following the reinterpretation of the law? I also want to ask—not flippantly; it is a serious point—whether the Home Office has scoured the remaining sections of the Police and Criminal Evidence Act, or indeed the Bail Act 1976, to ensure that no other loopholes are likely be discovered by an eagle-eyed magistrate, resulting in our having to do something similar to this in future.

I very much welcome the Bill, despite the expeditious nature of its passage through the House. It does nothing but change the law on paper, and it will allow the courts to continue to interpret the law in the spirit that the 1984 Act originally intended.

2.48 pm

Nick Herbert: The right hon. Member for Holborn and St Pancras (Frank Dobson) began his speech by reminding the House of the impact of 7/7, on this, the anniversary of that atrocity. My right hon. Friend the Home Secretary also paid her tribute to the victims of that crime this morning. It is a sobering reminder of the continuing importance of public protection, which is what we are debating today. I am grateful that right hon. and hon. Members on both sides of the House have supported the need for this emergency legislation. Certain issues have been raised, and I shall try to deal with them briefly now. It is important to note, however, that there was no dissent over the principle behind the legislation. It is widely accepted that there needs to be a correction to the rather extraordinary judgment of the High Court, which overturned 25 years of practice and legal understanding.

The Government are grateful to all parties for the support expressed, particularly the official Opposition for their support in enabling this emergency legislation to go forward, and I am also grateful for the support of Liberal Democrat Members. There is unanimity on the need to deal with this situation as swiftly as possible.

I begin by clearing up one or two of the more technical issues. My hon. Friend the Member for Cambridge (Dr Huppert) asked a specific question about when the Bill could be expected to receive Royal Assent. Subject to the Bill being approved by both Houses, we aim to secure Royal Assent before the other place rises on Tuesday 12 July. The legal change will then come into effect immediately. I hope that that answers the point.

For the record, I would like to clear up issues raised by the shadow Home Secretary, the right hon. Member for Normanton, Pontefract and Castleford (Yvette Cooper), and by the Chairman of the Home Affairs Committee, the right hon. Member for Leicester East (Keith Vaz), about the role of the Law Officers in this matter. Although the right hon. Member for Normanton, Pontefract and Castleford said—I hope I quote her accurately—that it is common for Ministers to say whether they have had advice from Law Officers, page 447 of "Erskine May" states:

> "By longstanding convention observed by successive Governments, the fact of, and substance of advice from, the law officers of the Crown is not disclosed outside Government".

I hope that that helps to clarify the matter.

It is nevertheless important to reassure the House that the Crown Prosecution Service was involved in discussions with ACPO and officials soon after the written judgment was received. I hope that the Chairman of the Select Committee—he is not in his place at the moment—will be reassured when he reads what I had to say. The CPS has certainly been involved in trying to assess the legal implications at the same time as ACPO was trying to assess the practical implications.

Yvette Cooper: The issue of the involvement of the Attorney-General is important. It is not simply about whether the Government might be prejudicing their case in a trial, which has been the traditional reason why the content of legal advice is not disclosed; it is about whether the Government did the right thing in response to a very pressing situation. The Minister really needs to confirm whether the Attorney-General intervened in the case in the hearing before the Supreme Court, which the Supreme Court gave him the opportunity to do. Did he do that earlier this week or not? Given that, according to Lord Goldsmith in his evidence to the Constitutional Affairs Committee, the Attorney-General has the power to bring or intervene in other legal proceedings in the public interest, did the Attorney-General consider whether he could intervene in the public interest by a request for a stay of judgment?

Nick Herbert: The right hon. Lady continues to seek to make what appears to me to be political hay out of this situation when the Government are doing everything they can to redress it. I noted yesterday that she made the absurd suggestion that somehow there had been a delay regarding the Supreme Court's refusal to grant a stay of execution, which might have explained why it refused the stay. On her own analysis, the Supreme Court would have granted a stay of execution—or might have done so—when the implications of this judgment were not clear, yet for some reason it decided not to grant the stay of execution when the implications were made clear. The right hon. Lady takes a whole set of completely inconsistent positions simply because she wants to make political points that are inappropriate when we are seeking to address a serious political matter.

Let me return to the impact on the police and to specific questions—

Yvette Cooper *rose—*

Nick Herbert: I want to make some progress, if the right hon. Lady will forgive me, as I have only five minutes left.

Specific questions were raised by my hon. Friends the Members for Oxford West and Abingdon (Nicola Blackwood) and for Bournemouth East (Mr Ellwood). The police have assured us that they are doing all they can to ensure that public safety is not compromised, and are taking interim steps to manage the situation in its current form given the current state of the law as expressed by the High Court. However, they are anxious for the law to be restated in the future.

My hon. Friend the Member for Oxford West and Abingdon rightly raised the issue of the protection of victims and witnesses, which is at the centre of our approach. The police service shares our concern about the issue. The chief constable of Essex, Jim Barker-McCardle, has written to all chief police officers repeating his assurance that the service remains completely focused on doing all it can to protect the public, who, of course, include victims and witnesses.

Three substantive issues were raised by Members in all parts of the House. First, it was asked whether we should take the opportunity provided by the Bill to engage in what the shadow Home Secretary called a wider debate about, for instance, whether time limits on the use of police bail would be necessary. The right hon. Member for Holborn and St Pancras raised the issue of protracted bail periods, and my hon. Friend the Member for Dartford (Gareth Johnson) said that we should not give the green light to the keeping of suspects on bail, by which I assume he meant inappropriately.

My right hon. Friend the Home Secretary responded on that issue, but let me add that I do not think it appropriate to amend emergency legislation that seeks simply to restore the status quo ante by introducing limits on the use of police bail that have not applied for 25 years without proper consideration. As I said last Thursday, as far as I am aware no representations have been made to the Government about the inadequacy of police bail. Although in recent days some have suggested that it has been a cause of growing concern, I believe that they should set out that concern in a proper manner and on the basis of evidence. We need to have a proper debate about the issue, and were the Government to conclude that changes were needed, there would have to be proper consultation. Such provisions cannot be introduced in the emergency legislation.

It appears to me that opportunities are being taken to make statements that are not necessarily correct. For example, I noticed that the press release that accompanied this morning's call by members of the legal profession for a delay in the legislation included the following statement by a spokesman from Mary Monson Solicitors, a firm that was involved in the original case:

"The legislation is being rushed through now without proper debate to widen police powers".

It does not "widen police powers"; it restores to the police powers that they have had for 25 years. That is a serious misrepresentation of what the Bill seeks to do.

Frank Dobson *rose—*

Nick Herbert: I will give way to the right hon. Gentleman very briefly.

Frank Dobson: Does the Minister not accept that if we are to have a rational, evidence-based debate about the possible increase in protracted bail periods, it will be necessary for the Home Office actually to collect some data? Otherwise we shall all be just talking.

Nick Herbert: I am all in favour of evidence-based policy, but I think that rather than its merely being asserted that there is a problem, such a problem, if it exists, must be properly presented and, of course, backed up with data.

Secondly, the hon. Member for Birmingham, Selly Oak (Steve McCabe) suggested that the Bill should include a sunset clause. The Government disagree. A sunset clause would create further uncertainty, which is exactly what the police do not want. We do not want it either. This is a straightforward piece of legislation that restores the previous position. We also believe that the retrospective action that is being taken is necessary, because if it were not taken, hundreds of thousands of people would potentially have a claim for false imprisonment at any time over the past six years, which is the limitation period. Liberty has said:

"We do not believe that the proposals are retrospective in their nature as they do not seek retrospectively to create a criminal offence, sanction or other burden."

This is a sensible piece of legislation which was designed to correct an unusual judgment and restore 25 years of legal practice, and I commend it to the House.

Question put and agreed to.

Bill accordingly read a Second time; to stand committed to a Committee of the whole House (Order, this day).

Mr Ivan Lewis (Bury South) (Lab): On a point of order, Mr Deputy Speaker. As Members will be aware, News Corporation's proposed acquisition of BSkyB is now a matter of great public importance and interest. Rumours are circulating, and briefings are coming from the Department for Culture, Media and Sport that the Secretary of State intends to delay his decision for a minimum of three months. On an issue of such importance, and on the day when we hear that the phones of the families of brave men and women who died fighting for this country in Iraq and Afghanistan were hacked, the least the Secretary of State should do is come to the House as a matter of urgency this afternoon and make a statement.

Mr Deputy Speaker (Mr Nigel Evans): As you know, Mr Lewis, it is not up to the Chair to demand that Ministers come to the House to make statements. It is very much up to Ministers to make that decision for themselves. Mr Speaker allowed an emergency debate yesterday on the phone hacking issue. I agree that it is a fast-moving and significant issue, but I have not been notified that any Minister intends to come to the House to make a statement today. If that changes however, the House will be told immediately in the usual way.

Police (Detention and Bail) Bill

Considered in Committee (Order, this day)

[MR NIGEL EVANS *in the Chair.*]

Clause 1

AMENDMENT OF POLICE AND CRIMINAL EVIDENCE ACT 1984

Question proposed, That the clause stand part of the Bill.

3.2 pm

The First Deputy Chairman of Ways and Means (Mr Nigel Evans): I call Mr Coaker.

Vernon Coaker (Gedling) (Lab): Perhaps I should explain to Members who were wondering why I was not standing up to speak that I was trying to give others a chance to make a contribution. Some of what I say may appear to repeat aspects of the debate we have already had, and although I do not mind being subjected to barracking, I hope I will not be subjected to barracking over and above what one might normally expect.

As we have now moved into Committee, let me go into a little more detail. To be fair to the Minister, a few moments ago he could have done with a little more time to address some of the measures he is trying to rush through. Clause 1 is essentially the Bill, so it is almost as if we are repeating Second Reading, but let me say again from the outset that we support the provisions in clause 1. We absolutely agree that we need to fast-track the Bill, and the reasons for that are well set out in the explanatory memorandum.

Earlier, the shadow Home Secretary was trying to elicit from the Government answers to two key questions on fast-tracking and the legal advice and preparation—or lack of it—that the Home Office made in introducing the Bill. First, our understanding is that the Attorney-General was asked by the Supreme Court to intervene in the public interest in the application for a stay of judgment. Did the Attorney-General intervene and support the Government? Was he involved in seeking that stay of judgment in the Supreme Court? As I say, we support the fast-tracking of the Bill, but secondly, will the Minister tell us when the Home Office commissioned officials to draw up draft legislation? It would be of interest to us all to know when that advice was commissioned, so that we could have greater clarity about the Bill and the speed with which the Home Office acted. Our view is that it did not act as quickly as it might or should have done.

We do not, in any way, underestimate the importance of and need for speed in this matter, as 80,000 individuals are currently on police bail. If hon. Members have not had the opportunity to look at the submission from The Trade Union and Professional Association for Family Court and Probation Staff—NAPO—I urge them to examine it. That body has put together some case studies that illustrate some of the difficulties that have arisen as a result of the judgments. I shall just discuss one of its examples, which relates to a 24-year-old man arrested on suspicion of an alcohol-fuelled assault and affray. He was held in cells overnight to sober up, and it is believed that that counts towards the 96 hours. His interview was then delayed for a further two hours to wait for the duty solicitor. He was then bailed on condition that he avoided the victim and the pub, and the police are now collecting witness statements and forensic analysis from the site. Five days have already passed since the incident, and so the bail conditions will fall. NAPO's submission contains other examples, which are set out for the Committee. Those case studies are extremely important and they show why the Government have introduced this fast-track Bill.

In the previous debate the Minister started to respond to some of the questions posed by hon. Members from both sides of the House. If we examine what Liberty, Justice and many hon. Members have said about the Bill, we find that everyone accepts the need for it to be fast-tracked. However, we need to consider what my hon. Friend the Member for Birmingham, Selly Oak (Steve McCabe) was saying, as it goes to the heart of the matter. As he set out, the Bill contains no sunset clause and, irrespective of whether or not that is the right way to proceed, that does not mean that the Government should not consider some of the issues that people have raised. The fact that everyone accepts the need for it to be fast-tracked does not mean that we should not address the issues relating to time limits for how long somebody can and should be able to remain on police bail, and those concerning some of the conditions that are attached to bail.

I believe that the Minister said earlier that the system had been operating for 25 years without anybody raising such issues and so there was not previously a problem. I do not mean to misquote him, and apologise if I am doing so, but the fact—or not—that these issues have not been raised before does not mean that the Government should not consider examining those that have arisen as a consequence of the judgment. There needs to be a debate. Given that the Bill contains no sunset clause, will the Minister say whether he feels that there is a need for a debate about time limits and the application of conditions in police bail, just to see whether any change to the guidance should be made? There may well be no need as a result of that debate to make such a change, but all this throws up an opportunity for us to discuss with the police and others whether any change is needed.

Steve McCabe: I do not think that I have heard either on Second Reading or during this debate whether someone who decides to leave this country, which at the moment they are perfectly entitled to do, will be subject as of 12 July to the retrospective conditions. Presumably it would cost quite a lot of money and time to try to bring that person back. Is that the kind of problem about which my hon. Friend is concerned? There is a category of people who would be perfectly at liberty to leave the country now because no controls apply to them, but whom we would want to contact and bring back because they are engaged in potentially quite serious offences.

Vernon Coaker: That might well be one example of concern to us all. Whether we use that example or others—the hon. Member for Carshalton and Wallington (Tom Brake) cited examples of police bail having gone on and on—we need to consider any constraints or restraints or whether the system works so well that we do not need to worry about it. I would be interested to hear whether the Minister thinks that it is time to discuss that and to see what the evidence tells us, or that we should just carry on.

The hon. Member for Carshalton and Wallington—it might have been the hon. Member for Cambridge (Dr Huppert)—mentioned the use of police bail. Do we need to consider that? Is it totally appropriate? Are we sure that it works in the way that we would want in all circumstances?

One of the things about a fast-tracked Bill is that the information that comes to us is fast-tracked, too. Some Members were sent just this morning, when it was published, the report on police detention and bail by the House of Lords Select Committee on the Constitution. I do not know whether all Members have managed to see it. Although the Committee does not oppose what the Government are doing, it has raised one or two questions. It wonders whether, because the Bill is being fast-tracked with limited opportunity for amendment, the Government will need to return to consider some of the matters that might otherwise have been debated. It is important to consider the detail now we are in Committee, and the Constitution Committee raises the constitutional issue of the fact that Parliament is legislating before the Supreme Court has made a judgment. The Constitution Committee does not necessarily say that there is anything wrong with that, but states:

"We are concerned that asking Parliament to legislate in these highly unusual circumstances raises difficult issues of constitutional principle as regards both the separation of powers and the rule of law. We have noted the constitutionally important distinction between legislative and adjudicative functions before. We are concerned that, in the understandable"—

note the word "understandable"—

"rush to rectify a problem which the police have identified as being serious and urgent, insufficient time has been allowed for Parliament fully to consider the constitutional implications of what it is being asked to do."

The Committee says that it will return to the matter later in the year to consider what

"the effect of Parliament legislating in advance of the Supreme Court hearing may be on the Court when it hears the case on 25 July."

Can the Minister tell the Committee the Government's view? I appreciate that the Government might have seen the report only relatively recently and I am unsure whether the Minister will have had time fully to consider it. If the Minister has not had time to do that, he might need to ensure that there is a full discussion and debate in the other place.

3.15 pm

The Minister has dealt with the issue of retrospection. I think that all hon. Members are concerned about retrospective legislation, and that concern is understandable in this regard. Will the Minister confirm that the Bill will apply only to cases after 19 May—I think he said that it restores the law to what it was before the judgment—or will it impact on anything that happened before that judgment? We should be sure that we understand the extent to which the Bill will act retrospectively, so it would help the Committee if the Minister confirmed that point.

Nigel Mills (Amber Valley) (Con): One of my concerns is that the decision might mean that the rule was ineffective going back 25 years and that a collection of people who believe that they were wrongly treated during that period might bring claims for compensation. There is some detail about that in the explanatory note and my reading of the clause is that the retrospective effect rules out any such potential issue. Does the hon. Gentleman agree with that and welcome it?

Vernon Coaker: I think so, but we are in Committee and I would need the detail in order to understand what legal advice the Government have had about retrospective effect before I could properly answer the hon. Gentleman. I thought that either the Minister or the Home Secretary had said that all this will apply only as far back as 19 May, when the initial judgment was made. I seek to clarify whether it is possible to apply such provision to cases from the past 25 years. There will be a legal opinion on that and I suppose it will be either one thing or the other.

I have only a few brief points to make, because of course we all agree with the Bill. Clearly, we all want the Bill to become law as soon as possible and certainly before Parliament goes into recess. In answer to the very important question about Royal Assent, the Minister said that the Government aim for the Bill to become law on completion of its passage through the House of Lords, which is on Tuesday. Will he confirm that what he actually means is that Royal Assent will be given at the end of that day? Are the Government aiming for that, or will it definitely be given then? We all want absolute and firm assurance on that, because every Member of the House supports the Bill and will want to know, 100%, that Royal Assent will definitely be in place before the House rises for the summer recess. Of course, that is assuming that the Bill is passed by both Houses.

With those few brief comments and detailed points I will sit down and wait for the Minister's response or to hear what other Members have to say.

Nigel Mills: It is a pleasure to serve under your chairmanship, Mr Evans. I should like simply to expand a little further on the point I made in my intervention on the hon. Member for Gedling (Vernon Coaker) about the potential for retrospective effect. We have seen, in relation to other issues earlier this year, how concerned the public are about any possibility of compensation being paid to people who are guilty of offences and are, perhaps, now being denied their right to vote. I expect the public would be incredibly concerned if people who have been through what was thought to be due legal process now had some chance of compensation, no matter how little, because that process, despite having been believed by everyone to be right, might have been ruled technically out of order by one judge in a verdict with which no one seems to agree. I accept the fact that, as is made clear in the explanatory notes, making the Bill's provisions retrospective, right back to 1984, is an attempt to address that.

My concern is that to some extent we are in this mess because Parliament was not clear enough about its intentions when it passed the 1984 Act. It would be helpful if Parliament was entirely clear about what we mean when we give retrospective effect and if the Minister made explicit the intention, as set out in the explanatory notes, that these powers will be restored to what we all understood them to be for 25 years so that the courts will not allow any compensation claims. The explanatory notes are clear that that is what the Bill is attempting to do.

[Nigel Mills]

To try to clarify the point that the hon. Member for Gedling made, if he looks at page 9 of the explanatory notes, he will see that paragraph 36(c) states:

"Unless the Bill is given retrospective effect, it is possible that a very large number of people could bring claims for damages for detention occurring before the judgment, even though that detention was in accordance with what was honestly thought to be a long-understood legal position."

There could be a huge number of claims and a large amount of money at stake, and it would be very generous to think that some claims-handling firms would not go around trying to find people to make those claims and test the process.

I want to ask the Minister two questions. First, will he make it absolutely clear that the Government's view, and Parliament's intention, is that no compensation would be due? Secondly, will he address the point about whether it would be wise to add a separate subsection to the Bill that makes that absolutely explicit so that if and when such claims are brought there is no doubt that our intention is that no compensation should be due?

Nick Herbert: The hon. Member for Gedling (Vernon Coaker) and my hon. Friend the Member for Amber Valley (Nigel Mills) have raised a number of concerns that I will try to answer, but first I wish to return to the Opposition's general allegation about delay. It is simply not the view of senior police officers that there has been inappropriate delay in the matter. The Opposition are claiming something that does not have the support of those most affected by the judgment's implications.

I attended the ACPO conference in Harrogate this week, which the hon. Gentleman joined for the last day, and talked with the chief constable of Greater Manchester police, the force originally affected. He said that at the time of the oral judgment his force could not believe that a single judgment in Salford could affect all the cases across the country and overturn something that had been operating since 1986. The police force affected did not appreciate at that stage the potential wider implications of the court's decision. The High Court judge, Mr Justice McCombe, said that the consequences would not be

"as severe as might be feared",

a view with which the shadow Home Secretary disagrees. As I noted earlier, the ACPO lead on the issue, the chief constable of Essex police, Jim Barker-McCardle, has said:

"It was only when ACPO received the written judgment on 17 June...that the seriousness of the issue became apparent."

The chief constable of the force concerned did not appreciate the wider implications, the High Court judge said that the consequences were not severe and the ACPO lead said that their seriousness was not appreciated until 17 June, and yet the Opposition appear to know differently and apparently, with astonishing clairvoyance, saw the need for action in May. Neither the police, nor the High Court judge saw the need for action, but the Opposition apparently did. This simply is not a credible position for the Opposition to take. I repeat that the Government acted as fast as we could. In particular, once we received formal advice from ACPO that it believed that emergency legislation was necessary, we acted very fast indeed.

I say to the hon. Member for Gedling—this is an important point—that the Opposition could take a different approach. He may remember that, in 2008, when the Supreme Court ruled on witness anonymity and against the common law understanding of the issue, the then Government decided to introduce emergency legislation and we supported them. I know that we did so because I led for the then Opposition. I did not claim that the Government of the day had in any way delayed, yet that emergency legislation was introduced to almost exactly the same timetable as this legislation after the written judgment had been received. We also hope that this legislation will be on the statute books sooner than that one was, so there is no need to strike such a partisan stance on the matter, given the cross-party agreement that it is necessary to do something. I am sorry that, when we need to consider the substance of the issue, the Opposition have continued to make political points, but I hope that deals with the issue of delay.

The hon. Gentleman also asked whether the Government felt there should be a debate about time limits. My point on Second Reading was that, if there are believed to be problems with the operation of police bail, and if the suggestion is that bail is being extended for too long a period or over-used, those who believe that to be the case should assemble their evidence and present a serious case, at which point I am sure that hon. Members on both sides will debate and consider it carefully.

Such points were made, it seems to the Government, at a very late stage and only when the High Court judgment came in, so we do not think it appropriate to amend the emergency legislation. That does not preclude sensible debate about the matter in future, but I gently point out to the hon. Gentleman that the Opposition did not raise them before that point, either. The House did not appear to be aware of a concern—if, indeed, there is widespread concern, and I do not presume that there is—about the operation of police bail.

The Government certainly do not have a closed mind to the issue, and of course we should pay the closest attention to a proper case, should one be made to us, but we will not arbitrarily and in a rushed manner set limits on the operation of police bail without proper evidence, proper understanding of the problem, proper consultation and proper consideration of the impact of such limits. That is a responsible position to take.

The hon. Gentleman asked also about the Government's response to the Lords Constitution Committee report, which he correctly said we received just this morning, and in particular our response to its conclusion that there is an issue of constitutional principle regarding the separation of powers and the rule of law, because Parliament is introducing emergency legislation when an appeal is pending to the Supreme Court.

The Government do not see that the decision to legislate in advance of an outcome to that appeal raises any constitutional issues. The sovereignty of Parliament means that it is entirely open to Parliament to legislate at any time in response to a court judgment, and that is what we are doing.

The hon. Gentleman also raised the important issue of retrospection, about which my hon. Friend the Member for Amber Valley (Nigel Mills) was also concerned in relation to compensation claims. The hon. Member for Gedling wanted in particular to know whether the retrospective nature of the Bill meant it went back only

to the original judgment on 19 May. That is not the case, because the High Court judgment itself applied to all cases going back to 1986. The Court, owing to its different understanding of the Bail Act, stated that any cases prior to 1986 may have involved unlawful detention, so this legislation must go all the way back as well. That is why if hon. Members read clause 1(3) they will see the following wording:

"The amendments made by subsections (1) and (2) are deemed always to have had effect."

That is particularly important because we need to create legal certainty. As I said on Second Reading, it is important that we do not permit what might otherwise be the bringing of a rash of legal cases.

3.30 pm

Vernon Coaker: The Minister is providing helpful clarity in responding to what the hon. Member for Amber Valley (Nigel Mills) and I said. Without having the legal support that the Minister does, it was not immediately obvious to me that that was the case, and I was worried about it. His reply will give a sense of relief to all sane people throughout the country.

Nick Herbert: I am grateful for the hon. Gentleman's support, although I did it almost all on my own without the legal support that he claims. Nevertheless, that is the effect of the Bill, and that is important because it means that there is no doubt about the matter. Any claim based on what the High Court has said since the May judgment would not succeed because Parliament is stating clearly that the original understanding of the legislation should apply. I am happy to put on record that the Government's, and I believe Parliament's, intention is not to allow compensation claims that may have arisen as a consequence of this judgment. It is expressly our desire to prevent such claims, which would be improper and unwarranted in the circumstances.

The hon. Member for Gedling asked me a specific question about the Home Office's preparedness for legislation—that is, did we prepare on a contingency basis before ACPO came to us with its formal request on the necessity for emergency legislation? ACPO presented its case to me on the morning of Thursday 30 June, and I made my oral statement less than two hours later. The Home Office had already studied the judgment, considered possible legislative vehicles, and prepared instructions to parliamentary counsel that were sent on the same day in time for a first draft of the legislation to be received later that day. We acted explicitly and swiftly. Of course, the drafting was not complicated because this is a straightforward Bill that simply restores the status quo ante.

The hon. Gentleman asked whether it was merely our aim that the Bill should receive Royal Assent next Tuesday or whether it would receive Royal Assent next Tuesday. Of course, that is a matter for the other place, but it is very much our hope and expectation that we will have Royal Assent on 19 May once the other place has considered the Bill. *[Interruption.]* I am sorry—I should have said 19 July. There is always a danger in reading things without my glasses. As I have said, the Bill will take effect once Royal Assent is received. I hope that that answers the hon. Gentleman's specific questions.

Vernon Coaker: This is a hugely important issue not only for the police but for the confidence of the public in ensuring that we are doing as much as we can, as swiftly as we can, to protect them from the people they need protecting from. Notwithstanding our difference about the delay, it was helpful for the Minister to clarify some of those specific points, and I thank him for that.

Nick Herbert: For the record, may I correct what I said about when the Bill will receive Royal Assent? I should have said 12 July, not 19 July. That was written in larger writing, but I could not see it.

Vernon Coaker: On a point of order, Madam Deputy Speaker. Is the Minister absolutely certain that he has got it right this time?

The Second Deputy Chairman of Ways and Means (Dawn Primarolo): I believe that the Minister is absolutely certain. I am going to put on my glasses to ensure that I get things right.

Question put and agreed to.

Clause 1 accordingly ordered to stand part of the Bill.

Clause 2 ordered to stand part of the Bill.

The Deputy Speaker resumed the Chair.

Bill reported, without amendment.

Third reading

3.35 pm

Nick Herbert: I beg to move, That the Bill be now read the Third time.

I do not need to detain the House, because there is broad agreement about the importance of this legislation and the substance of it. I hope that I have answered the questions that have been raised during the Bill's passage. There will, of course, be a further opportunity to consider any issues when the other place debates the Bill on Tuesday. I hope that the fact that questions have been raised by hon. Members on both sides of the House indicates that there has been proper scrutiny of the Bill. It is a short Bill, but important questions were nevertheless raised about it. The Government are grateful for the support of the official Opposition and hon. Members on both sides of the House for this important legislation, which will simply restore 25 years of previously understood legal and police practice, and enable the police to do their job. I commend the Bill to the House.

3.37 pm

Vernon Coaker: The official Opposition are pleased that the Bill has progressed swiftly through the House. It is a very small Bill, but it is none the less very important. Important points have been raised, and the Minister sought to address them. No doubt that will inform the debate in the other place. Whatever the rights and wrongs of the judicial system, the vast majority of people in this country will have had an "I can't believe it!" moment in relation to this matter. When the House has passed the legislation, it will help to give the police the clarity that they need with respect to the law, so that they can deal with some difficult cases and individuals in the proper and professional way in which they carry out their business. I hope that this unsatisfactory situation will be resolved as swiftly as possible.

Question put and agreed to.

Bill accordingly read the Third time and passed.

Business without Debate

DELEGATED LEGISLATION

Motion made, and Question put forthwith (Standing Order No. 118(6)).

LEGAL SERVICES

That the draft Legal Services Act 2007 (Appeals from Licensing Authority Decisions) Order 2011, which was laid before this House on 17 May, be approved.—*(Mr Vara.)*

Question agreed to.

Motion made, and Question put forthwith (Standing Order No. 118(6)).

That the draft Legal Services Act 2007 (The Law Society and The Council for Licensed Conveyancers) (Modification of Functions) Order 2011, which was laid before this House on 17 May, be approved.—*(Mr Vara.)*

Question agreed to.

Motion made, and Question put forthwith (Standing Order No. 118(6)).

CONSTITUTIONAL LAW

That the draft Criminal Procedure (Legal Assistance, Detention and Appeals) (Scotland) Act 2010 (Consequential Provisions) Order 2011, which was laid before this House on 9 June, be approved. —*(Mr Vara.)*

Question agreed to.

Motion made, and Question put forthwith (Standing Order No. 118(6)).

That the draft Adoption and Children (Scotland) Act 2007 (Consequential Modifications) Order 2011, which was laid before this House on 10 June, be approved. —*(Mr Vara.)*

Question agreed to.

Committee on Members' Allowances

Madam Deputy Speaker (Dawn Primarolo): With the agreement of the House, we will take motions 9 and 10 together.

I must tell the House that Mr Speaker has selected amendments (c) and (d) to motion 9 and amendment (b) to motion 10. The debate will therefore be on the two motions and the three selected amendments. If amendment (c) to motion 9 is not agreed to, I will allow amendment (b) to motion 10 to be moved in a slightly amended form, to reflect the decision of the House on the name of the Committee. I will, of course, ensure that the House is fully aware of which amendment we are voting on as we progress. In due course I will call Mr Afriyie to move the first of his amendments, but we begin with the Minister.

3.41 pm

The Parliamentary Secretary, Office of the Leader of the House of Commons (Mr David Heath): I beg to move,

That Standing Order No. 152G (Committee on Members' Allowances) shall be amended as follows—

(1) in line 2, leave out 'Allowances' and insert 'Expenses'; and

(2) leave out lines 3 to 17 and insert 'to consider such matters relating to Members' expenses as may be referred to it by the House;'.

Madam Deputy Speaker: With this we shall discuss the following motion, on the review of the Parliamentary Standards Act 2009:

That, further to the instruction to the Committee on Members' Allowances of 12 May, it be an instruction to the Committee on Members' Expenses to report to the House on the review of the Parliamentary Standards Act 2009 by 31 December 2011.

Mr Heath: The motions would amend the terms of reference of the Committee on Members' Allowances, in advance of its review of the operation of the Parliamentary Standards Act 2009. Earlier, Madam Deputy Speaker, you may have heard my right hon. Friend the Leader of the House say in business questions that he would find it very difficult to find additional time to debate the matter before the recess, but by happenstance we now have adequate time to do the job today. I am extremely pleased that that is the case.

On 12 May, the House gave an instruction to the Committee on Members' Allowances to review the 2009 Act,

"giving due consideration to ensuring:

(a) value for money for taxpayers;

(b) accountability;

(c) public confidence in Parliament;

(d) the ability of Members to fulfil their duties effectively;

(e) fairness for less well-off Members and those with families; and

(f) that Members are not deterred from submitting legitimate claims."

The debate was initiated through the Backbench Business Committee by the hon. Member for Windsor (Adam Afriyie), who I am pleased to see in his place. Following a good debate, the House agreed to the instruction without a Division.

Since May, the Government have been in discussion with colleagues in the House on changes to the terms of reference of the Committee on Members' Allowances, given its change in remit. I express my gratitude to my long-suffering right hon. Friend the Member for Uxbridge and South Ruislip (Mr Randall) for his efforts in seeking consensus on a sensible approach.

One of the Government's proposals following consultation was that the Chair be removed from the list of Select Committee Chairs receiving an additional salary, which was approved by the House on Tuesday 5 July. There are two outstanding motions that have previously been objected to and remain to be approved. Motion 9 would amend the Standing Order relating to the Committee by changing its name to the Committee on Members' Expenses. That terminology reflects the fact that the current scheme, operated by the Independent Parliamentary Standards Authority, is an expenses-based system, not an allowances-based one.

Adam Afriyie (Windsor) (Con): I echo the Deputy Leader of the House's thanks to my right hon. Friend the Member for Uxbridge and South Ruislip (Mr Randall) for his help in ensuring that we bring this matter to a swift resolution.

The instruction issued to the Committee on 12 May was that it review the 2009 Act, which does not relate directly to expenses. My concern is that calling it an expenses Committee and limiting its remit would in some way prevent it from doing its work of reviewing the 2009 Act. If the Deputy Leader of the House can confirm that the change will in no way narrow the Committee's ability to do its work of reviewing the Act and producing recommendations, there will be very little to detain us.

Mr Heath: I am extremely grateful to the hon. Gentleman for that intervention. Let me make it absolutely clear to the House that the change in wording in no way restricts the ability of the Committee to consider the issue of allowances as it relates to the review of the operation of the Act. The Committee will be free to consider the issue of allowances and to make recommendations as it sees fit. The Government have no intention of seeking to restrict the Committee's remit in the way that is feared.

Mr Edward Leigh (Gainsborough) (Con) *rose—*

Mr Heath: I will give way in a moment, but let me just say again that the change merely brings the Committee's title up to date, reflecting the new system that is in operation at the moment.

Mr Leigh: I am grateful for what my hon. Friend has said. Of course, I have no idea what the Committee will decide, but for instance—for the sake of argument—if it were to recommend that the current expense-based system on living away should be replaced by a flat-rate allowance, would that be perfectly in order?

Mr Heath: It would be in order for the Committee to consider any matter that it sees fit in reviewing the legislation as it is currently worded, so I think the answer to the hon. Gentleman is yes.

Mr Leigh: And can it make any recommendations as well?

Mr Heath: Indeed, it can make any recommendations based on the considerations into which it has entered. It would be a very odd restriction on a Committee if it were to be told that it cannot make recommendations when it has considered a matter. Of course, such recommendations would be the end result if the Committee so chooses.

Motion 9 also brings the Committee's terms of reference up to date. The Committee has a number of specific functions, set out in Standing Order No. 152G(1)(a) to (d), in relation to the old allowances regime that was administered by the House until the election last year. They include, for example, approving practice notes for the now-defunct fees office. Clearly, those specific powers are no longer relevant—they are, in effect, spent—and the motion provides the House with an opportunity to replace them with a more general power to consider any matter related to Members' expenses that the House might choose to refer to it.

I sense from the interventions from the hon. Members for Windsor and for Gainsborough (Mr Leigh) that they have received some reassurance from what I have said.

Mr Richard Bacon (South Norfolk) (Con) *rose—*

Mr Heath: I hope that my hon. Friend is reassured as well, but I will allow him to say.

Mr Bacon: I hope that the Deputy Leader of the House can reassure me. He said that the motion brings the Standing Order up to date because the Independent Parliamentary Standards Authority is operating an expenses-based scheme, not an allowances scheme. I have looked at the Parliamentary Standards Act 2009. It mentions the word "allowance" or "allowances" 37 times. Therefore, the authority under which IPSA operates—the Act—provides for allowances. It does not provide any authority to operate an expenses scheme. Can he clarify that for me?

Mr Heath: I can simply make it clear that IPSA does what it believes to be in line with the Act. The Committee will be free to consider those matters and to bring forward recommendations as it sees fit. I do not think that I can be more open than simply saying that no restriction is applied by the terms of the motions.

Mr Bacon: I am grateful to the Deputy Leader of the House for being as open as he thinks he can be, but I am still not quite clear. The 2009 Act could not be clearer. The words "expense" or "expenses" are not mentioned anywhere—I just searched a PDF copy of the Act and found that those words are mentioned nowhere in it—but the words "allowance" or "allowances" are mentioned 37 times. How can it be that IPSA operates a scheme that it thinks is in line with the Act if it ignores the terms of the Act? That is what I simply do not understand.

Mr Heath: It is probably not helpful for me to rehearse the subject matter of considerations that will clearly take place in the Committee. I do not speak for IPSA, but it has made it very clear that the current system is

[Mr Heath]

one of expenses, whereby Members are reimbursed for costs that they can prove they have incurred. The previous, discredited scheme was one of allowances, whereby Members were allowed to claim, in many cases, with no proof of actual expenditure. I repeat that changing the title of the Committee would not prevent it from proposing that IPSA should introduce a new system that includes an element of allowances, but it would be better if the Committee's title actually reflected the scheme that is in operation rather than one that is not in operation.

Adam Afriyie: From the reassurance the Deputy Leader of the House has given, I am satisfied that the remit of the Committee and the review will not be restricted, and we can look at everything and come to a calm, considered conclusion. My final question is on the timing of the formation of the Committee, given that we have had a 49-hour stutter in the proceedings.

Mr Heath: I am grateful to the hon. Gentleman for what I take to be an indication that he will not press his amendment. That is good, because it means that everyone has the same understanding of what we are doing. In terms of timing, I know that the Leader of the House is champing at the bit to take the necessary steps to allow the Committee of Selection to establish the Committee. Indeed, I think it would probably have already been done had it not been for the delays—albeit quite proper delays—occasioned by the objections and amendments that have been tabled. If we can dispose of this business today, I have every confidence that the Committee will be up and running at a very early date. We will then be in business, which is what the hon. Gentleman wants.

Adam Afriyie: I appreciate that one can never predict the future, but can the Deputy Leader of the House say whether he expects that the Committee will be formed this side of the recess?

Mr Heath: I think that we can do even better than that. I shall make no further prognostication, but it will certainly be this side of the recess.

Adam Afriyie: Then I can say on my own behalf, and possibly on behalf of others, that I will not press my amendments. I thank the Deputy Leader of the House for his assurance and I thank the Leader of the House for the calm and considered way in which he has approached the issue.

Mr Heath: I am extremely grateful and I hope that, subject of course to the will of the House in approving the recommendation by the Committee of Selection in due course, we will be able to make quick progress.

Motion 10 asks the Committee to report back to the House on the issue tasked to it by 31 December 2011. That date allows the views of the Committee to be considered to a time scale that fits in with the next annual review of the expenses scheme by IPSA, which is expected early next year. A delay in reporting risks the ability of IPSA to consider, consult on and implement in an orderly way any changes that may be proposed. I gather that we may not now have a Division on the amendment, which I am very pleased about. Otherwise, we might have a delay that would obstruct the work of the Committee.

The House agreed on 12 May that a review of the operation of the Parliamentary Standards Act 2009 should take place. The Government are keen that the Committee is set up without any more unnecessary delay and gets on with the important work that the House has tasked it with, and I commend the motions to the House.

3.53 pm

Helen Jones (Warrington North) (Lab): The Opposition welcome the fact that these motions are being debated today, and welcome even more that the House appears to be moving towards some consensus. It is of course a matter for Back Benchers to decide, but it is important that we get this Committee set up and running as soon as possible, because the scheme clearly needs amendment.

I see the hon. Member for Gainsborough (Mr Leigh) in his place. Like me, he sits on the liaison committee with IPSA and we spend a lot of time trying to iron out problems in the scheme. It is imperative therefore that we reach a sensible position that both maintains public confidence in the scheme and does not use up too much of the time of hon. Members, who are fast becoming the highest paid data input clerks in the country.

Anyone who has read the National Audit Office report published today—I have had the time to read only some of it—will be clear that much work needs to be done on the scheme. The NAO quantifies the amount of time it is taking for Members and their staff, and actually puts a monetary value on that. It also comments on the repetitive nature of much of the information that is required. We clearly need to have a transparent expenses system. I do not think that anyone in the House would suggest anything else. However, we need to have one that facilitates the work of hon. Members and does not get in the way of our much more important work of representing our constituents. I am grateful to hon. Members involved for their work in setting up the Committee, which I hope can play a major role in ensuring that the scheme we have works properly and in the best interests of our constituents and the House. I look forward to the Committee being set up and being able to get on with its work as soon as possible.

3.55 pm

Mr Christopher Chope (Christchurch) (Con): I apologise, Madam Deputy Speaker, for not having been here at the outset, but I was chairing Westminster Hall and it was not possible to get a substitute as quickly as I had hoped.

I hear from my hon. Friend the Member for Windsor (Adam Afriyie) that much progress has been made during this short debate. I am certainly pleased to hear that. There is a lesson here: if the Government table motions on the Order Paper that are inconsistent with a resolution of the House agreed to as a result of a Back-Bench debate and do not discuss their reasons for tabling the motion, it creates a climate of suspicion. That climate of suspicion was confirmed yesterday, when the Committee of Selection was set up to confirm the membership of the Committee on Members' Allowances but at the last minute did not deal with the business at

hand. I understand that it has been confirmed during this debate that there will be a special meeting today of the Committee of Selection to set up the Committee so that the latter can organise itself to meet next week. I do not know whether that interpretation is correct, but I understand that that is what has been agreed.

Why did we have to go through all this? It is regrettable that this adversarial attitude has been created over an issue that everybody on both sides of the House takes very seriously—IPSA's administration of our allowances system. Yesterday, I went on to the IPSA website to make a claim for the past month—it was my first claim for a month—and I found that four previous items that I claimed for had been sent back. I will not go into the details except to say that after more than an hour on the telephone all those matters were resolved. However, it should never have taken so long. It was a matter of process dominating common sense and reality. The person from IPSA wasted more than an hour on the telephone. I had to waste more than an hour on the telephone. There were lots of delays and as a result one member of my staff was not paid as quickly as they should have been. That is why it is important that this Committee is set up with the terms of reference that we are debating this afternoon.

Mr Leigh: My hon. Friend can be reassured because we have had a categorical reassurance from the Deputy Leader of the House that there will be absolutely no restriction on what the Committee can decide or recommend. I have the greatest faith in our Front-Bench team—as far as I am concerned, their word is their bond.

Mr Chope: I am sure that my hon. Friend is right. I hope that when the Committee of Selection meets, he will be selected as a member of the Committee, with my hon. Friend the Member for Windsor as its Chairman. With those two on the Committee, I have little doubt that it can do some effective work. However, I still do not understand why it has taken so long to set it up. It was resolved on 12 May that it should be set up, but it is now almost 12 July.

I see that quite a few members of the Treasury Bench are in their places. I hope that they will learn a lesson from this—that we should be much more open with each other about these issues instead of creating or facilitating a climate of suspicion. It is possibly only because today's business collapsed more than two hours early that we have had the chance to have this open and frank discussion on the Floor of the House on this important issue. When the report—or reports—come back from the Committee, I hope that the Government will again be open and frank, and allow us to ensure that the recommendations are debated and carried into action. That way, there will be no need to spend even more parliamentary time trying to get the Government to do what was agreed by the Prime Minister as long ago as before last December, as I recall, when he made it clear that if something did not happen by April, he would ensure that pressure would be put on IPSA to get its act together.

All's well that ends well—I hope. In that respect, I am grateful to my hon. Friend the Member for Windsor for briefing me on what transpired earlier in the debate. I hope that it will be confirmed in the response to this debate that the members of the Committee will be appointed by the Committee of Selection today, so that they can get down to their work first thing next week.

4.1 pm

Mr Richard Bacon (South Norfolk) (Con): I shall be very brief. I am delighted by the Government's reassurances, although I share the disappointment that it has taken since the resolution was passed in May to get to the point of setting up the Committee. If something had been decided that our constituents expected would happen, but then six or seven weeks later it had still not happened, we as Members would be advocating hard on their behalf. I am therefore glad that the decision has finally been made.

I want to make one point about the National Audit Office report that was published this morning, to which the hon. Member for Warrington North (Helen Jones) referred. I have had a look at it, and I think that it looks fairly reasonable. I know that one or two Members who have looked at it are slightly disappointed that it does not appear to tear IPSA limb from limb. However, given what had taken place—the MPs' expenses crisis and the response that came forth with the new legislation—IPSA has done its best. We know that there is still further to go, and my hon. Friend the Deputy Leader of the House drew attention to the terms of reference—the need for improved public confidence, better accountability and better value for money, and not deterring legitimate claims. We all know that legitimate claims have been deterred, that we need to get value for money and that there is still some work to do, so I am delighted that the Committee can now proceed with its work.

4.2 pm

Mr Heath: I am most grateful to colleagues who have participated in this brief debate. I do not think that any of us seek to minimise the difficulties that have on occasion arisen over the last year in the operation of IPSA. As we all know, there are numerous bodies trying to iron out the problems and produce a more user-friendly, but at the same time rigorous approach to the whole subject. The Committee that we are setting up—that the House has asked to be set up—will go a long way towards dealing with the more fundamental review of the legislation, to ensure that it is fit for purpose, and coming up with recommendations.

I have to say to the hon. Member for Christchurch (Mr Chope) that if he had doubts about the wording of the Government motions, we would all have been delighted to discuss his concerns with him and allay any fears. As I mentioned earlier, the right hon. Member for Uxbridge and South Ruislip (Mr Randall) has spent quite some time discussing with interested Members the implications of the Government amendments, and to a large extent was able to reassure those who had a fundamental interest in the establishment of the Committee that their fears were groundless and that this was a real attempt to facilitate its setting up.

Mr Chope: Does the Minister accept that, if those fears had been allayed, my hon. Friends the Members for Windsor (Adam Afriyie) and for Gainsborough (Mr Leigh) would not have had to table the amendments that are being debated today? How is what he has just

[Mr Chope]

said consistent with the Government's action yesterday in withdrawing from the business of the Committee of Selection the appointment of the members of this Committee? Finally, may I ask my hon. Friend why the opportunity for a short, five-minute debate was not taken—

Madam Deputy Speaker (Dawn Primarolo): Order. The hon. Gentleman has made his speech. I must also tell him that we are discussing motions 9 and 10 together, and that no amendments have been moved.

Mr Heath: I am most grateful to you, Madam Deputy Speaker.

It would clearly have been entirely inappropriate for the Committee of Selection to pre-empt the decision of the House, and the House was prevented from taking a decision by the fact that amendments had been tabled that would have been treated as an objection to the order unless we could find time to debate it. Happily, we have had time to do so today, and I hope that I have been helpful to colleagues. I know that the Committee of Selection will be eager to meet at the earliest opportunity in order to make recommendations, which will then have to go before the House, to enable the Committee to be set up. We can now proceed without any further obstruction, should the House agree to the two motions that we have now debated. I hope that we can now do so with expedition.

Question put and agreed to.

REVIEW OF PARLIAMENTARY STANDARDS ACT 2009

Ordered,

That, further to the instruction to the Committee on Members' Allowances of 12 May, it be an instruction to the Committee on Members' Expenses to report to the House on the review of the Parliamentary Standards Act 2009 by 31 December 2011.—*(Bill Wiggin.)*

PETITION

Barnett Formula

4.6 pm

Chris Heaton-Harris (Daventry) (Con): This is my first time presenting a petition in this place, and I did not expect to be doing it at this particular hour. I was hoping to do it a tiny bit later, because waiting for me in the Pugin Room are four Daventry councillors who are enjoying their afternoon tea while mine goes cold. However, this is a very important petition.

In the beautiful village of East Haddon in my constituency, there is a wonderful pub called the Red Lion. The talk of the town in East Haddon is not windmills, although we have plenty of them around the place, and they are the talk of the town in other parts of my constituency; nor is it High Speed 2, although the people who live in the village of Byfield will most certainly be talking about that in the pub. The talk of the town in East Haddon is the Barnett formula. A number of my petitioners, perhaps over a nice cold dry white wine one evening, got very excited about the Barnett formula, and about the fact that English people are being hard done by in regard to a fair and equal per capita distribution of taxpayers' money across my constituency. They are therefore petitioning the House of Commons. Dr Angus Walker has put this together, and I hope that I can do him justice here today.

The petition states:

The Petition of residents of Daventry,

Declares that the Petitioners believe that the use of the Barnett Formula in the distribution of Government funds should be replaced with an equal per capita distribution for all races in the United Kingdom; notes that the Petitioners believe it to be iniquitous that some parts of the United Kingdom are discriminated against because of race; and further notes that the Petitioners consider that it is wrong to permit such discrimination to be exempted in law.

The Petitioners therefore request that the House of Commons urges the Government to discontinue the use of the Barnett Formula in the distribution of Government funds and replace it with an equal per capita distribution for all races in the United Kingdom.

And the Petitioners remain, etc.

[P000935]

Ian Puddick (Internet Crime)

Motion made, and Question proposed, That this House do now adjourn.—*(Bill Wiggin.)*

4.9 pm

Mr David Burrowes (Enfield, Southgate) (Con): I do not know whether it is something in the water, but Enfield has recently produced constituents whose cases are of high national importance, which are challenging legislation, international treaties and guidance. I refer, of course, to my constituent Gary McKinnon, to Andrew Symeou in the neighbouring constituency, and to Ian Puddick, the subject of this Adjournment debate.

I do not wish to entertain the House with the salacious details of this case, which are at times complex and at other times bizarre and, frankly, quite frightening. I wish to explore the principles and practice involved in the case, about which the whole House will no doubt be concerned, as they are fundamental. My primary concern, which again the whole House doubtless shares, is with the principle of equality before the law—the principle that money and wealth should not be used to warp the course of natural justice and that equality should not be eroded in the age of the internet and super-injunctions, which we have seen in recent times.

It is only right for me to start by explaining some of the details of my constituent's case. In June 2009, Mr Puddick became aware that his wife was having an affair with her employer, who is a board member of a large reinsurance firm. He found on her phone explicit text messages from this man, which then led to his wife's confession that the affair had been ongoing for some 10 years. In his emotional state, my constituent began calling clients of this large firm, informing them that their manager had used company expenses to fund an affair with another employee. When the manager concerned became aware of this, he hired a private security firm, linked to his organisation, to discredit my constituent and to build a case of harassment against him. Mr Puddick received a phone call from the chief executive of the security firm, who reportedly said, "Our pockets are deep...we will bury you." How was he buried?

In August the same year, my constituent's home, office and his company accountants were raided by 16 officers from the City of London police counter-terrorism and major crimes directorate. They removed his personal computers, his mobile phones, laptops, digital cameras and even his personal sat-nav and sent all this equipment to a high-technology crime laboratory for testing.

My constituent was subsequently arrested and decided not to have a lawyer. He then gave a full and frank confession that he made those phone calls to clients and he apologised for it. He was then charged and stringent police bail conditions were attached. On the first occasion he attended court, the bail conditions were relaxed as it became immediately apparent that my constituent was a man of good character and not likely to commit any act of violence or to make any threats. The court realised that the case needed to be dealt with proportionately.

I understand from my constituent that, to the surprise of the magistrates, when the officers were asked about the evidence that provided the basis for this case of harassment, it became clear that my constituent's wife had not even provided a statement. Despite all the extreme, disproportionate and expensive investigations that had gone on, which seemed to suggest a major crime, the one witness statement that one would have expected to have been brought forward did not materialise. Any right-minded person listening to the debate—and certainly those listening at the back of the court at which Mr Puddick first came into the public gaze—would have questioned why this was happening.

A trial was set for April the following year. Before that date the man who had had an affair with Mr Puddick's wife resigned from his position, and the case was dropped. One might have thought that that would be the end of it, and that there would simply have been complaints to the Independent Police Complaints Commission—as, indeed, there were—which would have been processed in the usual way.

If the case had ended in that way we would not have ended up discussing it here at 4.15 on a Thursday afternoon, but Mr Puddick was rightly appalled by what had happened, and particularly concerned about the disproportionate actions that he felt had been taken by the police. For reasons of his own, which one may understand and with which one may feel a great deal of sympathy, he set up a blog—www.ianpuddick.com—to which he uploaded a love letter that had been sent to his wife, as well as a video describing the disproportionate response of the police and questioning the actions of the private security firm. Entries to the website www.policeexpenses.com and other similar addresses were redirected to the original blog.

What then happened, in May 2010, seemed to my constituent to have come out of nowhere. He was arrested again, this time not by local detectives but by the City of London police murder squad. He was told by investigating officers that he could not put that information on the internet. He replied, "I am just putting out information that is true." The response from the police, which might be considered chilling by anyone concerned about freedom of speech, was, apparently, "Even if it is completely true, you have committed a criminal offence."

Mr Puddick was subsequently charged, again, with harassment, but on this occasion on the specific grounds that he had created and distributed three websites which were designed to discredit an individual both professionally and personally. He denied all the allegations, and the case went to the magistrates court in June this year. It was put to the magistrates that Mr Puddick was guilty of harassment through Facebook, Twitter and his websites, and it was partly because of those extra allegations that the case made national headlines. However, it was proved in court through cross-examination at an early stage that there had been no use of Facebook or Twitter.

I understand that an officer from City of London police offered the explanation that the counter-terrorism and murder squads had been called because of the level of distress that she believed my constituent was causing through his websites. One can only speculate, looking at other websites, on whether such distress constitutes grounds for using the precious and important resources of the counter-terrorism and murder squads. I am glad that the Minister for Policing and Criminal Justice, my right hon. Friend the Member for Arundel and South Downs (Nick Herbert) is present to note my concern in that regard. My constituent was finally found not guilty of the charge of harassment on 17 June this year.

[Mr David Burrowes]

Having listened to that extraordinary tale, some may believe that it involves a purely operational issue which really belongs on the pages of the tabloids—where it did indeed appear in this instance—rather than in the Chamber. However, as I said at the outset, there is a key point of principle: the principle of equality before the law. As my constituent has stated on numerous occasions, if this could happen to him, it could happen to anyone.

I want to raise two key points with the Minister. The first is the apparent influence of wealth and authority on the implementation of the law. It seems clear that had it not been for the well-connected private security company and the high profile of the business involved, my constituent would not have experienced such a disproportionate use of force and response. If there is another reason, no one is aware of it. Indeed, it is interesting that the man who had the affair with Mr Puddick's wife was even advised by police in Sussex—the county where he lives—that this was a civil, not a criminal, matter, and anyone looking at this case would say that that seems to be a very reasonable judgment to make. Despite that, City of London police were approached and the raid in May 2009 followed. My constituent argues that the second raid almost a year later, following the publication of the blog and website, was also based on information that came from the private security firm and outside interests.

We can go back into history—indeed, all the way back to AD 43, when there was the first recorded mention of equality before the law, by Pericles, and we can then eventually go on to the Magna Carta and other important integral documents in our constitutional law that establish that equality before the law is an important principle. Pericles stated:

> "If we look to the laws, they afford equal justice to all in their private differences...class considerations not being allowed to interfere with merit".

Those words and our fundamental principles based on the Magna Carta and established through international law and treaty obligations would seem to be all but forgotten when the 16 counter-terrorism officers from City of London police raided a residential property because, from the point of view of my constituent, who is a mere plumber, that seemed to be in the interests of more powerful and wealthy business interests, which were concerned about the effects on reputation and sought to challenge the concepts of free speech and the truth.

One could take a view about the appropriateness of how my constituent went about this matter. One could criticise that and say that it was not right, but questions have to be raised about the fact that those actions were criminalised to the extent that they were, and that the police decided to act in the way they did and used the resources they used, which is why the matter has come to this Chamber. This is a fundamental issue in the wider context of our legal system. As a practising lawyer, I have concerns, but this should be of great concern to all Members.

I do not need to remind the House of the recent super-injunction controversy and the complexity added to that by Twitter and the open-platform social media that provide a forum. The key issue in that debate was not merely the affairs and the scandals, but the fact that our legal system sought to support, or some would say protect, those individuals of some privilege who were able, through wealth and influence, to seek to protect their reputations and their future incomes, regardless in some respects of the consequences and the human collateral damage.

It appears that my constituent's experience is not an isolated one, since having secured this debate I was contacted by Dr Howard Fredrics, who is similarly charged with harassment because of a website exposing misconduct by officials at Kingston university. Even though, as I am also informed, Kingston police found no evidence of harassment, the Crown Prosecution Service went ahead with a case against Dr Fredrics, just as the CPS decided not to take account of Sussex police advice and a case was mounted against Mr Puddick. In both cases the common factor seems to be people and institutions of influence, and one would have to say that the concept of the rule of law has been challenged. Those are two examples, but there may be more, which might have gone unnoticed because of the under-reporting of magistrates court cases. The reason for this debate is that they should not go unnoticed by this House or the Government.

The disproportionate response to my constituent's case raises fundamental questions, and we cannot cast them aside as an operational blip. The reaction casts a shadow over the way in which we respond to issues, not least issues of free speech. These issues are becoming much more complex, but they are so important. That applies to matters on the internet and online, and matters outside and offline.

The issues raised by my constituent's case, which relate to free speech and the way in which the prosecuting authorities deal with enforcement, particularly in respect of the internet, are important and of wider significance. When dealing with cases of cyber-stalking or online harassment, it is important to consider how enforcement is applied and how the guidance really does affect these issues.

We need to recognise that there is no suggestion that Mr Puddick's comments on his website were untrue. The prosecution because of his comments relied on the argument that the repetition and spreading of the factual points amounted to harassment. It is important for me to make it clear that I entirely agree with the Government's policy and approach to this issue. The case law and policy make it clear that harassment is illegal online as much as it is illegal offline. We learn of some awful cases of cyber-stalking, and they should properly be prosecuted and punishable with the full force of the criminal law. If an individual persistently contacts or attempts to contact a victim and the court concludes that that conduct constitutes harassment, the police need to follow through proportionately to where the evidence leads them and a prosecution needs to follow, where appropriate. That should happen regardless of whether such behaviour occurs in person or through online social media.

I recognise that sound guidance is in place on dealing with cyber-stalking and harassment. I invite the Minister to consider, after this debate, whether that guidance is fit for purpose and whether it is appropriate, particularly given how it seems to have been wholly misapplied in the case of Ian Puddick. The Government are rightly examining areas of vulnerability in respect of young people and those with disabilities, who need particular

protection when it comes to dealing with the internet. We need to recognise that we have a particularly strong duty to those people, and it is right that the Government, in applying the guidance, are examining those areas. We also need to ensure that the fundamental principle of the equality of the law is applied across the board.

As is clear from the account that I have given, it is clear that the proper guidance and way to apply that guidance is far removed from what happened in Mr Puddick's case. He was told that he was not allowed to put up his website because it, in effect, damaged the reputation of another individual and that that damage amounted to illegal harassment. Since this case has reached the public gaze, several commentators have remarked that if Mr Puddick had been found guilty, the floodgates would have been opened for a number of other such claims.

I am sure that other hon. Members, perhaps in an unguarded moment, would be tempted by the possibility of prosecuting the odd blogger who wrote an article about them with which they disagreed. I have had an attack website constructed against me. It is dedicated to opposing me and, some would say, to damaging my reputation, and colleagues would doubtless be able to give examples of different actions that have taken place. However, many of us would also recognise that there is a role and place for the law, including the civil law—there is no doubt that the law on libel and defamation has a role to play. I welcome the Government's review into super-injunctions, which is examining how we can properly ensure that our approach to these whole areas of privacy, and libel and defamation are made fit for the modern-day purpose. I would also welcome a proper look at the current Crown Prosecution Service guidelines and how they apply in all the different circumstances.

I am calling for a level playing field—the level playing field that has been established over many years and that this country, rightly, is proud to promote and apply. I hope that my constituent's case will set a precedent or at least be a marker to suggest that such websites and blogs should be properly considered in the context of an appropriate and proportionate application of guidance in both criminal and civil law. It is important that, as online technology develops rapidly, we ensure that the Government also allow for proper clarity in their guidance so that we do not face situations such as that which sadly caused detriment to Mr Puddick.

We also need to be particularly watchful when criminal law is involved. Cases such as Mr Puddick's might be rare—we do not have the exact numbers—but we need to recognise that when there is enforcement by the police, liberty is lost and other consequences arise, we must be ever watchful and mindful of the serious repercussions and how they can chip away at, or even take a chunk out, of the fundamental principles that we all hold dear.

In conclusion, the issue in this case is not the affair that some people might have been interested in reporting on, and it is not about my constituent and his phone calls to clients. This is not about the man or the affair. The issue is whether Ian Puddick has made the case that large companies and private security firms have an influence that has led to a taxpayer-funded police force following what some might suggest was a taxpayer-funded crusade. Indeed, it was called Operation Bohan—I am not sure why it was named after Bohan, the son of Rueben—and the whole operation was dedicated to this case, seemingly to silence his accusations because they might harm financial interests.

One could argue that if the complaint had been made to the City of London police by an ordinary member of the public—say, a plumber like my constituent—the estimated £1 million would not have been spent investigating and prosecuting the case. It would, I imagine, have been dealt with as a civil matter, worthy, if the police had been involved, of a quiet word from them. I say that the £1 million is an estimated figure, and Mr Puddick has been asking questions to find out the true costs. If possible, I would be interested in hearing at some point—I know the answer will not be available today—how much the police operation and prosecution cost.

Without any further information, it would seem that Operation Bohan flew in the face of the key principle of equality before the law by seemingly putting the interests of wealthy organisations above the free speech and basic rights of the everyday citizen. I do not say those words lightly. I have been a criminal solicitor for 14 or so years and have great respect for the rule of law, for our system of justice and for how it is properly applied day in, day out, by police officers and prosecuting authorities. When we see cases that seem exceptional and that are exceptional in their application of power, we must stand up for our constituents. It is worse for everyone, not just my constituent, that the operation was funded by the taxpayer. My tax-paying constituents—all of them—played their part in paying for the anti-terrorist officers, the high-technology laboratory and the extensive surveillance. Indeed, they also played a part in the Crown Prosecution Service's seemingly doomed attempt to prosecute Mr Puddick.

My constituent is concerned about what he would call an apparent perversion of natural justice that must be identified, addressed and appropriately challenged by Ministers. The Government and the Minister are rightly big on accountability and I fully support that, but we also need to recognise that there must be accountability for the actions of the police and the prosecuting authorities. They must be brought to account in cases such as Mr Puddick's so that we can ensure that another innocent member of the public is not awoken by an armed counter-terrorism unit acting, perhaps, on the whims of wealth and power.

4.35 pm

The Minister for Policing and Criminal Justice (Nick Herbert): First, let me congratulate my hon. Friend the Member for Enfield, Southgate (Mr Burrowes) on securing the debate, which it is a pleasure for me to respond to on behalf of the Government. I know of his long-standing interest in these issues, particularly on ensuring that freedom of expression is protected and I fully understand why he seeks to raise his concerns about the case of his constituent, Mr Ian Puddick. I appreciate that my hon. Friend seeks to put the case for his constituent very forcefully, which he has certainly done.

I know that my hon. Friend understands that Ministers do not have a role in commenting on or interfering in specific cases, but it is important to restate that point. In this country we have a principle of operational independence for the police and it is very important that Ministers do not seek to direct police investigations or to comment on them improperly. However, it is also very important

[Nick Herbert]

that we have a proper system of accountability for the police and their actions in relation to the law and more widely. I will return to that point. I am afraid that I cannot therefore comment on the legal aspects of this individual case, but I understand that the City of London police took the allegation of harassment against Mr Puddick very seriously and that it was investigated in line with national procedures.

I also understand that the City of London police received a complaint last September relating to the conduct of officers involved in Mr Puddick's arrest on suspicion of harassment in August 2009. Following a thorough internal investigation the force's professional standards directorate found no misconduct. Mr Puddick was informed of that decision last December and had the right to appeal to the Independent Police Complaints Commission. I do not know whether he has pursued that course, but my hon. Friend might wish to contact him and help him in that regard. We have a formal complaints procedure whereby the conduct of police forces can be properly investigated precisely to deal with situations in which people feel they have been improperly treated by the police. Having the IPCC means that such complaints and police forces can be independently investigated quite separately from Government, as is proper, but there might be reasons why Mr Puddick has not taken that course.

Mr Burrowes: I am grateful for the Minister's response and I will certainly follow up the details of my constituent's complaint. My presumption is that the progress of his complaint was subject to the fact that proceedings were ongoing, but they have recently been concluded and he will now be able to pursue many avenues. The problem he has probably encountered is that his complaint is not like usual complaints about how people have been treated in detention or on arrest, but is more of a systemic issue about an operational decision that was taken, and so he might find it harder to get to the truth. I therefore invite the Minister to make inquiries into why, given the facts of the case, the decision about Operation Bohan was taken.

Nick Herbert: My hon. Friend is seeking to draw me into precisely the sort of comment about individual investigations that I am prohibited from making. Nevertheless, I will say that it strikes me that this case would merit an appeal to the IPCC. I might be wrong about that and will ensure that I follow up the debate by sending him formal advice on whether that remains an option for Mr Puddick.

My hon. Friend referred to the involvement of counter-terrorist officers in the case, which the media also reported on. I can confirm that the investigation was run by the force's major investigation team, which, although it was set up primarily to deal with major crime, occasionally deals with cases outside its remit to relieve pressure on other departments within the force. The team sits within the force's serious crime and counter-terrorist directorate, which might explain the confusion and the suggestion that counter-terrorist officers were involved in the investigation.

I know that my hon. Friend will agree that, when the police receive an allegation of a crime, they should consider it properly. Indeed, they are required within the rules set out to record it. The offence of harassment can cause the victim great distress, and the police are committed to responding in a timely manner when they receive such reports. My comments in this respect are not to be taken as an endorsement of the police action in this case, but I think that we would all agree with the general principle that it is proper for the police to respond to and investigate such claims.

The internet has hugely enriched our lives and every Member of the House is fully aware of its potency, but it can also be a useful tool for those seeking to abuse and intimidate their victims, and it is a source of particular concern to the Government that a new opportunity for crime has been created through cyber-bullying, cyber-stalking and such harassment of victims. The abuse can continue for long periods, with no refuge for the person on the receiving end of the harassment, and can involve a much bigger audience, with more people becoming accessories to the harassment by forwarding offensive messages and images, making it difficult to identify the perpetrator. For all those reasons, the Government are very concerned about the growth of this form of criminality and are seeking to deal with it.

Let me be clear that we have no plans to block legal internet content or websites. Our view on published material is that it is important to strike a balance between freedom of expression and protection of the public and that it should be proportional to the potential harm that might be caused. In other words, it is important that the action we take, and indeed the action of those who enforce the law, is proportionate, which is precisely the word my hon. Friend used. We are making progress in this area and there will be a ministerial seminar next week on personal harm on the internet, which will focus on the two key themes of cyber-stalking and hate crime. It is important that we continue to make progress in this area. Nevertheless, I strongly agree with the principle of equality before the law, as my hon. Friend set out. It is important that police forces in this country are impartial and act without fear or favour, and he is right to restate that principle.

My hon. Friend is correct to say that I am big on accountability, and so are the Government. We seek to ensure that police forces are accountable—of course—to the law for their actions, and they are in the case before us. I mentioned recourse to the IPCC, and should Mr Puddick believe that the police behaved unlawfully in his case he also has recourse to legal action. I make no comment on whether that is the case, but the police are not above the law.

The police should also be accountable for their actions, and we seek to strengthen the democratic oversight of policing, but that does not extend to interference in operational independence, because that principle must remain. We are, however, going to give directly elected police and crime commissioners an important role in the oversight of police complaints—not to receive complaints directly, because that will still be a matter for the IPCC, but to ensure that forces generally deal with complaints properly.

I regret that that measure will not be applicable to the City of London police, because it is the one force to which we will not be introducing directly elected police and crime commissioners, but I am sure that the force itself and the authority that holds it to account will watch carefully the developments in our legislation.

On the cost of the investigation, my hon. Friend cited the sum of £1 million. I am not sure whether he thought that that was the cost of the police investigation and the Crown Prosecution Service investigation, but the City of London police state that the £1.5 million cost that was ascribed to the investigation was very wide of the mark. I am not able to respond to his suggested cost for the combined operation of the police and the CPS, but I am happy to ask that the City of London police and the CPS provide that information to my hon. Friend. Importantly, the CPS would of course have had to agree to the charges that were brought before the courts and, in doing so, have taken the view that a prosecution was in the public interest, so the actions that were taken were a matter not just for the police, but for the CPS.

Without trespassing further on the detail of the case, I fully understand my hon. Friend's concern about the matter and, indeed, respect the fact that he has brought it to the attention of the House. I hope he understands that I cannot interfere, but I hope also that I have provided some useful information.

Mr Burrowes: I am grateful for the Minister's response. He will be aware, because I have raised the matter with him before, and agree that what is needed among other things in our justice system is information. Indeed, in the words of the victims commissioner, relentless information is a real driver of change and of accountability, and one aspect of that is the reporting of magistrates court cases, which often go unnoticed. I have raised two examples, but in that area as in others the benefits of more information will raise the stakes on accountability and ensure that Ministers are as aware as others of whether there is a prevalence of such cases and of the actions that could lead to criticism and to operational changes.

I therefore ask the Minister to have an eye for that, as well as just to—

Madam Deputy Speaker (Dawn Primarolo): Briefly.

Mr Burrowes: I will just raise one other matter concerning internet crime, which is the subject of the debate. I welcome ministerial involvement in the seminars on hate crime, which is a real concern. There is a particular prevalence of anti-Semitism on the internet, and I know that Ministers are taking on work from the previous Government in that area.

Nick Herbert: I strongly agree about the importance of transparency. The criminal justice system is relatively opaque, but this week the Government have announced further moves to increase transparency. One area in which we wish to do that is the criminal justice system, and I am working on such proposals because I believe that justice must be seen to be done. I hope that my hon. Friend will take a continuing interest in that and will encourage us in our efforts.

I am grateful to my hon. Friend for supporting our action on hate crime, and I know that he understands the importance of dealing with it. In respect of this case and the issues that my hon. Friend raises, it is very important that we and the law strike the appropriate balance. Free speech is an important freedom that must be protected to the greatest extent possible, but it cannot be permitted if harm is done to others. The law exists in order sometimes to curtail the operation of free speech where such harm may be done. That is why we have a harassment law. It is right that our law enforcement agencies focus on areas where people may be bullied, harassed or subject to intimidation and threats, and that includes through the new medium of the internet. It is appropriate that our law enforcement agencies take action according to the laws that have been set out by Parliament. It equally behoves those agencies to behave in a proper and proportionate manner.

Question put and agreed to.

4.51 pm

House adjourned.

Westminster Hall

Tuesday 21 June 2011

[MR ANDREW TURNER *in the Chair*]

Conflict Prevention

Motion made, and Question proposed, That the sitting be now adjourned.—*(Mr Philip Dunne.)*

9.30 am

Simon Hughes (Bermondsey and Old Southwark) (LD): Thank you, Mr Turner, for calling me to speak. Through you, I want to thank Mr Speaker for giving us this opportunity to debate the Government's policy on conflict prevention. I also welcome the Under-Secretary of State for Foreign and Commonwealth Affairs, the hon. Member for North West Norfolk (Mr Bellingham), to his place on the Front Bench today.

In the briefing that the House of Commons Library prepared for this debate, there is one particular article that summarises why I wanted us to have this debate, and my view is shared by the colleagues from other parties with whom I have the privilege of co-chairing the all-party group on conflict issues. I welcome the hon. Member for Hayes and Harlington (John McDonnell) to the debate. Our third co-conspirator, the hon. Member for South West Devon (Mr Streeter), cannot be with us this morning and sends his apologies. This debate is very much a cross-party initiative, rather than a personal one.

The particular article in the Library briefing that I want to start this debate by referring to is a BBC Online article from 11 April this year, headlined, "Aid spending should target conflict, World Bank urges". It states:

> "Poverty rates are 20% higher in countries hit by violence, so aid should target violence, the Bank says. The World Bank is recommending a major difference in the way aid is spent. A quarter of the world's population live in states affected by conflict. In a report released on Monday, the World Bank says that there should be far more focus on building stable government, and on justice and police, than on health and education. The report says if there is not a major refocusing of aid in this direction, then other targets on poverty, health and education will not be reached. There is far more spent on alleviating the effects of conflict than preventing it from breaking out, and conflicts tend to be repeated. Ninety percent of recent civil wars occurred in countries that had already had a civil war in the last 30 years. The report found that cycles of violence were hard to stop, for example in South Africa and Central America. In Guatemala, twice as many people are dying now at the hands of criminals than died in the civil war in the 1980s. Poverty rates are 20 percentage points higher in countries affected by violence, but up to now, the World Bank found, there had been too little focus on ending corruption or reforming state institutions and justice systems. For instance, reform of justice was not one of the Millennium Development Goals...The report's author Sarah Cliffe says this is the greatest development challenge facing the world. "It's much easier for countries to get help with their militaries than it is with their police forces or justice systems, and much easier for them to get help with growth, health or education than it is with employment," she says. "Our analysis would indicate that that should change.""

That is where I begin today and I am very grateful that, since the last election, the Government have made it clear that they give a great priority to conflict prevention. I am also very grateful to the Foreign Secretary who, when I have raised this specific issue with him on two occasions since the general election, has also made that clear, both generally—as a matter of strategy—and in relation to the initiative that he took recently to extend our diplomatic presence around the world. He said that those diplomatic missions would see conflict prevention as a key part of their work. So this is not a debate that has been called in order to rap the Government over the knuckles, but to encourage the trend in government, which began under the previous Government, to place a greater priority on conflict prevention for us as a country and for all the relevant partners in Government that work together on these issues. That means not only the Foreign and Commonwealth Office but the Department for International Development and the Ministry of Defence.

A few years ago, at the prompting of people from outside this House to whom I now pay tribute, the all-party group on conflict issues was formed. I hope that it has already been effective, if only in a modest way, in bringing issues to the attention of the House and in opening up debates. Indeed, in Westminster Hall we have had debates on the legacy of Northern Ireland, and debates between representatives of Russia and Georgia. Recently, we have had two sessions involving young people from Israel and Palestine talking about their vision for the future.

The themes of those debates and sessions are recurrent. It is all too easy to respond militarily when something goes wrong and then to try to pick up the pieces. It is much more intelligent and much cheaper to intervene to prevent a country, community or part of the world from falling to pieces in the first place.

About a fortnight ago, my hon. Friend the Member for Cheltenham (Martin Horwood) and I were part of a delegation that visited Israel and the west bank. If ever anyone wanted an example of a legacy of desperate failure to prevent conflict, they only have to go to those places. Whatever the good work that we, DFID and the FCO do to try to reconstruct community and civil society in the west bank or in Gaza, it is—bluntly—a much taller order than it would have been if there had not been the years of conflict in the first place.

Mr Bernard Jenkin (Harwich and North Essex) (Con): I commend the right hon. Gentleman for securing this debate and for examining conflict prevention in the round. I support the aspiration to achieve the aid target of 0.7% of Britain's GNP. However, does he share my view that, just as aid is very important in promoting conflict prevention, so is the role of our armed forces? They could play a much greater role in conflict prevention. In fact, their role is to prevent conflict and not to engage in it. However, if they are under-resourced they will be less able to play that role.

Simon Hughes: I absolutely agree with my hon. Friend about that point. I have a brother who is still working for the MOD and who has been in the Army in various parts of the world. However, it did not take him to remind me that it is more useful for the Army to stabilise a situation and to teach the skills of conflict avoidance and so on, than it is for it to engage in conflict. Sometimes conflict prevention is not perceived as being the dramatic work by the armed forces for which we pay our taxes, but it is both the most productive

[Simon Hughes]

role of the armed forces and—frankly—the way that we can save not only the lives of people in faraway countries, such as Afghanistan, but in countries such as our own, including the lives of our service people who would otherwise pay a very high cost.

I also share my hon. Friend's view that we not only need to have an ambition about the share of our national cake that we give to overseas development but that we need to have our armed forces fully committed to conflict prevention, as they want to be and as they increasingly have the skills to be.

I want to give one or two examples of how successful conflict prevention can be, if it is got right. They are examples of the work of the United Nations Development Programme which, since 2002, has assisted fragile countries to build resilience by strengthening what the UNDP calls "infrastructures for peace". I commend the work of the UNDP's Chetan Kumar, who has shown how extraordinarily efficient and effective very small financial contributions can be in transforming difficult situations. Let me give some examples of the UNDP's success.

In Ghana in December 2008, there were rising tensions between different regions. Chieftaincy-related conflicts in parts of the country and the discovery of oil led to new tensions as the country approached national elections. When the elections were held, there was the narrowest margin of votes recorded in an African election—only 50,000 votes separated the winner and the loser. With tensions rising still further, the National Peace Council of Ghana, an autonomous and statutory national body that was established with assistance from the UNDP, helped to mediate a peaceful political transition. As part of Ghana's peace infrastructure or peace architecture, regional and district peace councils are also being established.

Then there is the example of Togo in 2005, which shows that all this is not past history; it is very recent history. There were about 250 deaths in the 2005 national elections. However, in 2010 the establishment of a platform for political dialogue prior to the national elections and the ability of civic actors to conduct a sustained peace campaign led to a reduction in tensions and to peaceful elections, as well as to a stable post-electoral period. A code of conduct for political parties and a public peace campaign were developed and implemented with UNDP assistance. Further development included consolidation of a national peace architecture as a priority in 2011.

In Timor, between 2007 and 2009 the peace process that had followed the establishment of East Timor as an independent state nearly collapsed, after a massive return of refugees and internally displaced persons. With UN assistance, a network of community mediators was established; the mediators were trained and deployed; and other conflict resolution efforts enabled the return and resettlement of 13,000 families by 2010. The Government there are now working with the UNDP to establish a new department for peace building so that the country has its own standing internal mediation system.

In Kyrgyzstan, the UNDP facilitated dialogue between civil society, the electoral commission and security agencies.

In Kenya just last year, there was a constitutional referendum without a single violent incident, in contrast to elections just three years previously when 1,500 people were killed and 300,000 displaced. I am very conscious that the Foreign Office Minister here today, who has responsibility for Africa, takes an active interest in these matters. One reason for what happened last year was that, in advance of the referendum, the UNDP provided support for national efforts to reach a political agreement on the new draft constitution and helped to implement an early warning and response system that prevented violent incidents from cropping up, and local peace committees were strengthened in all districts of the country.

I could go on with examples, but we do not have the time so I shall give just two illustrations of the cost-benefit, which is also a consideration in times of straitened finances. Kenya's leading business association assessed economic losses from post-election violence in 2008 as being $3.6 billion. In contrast, the 2010 constitutional referendum, which was plagued by similar tensions, did not see any violence, and the supported prevention effort cost only about $5 million. In Kyrgyzstan, the recovery costs from the inter-ethnic violence in mid-2010 were estimated to be $71 million, but the regional UN efforts to restore political and inter-ethnic confidence cost approximately only $6 million. I could go on, but I think that people understand my point.

Mr Andy Slaughter (Hammersmith) (Lab): Does the right hon. Gentleman agree that in the examples he has given of UN funding and support the key is the local buy-in—local people arbitrating peace in their own countries? I am afraid that I cannot stay for the Minister's response today, but perhaps the Government will consider doing as they do in the field of aid, and support local projects that are designed to resolve conflict as well as, of course, using military intervention where necessary in an immediate crisis.

Simon Hughes: The hon. Gentleman is absolutely right. All the best evidence is that grass-roots initiatives that are long term, engage the village—and the tribes in a tribal community—and are led by local people rather than external agencies, with the support of the international community, are far more likely to be successful.

I want to put the matter in another context. There are various authoritative indicators of conflict around the world, including the International Crisis Group and the "Global Peace Index", and they tell us something which, if we paused for a second, we would realise for ourselves: after a very welcome decline in the number of conflicts in the past few years there has been a recent increase in violence in the world. The point that I made at the beginning of my speech when I quoted from the article on the World Bank is that inter-state conflict is now not nearly as frequent as it was. The bigger problem is internal conflict, which is likely to increase because many places are afflicted by not just political and economic crises but environmental ones such as water shortages, and other effects of climate change.

The hon. Member for Islington North (Jeremy Corbyn) and I have taken an interest in many countries where there has been internal conflict and civil war, and as long as there is increased pressure on food, water and housing supplies—the normal needs of a community for economic prosperity—it is more likely that tribal and racial tensions will grow. We therefore urgently need to see those environmental problems as a priority

if we are to prevent conflict in many of the poorest parts of the world, because they are often the most likely to be afflicted.

Jeremy Corbyn (Islington North) (Lab): The right hon. Gentleman makes a very important point. There are two examples of environmental or food-based conflict, one of which is Darfur. Although the situation there is complicated, many people have arrived in the area as environmental refugees as a result of desertification. In Kenya, and to some extent in Tanzania, many people are being pushed off their land because very wealthy western countries and corporations buy land for their own food production, thus impoverishing the poorest people in those countries who then end up in slums around Nairobi and the other major cities. That is a huge source of misery, poverty and conflict.

Simon Hughes: It is, and two other things strike me. For example, west Africa is very rich in natural resources, but the benefit of those resources has historically not gone to the local communities for community development because the resources, particularly the oil, have been taken out by international corporations and there has been abuse, with flaring and so on. In other parts of the world, there is enforced privatisation of natural resources—water, for example—as part of a World Bank or International Monetary Fund programme that has actually reduced the capacity of the community to develop in its own way.

I want to make just two other general points and then end with some questions. I do not want to set out the Government's stall because the Minister is quite capable of doing that, and there is a good story to tell, but I want to push them to go further. The UK has been working very hard to bring its operations together across Departments, and we have the capacity to be one of the world leaders in conflict prevention. I encourage the Government, through the Minister, to go that extra mile and pick up some of my ideas. It has been put to me that we have 21st-century conflicts but 20th-century institutions. The best example of a case that I have been closely involved with in recent years is that of the Sri Lankan civil war, as it came to its end. In theory, the United Nations had the power to intervene, under the responsibility to protect, but it was completely paralysed and did absolutely nothing. The conflict went all the way, with all the implications that we now know. I sense that internationally, through the UN, and nationally we sometimes intervene too late, because we do not have the international levers that we can pull early.

Since the beginning of the current situation in Libya the hon. Member for Hayes and Harlington has been raising the point that it is comparatively easy to intervene militarily. It is not so difficult to scramble together a military intervention, and it should be as easy to scramble together a conflict prevention mechanism, but it is not. We need to think about how we get the balance of decision making and priorities right, in our Government and in others. The people on the ground, especially in countries where there is repeated, periodic or cyclical conflict, know that it is jobs, justice and domestic security that are likely to give them the most secure future. An illustration that helps us easily to picture these things is that it is often better to respond to an illness by dealing with the early signs of infection than to wait for the epidemic. In the past, we have often responded to the epidemic rather than taking preventive action.

Mr Slaughter: The right hon. Gentleman has hit on another key point in relation to the Arab world. Not just in Libya but in all the countries of the Arab spring, the degree of violence and the difficulty, even if things go well, of creating civil society, is due to the legacy of having supported tyrants rather than democratic organisations in those countries over many years. Does the right hon. Gentleman agree that that is a lesson that we, and all western Governments, need to learn?

Simon Hughes: I absolutely agree. There is so much, both academic and practical, that we should have already learnt. The age of the empires of the world mercifully is coming to an end, but there is still a view that that sort of intervention by force is, in the end, what we need to display as our effective international activity, even though all the evidence is that different sorts of interventions are now much more needed.

I am grateful to all those who have briefed us for this debate. It should really be a seminar rather than a debate. I commend Saferworld, which has supplied some very good material and I shall summarise its five points about the areas on which Governments should concentrate. First, it picks up the point made by Labour Members, namely that we need to understand the context and put it first, and that each context is different. Secondly, we have to put people at the heart of conflict prevention. Thirdly, we have to work cross-departmentally in Government. Fourthly, we have to work with our international partners. Fifthly, a crucial issue is the arms trade and the need to curb it—many of the poorest countries spend large parts of their funds on arms rather than on other things.

I also commend the work of PATRIR—the Peace Action, Training and Research Institute of Romania—and Kai Brand-Jacobsen, the director of its department of peace operations. Ministers and others will have seen its work. It has identified 22 lessons for country-level prevention, as well as lessons for international support and prevention efforts, improving effectiveness and preparedness, and identifying key gaps and challenges, and the way in which we can apply those from here.

I have, with the help of the officers of the all-party group, prepared some questions. I have given the Department notice of them, so I hope that they do not come as a frightening surprise to the Minister. I will then end with some key requests. It would be good for the Government to set out what they mean by conflict prevention and which programmes they are funding in which countries to prevent which conflicts—we would then have more transparency about the details of the Government commitment—and how they evaluate the effectiveness of those programmes. It would be helpful if the Government could regularly gather information from the existing data sets on work around the world and learn the lessons from it. It would be good if the Government would consider establishing an organisation similar to that in Washington DC, to study, educate and train in the field of peace building, covering all elements of policy, from grass-roots policy to international diplomacy in the voluntary, public and private sectors and the like.

[Simon Hughes]

What in-house training are members of the civil service and diplomatic service receiving on conflict prevention? Are we able to get the Commonwealth to do more? It is for ever looking for an effective role. As a big supporter of the Commonwealth, I think there is an opportunity for it to play a much more direct role in conflict resolution and prevention. In the case of Sri Lanka, it was a lamentable failure for a Commonwealth country to be engaged in such a situation. The Commonwealth Secretariat could work with the Government on the issues.

Would it be possible—I hope that the Minister will respond positively to this, although it is not just his decision—for the Government to agree to an annual opportunity to stocktake conflict prevention? I would like us to have an annual debate on the issue. We have annual debates on the armed services—the Royal Navy, the Army and the Air Force—and it is just as important that we have an annual opportunity to review conflict prevention in the world. It would be a strong signal marker of our collective wish as a Parliament and a Government.

Will the Minister tell us how much the Government spent last year on conflict prevention and on overseas military intervention, so that we can compare the two? Is there a cost-benefit analysis of those two forms of spending? Is there a way of projecting how the cost benefit would be helpful as we think, in these straitened economic times, about how we are going to spend our resources abroad? That would produce obvious answers in relation to where we ought to prioritise.

There has been growing cause for concern in Sudan in recent days, and now the Archbishop of Canterbury has expressed concern about the situation. Are we, in our overseas development work, supporting the civil organisations on the ground in such countries to help prevent conflict, rather than just going in and using more traditional responses?

Do the Government monitor the infrastructures for peace developments so that we can promote good practice in other places around the world? Following on from a point made by the hon. Member for Hammersmith (Mr Slaughter), are we learning the lessons from the past year of the Arab spring about engaging with local communities in the Arab world, as opposed to just dealing with the governance in some pretty unsavoury places, so that we are with the people preparing for the change? Are we making sure that it is local citizens who are leading such developments? This country's education processes are also an issue. Will the Government consider adopting the same approach as that in the Department for International Development's policy paper, "The engine of development", to make sure that we always have stakeholder dialogue—I hate the word "stakeholder"—between key participants?

The Organisation for Security and Co-operation in Europe has missions in potentially troublesome places in the Balkans and eastern Europe. Can we work with it to go to other places that look as though they are at risk of conflict in the future? Can we get better co-operation between the OSCE and the European Union in enhancing common foreign and security policy?

What about the places—this has been one of my perpetual frustrations since I have been in this place—where there have been stalled peace processes? Cyprus, for example, has been on the agenda every year that I have been here. There has just been another round of talks, which do not appear to have moved anything. We should seek to move things on. In the end, Northern Ireland resolved its problems as much through grass-roots movements from the community, particularly those involving women, as it did through political forces from the top. Cyprus desperately needs, and would benefit from, the same. Finally, is there any capacity within Government to expand the resources of the new stabilisation unit and the new strategies that the Government have put in place?

I hope that that is a helpful short tour of the horizon. I hope that the Government will say that they will seek to build a more formal and systematic approach, based on best practice, across Government Departments, and that they will accept that we need to beef up our capacity to lead on conflict prevention around the world. I hope that they will see the stabilisation unit as something that prioritises not just stabilisation but conflict prevention. I think that that has been the lesson of Afghanistan. I hope that they will be honest about the gaps and the challenges and give us an opportunity of annual stocktaking. Finally, I have one suggestion. I am always wary of tokenistic titles, but as there are three Departments that have to work together—the Ministry of Defence as much as the others—it may be that the Government need to think about who is the lead Minister across Departments for making sure that there is a driven policy for integrating the policies.

It would be a commendable and good thing if the way in which we organised Government was seen to give as much priority to prevention as it does to defence and military matters. A minister with responsibility for conflict prevention in the world would be a way forward. Other countries are setting up departments of peace, rather than departments of war, and are realising that we need to shift from ministries of defence to ministries of peace. We may not be culturally ready for that yet, although many would welcome it, but we need to move in that direction. I hope that this debate will show that a growing group of people in this Parliament and in all the Parliaments of the democratic world want this move. There is now a network around the world.

I shall end with a plug. For those who want any more information, there is a website entitled www.conflictissues.org.uk. I hope that this is the beginning of a debate that engages not just us but many others outside this place, and that the Government are ready to respond warmly.

9.58 am

John McDonnell (Hayes and Harlington) (Lab): I apologise to you, Mr Turner, and to the Minister, because I will have to leave at 10.30. The group of MPs who represent constituencies around Heathrow airport have secured a ministerial meeting about night flights. Heathrow is in my constituency and it has taken us a long time to set up the meeting, so I will have to attend it. I apologise for that. I mean no discourtesy to the Minister, and I will read his response in *Hansard*.

I want to follow on from the contribution of my right hon. Friend the Member for Bermondsey and Old Southwark (Simon Hughes). I call him my right hon. Friend because we have worked together on this issue

for a number of years. That does not mean that we have done so on an almost fortnightly basis—I do not send him stroppy letters saying that I will never speak to him again if he votes for a Government proposal—but we have worked closely on this issue over the years. Part of the genesis of this debate was a ten-minute rule Bill on establishing a ministry of peace that we sponsored some time ago—*[Interruption.]* I do not know why my phone is going off. I apologise, Mr Turner. I cannot turn the thing off. Sorry about that. The song is Bruno Mars, "I'd Catch a Grenade for You," which is bizarrely appropriate. My phone is now switched off.

As I was saying, the genesis of this debate was a ten-minute rule Bill that we sponsored that called for a ministry of peace. The objective was to secure a debate on how we can make conflict prevention and resolution more central to Government policy making. My hon. Friends and I had a range of debates in this Chamber about different examples of conflict prevention around the world in southern Africa, Northern Ireland and elsewhere. We basically picked the brains of people who had worked on the ground. Kai Brand-Jacobsen from the Peace Action, Training and Research Institute of Romania is a good example of that, but there were others as well. As I said, we heard from people from southern Africa and people from Northern Ireland from all sides. Following on from that, we formed the all-party group on conflict issues, which has worked successfully on an all-party basis and has brought in a range of expertise.

The stimulus for this debate is the Government's expected publication of policy papers on the development of conflict prevention. We want to influence the longer-term decisions about investment in this field. My right hon. Friend the Member for Bermondsey and Old Southwark said that the debate is more like a seminar. I suggest to the Minister that it would be extremely helpful if we had a ministerial seminar to which we invited all-party group members and other stakeholders from interested parties and organisations that have helped to brief us for the debate. If necessary, that debate could be held according to Chatham House rules. That does not matter, as long as we can have a free and flowing discussion about where we go from here on this important subject.

When we had the original debate, we set out a number of key factors that needed to be put in place if we were to make conflict prevention and resolution an integral part of Government policy making. The first factor is obviously political will. The atmosphere has changed dramatically as a result of our experiences in Iraq, Afghanistan and now Libya. There is much more of a political will desperately to seek conflict prevention solutions and resolution at the earliest opportunity. As my right hon. Friend said, during the original debate we argued that such an approach is a cost-effective mechanism of intervening. We have proved that point time and again. Therefore, there is political will on all sides to develop conflict prevention as an integral part of Government policy.

The second element is the need for structure within Government. Under the previous Government, we had a major breakthrough with the establishment of a conflict pool. Departments such as the Treasury, DFID, the Foreign and Commonwealth Office and the Ministry of Defence were brought together to work with each other on not just the disbursement of resources, but the development of expertise in Government and the investment of resources in concrete projects. There is a need to consider the structure of Government again. I am pleased that the Stabilisation Unit is in existence and will continue, but I note that Richard Teuten, formerly the head of the Stabilisation Unit, and Daniel Korski, a senior policy fellow at the European Council on Foreign Relations and former deputy head of the Post-Conflict Reconstruction Unit, which evolved into the Stabilisation Unit, are recommending that we bring elements dealt within the FCO within the remit of the Stabilisation Unit. They also recommend that we review the structure within Government, so that it is strengthened and there is a more direct and authoritative lead within Government policy making.

I also welcome the suggestion that we have a named Minister dealing with the issue. I do not in any way wish to make the post grandiose but, of course, the Minister would be accountable to Parliament and would play a key role in co-ordinating other Departments. It is important symbolically to state that we are about conflict prevention and resolution, and that we give the matter such importance that a ministerial title is given to such work.

The other ingredients are obviously expertise and engagement, which have been mentioned. My right hon. Friend the Member for Bermondsey and Old Southwark raised the issue of ensuring that we learn from experience elsewhere. We have argued for some time that there should be open and transparent access to such information within Government, and that we should establish a database of the experiences of conflict prevention and resolution across the world. That would feed into the ongoing debate about what works, what does not work and how we can learn those lessons.

We have been briefed in advance of this debate about the global peace-building strategies that are taking place, particularly in relation to 14P. That initiative ensures that civil society fully participates in the peace-building initiatives within countries and works with Government, across the world. We have given examples of the conferences that are planned in Ghana, Kenya and elsewhere. The Government may well want to consider the practices that are taking place as a result of that initiative and how the Government can add their weight and support to such programmes.

One of the other ingredients that we have suggested, which has come from the practices that have been demonstrably successful elsewhere, is the need to ensure that we have some structure for stakeholder engagement within this country. There should be some form of stakeholder panel through which we can draw in external expertise and advocates for peace within our society.

Simon Hughes: Just for the record, may I correct the hon. Gentleman? The organisation he is referring to is "I"4P—Interactions for Peace. I just want to ensure that, when people read the debate, they know what we are talking about.

John McDonnell: That is what comes from reading it and hearing it. I was trying to work out what 14P stands for. I have read all the briefing documents and could not understand it. I thank my right hon. Friend for that—I am very grateful.

Jeremy Corbyn: This is an education.

John McDonnell: It is.

The key issue around the stakeholder panel is that it would give stakeholders the opportunity to advise the Government on what they need in terms of support for civil society, particularly in terms of investing in the studying of peace techniques. It is also important to train peace-builders—that has happened elsewhere, but less so in this country—who can work on the ground, engage in peace initiatives around the world and come back and teach us the lessons we can learn as a result of that.

A further element is obviously the ingredient that relates to resources. I am grateful to the Government for maintaining the existing level of resources and the various initiatives that the previous Government pursued, which is a result of our winning the argument on the cost-effectiveness of that investment. As part of the Government's consultation on future policy, it would be helpful if we talked to others about the real level of resources required in the future, particularly on the issues that my right hon. Friend has identified: the threat of climate change and whether that will result in further conflicts, and the issues around the continuing struggle for limited natural resources. Those matters are not necessarily always related to climate change itself. That would give us the opportunity to build up a level of information and knowledge that we can discuss with the Treasury and in Government more widely on behalf of the Minister who will eventually be responsible for conflict prevention. We need to argue our corner and ensure that a stable supply of resources is put into this field over time.

A further element is accountability. My right hon. Friend the Member for Bermondsey and Old Southwark mentioned parliamentary accountability. It is absolutely critical that we come back here regularly and have parliamentary debates on the matter. It would be more valuable if that were instituted by the Government in Government time, because that would demonstrate the seriousness of the Government's commitment to this field of activity. The onus is on the Government and all of us to encourage a wider stakeholder debate and to take the debate on our role in conflict prevention and resolution to the country. In that way, we can engender more support within our communities for investment in this field. I do not want to get into the debate we have had with DFID about spending more of our resources in this country than abroad, but we must win the argument again: investment in conflict resolution and prevention is in the interests of us all and, in the long term, will save resources for our country as well.

More specifically, one element that we have always emphasised in debate is that we will further the cause of conflict prevention and resolution, and of peace overall, if we tackle the issue of the arms trade and the role of our country in it. The Government have a critical role to play in the negotiations for the next UN arms trade treaty in 2012. I would welcome the Government's undertaking to have a full and thorough debate in Parliament and the wider community about how to construct that treaty so that we can engender support for it across the globe, but in this country in particular. That means, if we are to play our full role in combating conflicts resulting from the proliferation of weapons throughout the world, acknowledging that this country's involvement in the arms trade must be reduced and eventually eliminated. That would throw up a whole range of issues—the impact on jobs and employment—which means we must have a serious discussion about conversion policies, allowing real arguments to stand up for those individuals and communities currently dependent on the arms trade.

An urgent matter at the moment is what is happening to the Nuba people in Sudan. In my constituency is a group called the Nuba Democratic Forum, consisting of refugees from that area of the world who have come to this country and have campaigned consistently over a number of years to ensure that the Nuba people can at least live in peace and at some level of decency if not prosperity. As the Minister is aware, the Sudanese Government have sent troops in, and there has been heavy artillery and aerial bombardment in the Nuba mountains, resulting in hundreds of thousands of people being displaced. The word coming back to families in my constituency is of appalling suffering, with a lack of water, food and shelter. I urge the Government to step up the application of pressure on the Sudanese Government, working with the US and through international bodies, to end the conflict and now, just as importantly, to secure humanitarian aid and access to it in that area. Although the world's attention is not on the area at the moment, it will be soon because of the immense human suffering that will be played out if we do not act swiftly.

A wider debate could be had on conflict prevention and resolution, which is why I would welcome a ministerial seminar. Climate change has an impact and—as my hon. Friend the Member for Islington North (Jeremy Corbyn) said—globalisation and the continuing exploitation of the developing world are key. In addition, a new focus which we need to discuss is the use of sovereign funds in the developing world, to extract natural resources and to exploit individual communities. If we do not address that major agenda, it will be a new source of conflict and division in society, and globally.

Britain is known for its military and imperial history. We now have a real opportunity for Britain to be great again; it could be great as a world leader in securing peace. The development of Government policy—in cross-party partnership—on conflict prevention and resolution could make a major contribution to enhancing the status of this country in the eyes of the world as a peace-builder, rather than as a country that engages in wars and conflicts.

10.14 am

Martin Horwood (Cheltenham) (LD): Thank you for calling me so early, Mr Turner.

I thank my right hon. Friend the Member for Bermondsey and Old Southwark (Simon Hughes) for proposing this debate, which is important, timely and supported by what I might call a broad coalition. The contribution of the hon. Member for Hayes and Harlington (John McDonnell) was welcome as well.

My right hon. Friend was right to refer to the BBC Online article, which pointed out the economics of conflict. In addition, the Secretary of State recently quoted Professor Paul Collier from Oxford university, who described conflict as "development in reverse", and he cited some astonishing statistics:

"a civil war is estimated to cost a low income country an average of about 64 billion US dollars. In other words, the cost of a single conflict is more than half of the value of annual development aid worldwide."

He also pointed out that

"the higher a country's GDP per capita, the lower the risk of internal war. A typical post-conflict country with no economic growth has a 42% risk of returning to conflict within ten years. But with 10% growth, the risk declines to 29%."

The issues of development and conflict are intertwined.

That was also my experience when working for Oxfam for some years. We saw conflict adding to poverty and destroying infrastructure in health, education and transport, often driving the most skilled people in a country into exile or displacement, or getting them killed, and disrupting the education, employment and training of everyone else. Conflict disrupts economies, normal politics and civil society, it wrecks agriculture and it destroys the ability of countries to support themselves. Clearly, we have common ground in that any money spent or effort made by the Government and other Governments internationally to prevent conflict must be well done.

Part of the question concerns how the money is spent. Most obvious is peacekeeping, but in one sense that is intervention at the point of failure. In effect, events have developed so far that we need soldiers on the ground and enormous effort to retrieve a situation. Other things help to fuel a conflict that is potential or just breaking out, and the arms trade is the single most important one. We must also look deeper, at the sources of tension and conflict, which are commonly social, religious, ethnic and political. Increasingly, especially with the impact of climate change, conflict will be over resources. I must echo the comments of my right hon. Friend the Member for Bermondsey and Old Southwark, who talked about our recent trip to Israel and Palestine, where we can see every single one of those different elements of conflict fuelling each other and adding to a toxic mix, making us most concerned for the future of that region.

I therefore very much welcome the Government's mapping out an increasing amount of spending in what is called the conflict pool budget, which has risen from £229 million last year to £256 million this year, and will reach £309 million by 2014-15. Part of the conflict pool—about £76 million—is devoted to peacekeeping. On top of that, a separate peacekeeping budget now consists of £374 million, so something like two thirds of what is being spent annually by the Government goes on peacekeeping. Yet that, in a sense, is intervention at the point of failure, so perhaps we need to look at how much of the focus ought to be on anticipating and preventing conflict in the first place.

Even if we break down the remaining money in the conflict pool, which is spent on conflict resolution, discretionary peacekeeping—yet more peacekeeping—and stabilisation activities, including the excellent work, which I strongly commend, of the cross-departmental Stabilisation Unit, the countries on which that money is focused are a list of war zones and former war zones: Afghanistan, Yemen, South Sudan, Somalia and, slightly more distant, Lebanon and Cyprus. That is right because, as discussed, the risk of recurrence is high in regions that have already had conflict, but if we are to have a theme of anticipation and prevention, perhaps there is room for exploring where else the strategy needs to go.

My noble friend Lord Ashdown's recent report on humanitarian aid and assistance emphasised the importance of building anticipation and resilience before emergencies strike. We need the same approach, if possible, in conflict prevention. We need the tools to build resilience to conflict. I would like my right hon. Friend the Member for Bermondsey and Old Southwark to commend Saferworld's briefing on this debate to Ministers, including its points about emphasising the context of each country, as well as the point made by the hon. Member for Hammersmith (Mr Slaughter) about focusing conflict prevention efforts strongly on people's experience.

Saferworld made those good points, and I would add that we should look for countries in which there is systematic denial of human rights and democracy, which is often the source of conflict. In his recent address to both Houses of Parliament, President Obama drew an interesting lesson from the experience of the Arab spring, which was exactly right. He pointed out that the west collectively had been supporting some tyrannical regimes that had given the impression of being stable. He said that

"repression offers only the false promise of stability",

and that it puts a lid on conflict and often suppresses legitimate democratic, ethnic, political and even religious aspirations to the point where there is eventually an explosion. It would be good if the Government looked at a slightly more anticipatory approach with an eye on human rights and democracy.

It is excellent that the Government are developing the so-called BSOS, the building stability overseas strategy, and we must build into it and pay particular attention to institution-building, human rights, and particularly the rights of minorities and marginalised groups who are not part of the mainstream in each society. We need an anticipatory approach.

It is also excellent that in BSOS and many other policy areas that I mentioned we see three Departments—the Ministry of Defence, the Foreign and Commonwealth Office and the Department for International Development—working closely together. Ministers should be commended on the extent to which there is a cross-departmental approach to many of the issues. Clearly, when there is an opportunity to join up, that is more effective and often more cost-effective. The one thing I would add is that the same lesson also applies at European level, and if we can join up and co-ordinate our stabilisation efforts with other European countries and, indeed, the European Union as a whole, we may have an even more effective and cost-effective approach. Nowhere is that more true than in the case of the arms trade, where an international approach is necessary.

It is right that the Government are pressing on towards an arms control treaty, which is vital, but it is also important to look at what environmentalists might call domestic effort. The steps that the Government have already taken are welcome in the wake of the Arab spring, or the Arab awakening as some people are now calling it. They have instituted a review of their arms export licences, and have already revoked 160. The list of licences that had been issued—sadly, that was under the previous Labour Government—is a cautionary tale. Although human rights and repression were supposed to be part of the criteria, we sold arms to almost every regime in the middle east, including the former regime in Egypt, Libya, Syria, Bahrain and Saudi Arabia. We were selling not just small arms, parts or communications technology, but tear gas, and something described as crowd control ammunition. I cannot conceive how that could be used peacefully and democratically.

[Martin Horwood]

I strongly welcome the revocations, and I urge the Foreign Office to consider making the current review of the arms control and the arms trade licence regime as robust as possible. It has been done in a hurry, and although it was right to do it quickly in response to events, I would welcome a more inclusive and wider review. Various right hon. and hon. Members have made the point that if we are to prevent conflict, we need an anticipatory approach. Many good suggestions have been made during the debate for enhancing the role and profile of conflict prevention, and there is a real opportunity for the coalition to show great leadership and to gain widespread support.

10.24 am

Jeremy Corbyn (Islington North) (Lab): I will be brief to allow the Minister and the Opposition Front Bench spokesman sufficient time to respond to this debate. I congratulate the right hon. Member for Bermondsey and Old Southwark (Simon Hughes) on securing it. It is crucial, and I am sorry that more Members are not here to take part in it. I recognise that we have an annual debate in this Chamber on human rights, when the Foreign Office usually responds to the report on human rights from the Foreign Affairs Committee. That is an important debate, and this one is equally important. Perhaps we should think in terms of an annual three-hour debate on this subject. I support the points made by my hon. Friend the Member for Hayes and Harlington (John McDonnell) and others, and the suggestion of a seminar arranged through the Foreign and Commonwealth Office on conflict prevention and how we go about it.

The debate coincides with refugee week. Many of us have been at events in our constituencies and communities commemorating or celebrating refugee week. Indeed, I was at an enormous event in Islington town hall yesterday with hundreds of people from all sorts of communities who have made their home in this country and made an enormous contribution to our society. We should also reflect on the tens of thousands—nay, millions—of refugees throughout the world whose lives have been wasted away in refugee camps and whose brilliance and opportunity are denied to them and to the rest of us by a lifetime in such camps. Conflicts may end with a deal or treaty, but the consequences continue for a long time. People have been in Palestinian refugee camps for 60 years, and in other camps for a very long time. It is a massive waste of human resources.

I want to make three essential points about the major causes of conflict. One is poverty. Poverty, inequality and injustice are fundamental to many of the present conflicts. As the hon. Member for Cheltenham (Martin Horwood) said, many regimes in north Africa and the middle east were seen as stable, efficient and effective, but they were often presiding over a police state with massive youth poverty and unemployment. The resentment eventually boiled up to the Arab spring, which has not yet been played out. It could go in all sorts of directions, and some will not be nice or pretty. That is the effect of the pressure cooker of denying millions of young people the opportunity to develop themselves and their lives.

The second cause of conflict is natural resources. The United States made itself wealthy from exploitation of its natural resources, in exactly the same way as in the 18th and 19th centuries European powers, particularly Britain, France and Germany, made themselves powerful from exploitation of their natural resources. Those natural resources were quickly exploited, and worked out, and thus came empire to obtain resources from elsewhere. In many ways, that is what led to the first world war. There was competition between France and Britain with Germany and other powers.

The issue of resources has not gone away. The massive interest in Africa—it is not always a benign interest—by every industrial power at the moment is largely about its enormous untapped natural resources. Indeed, the interest in Afghanistan is far from benign, with China, Russia, the United States and Europe all eyeing up its massive mineral resources.

The third cause of conflict that has a massive effect on people's lives is the lack of effective democratic government and institutions in so many societies, where there is no opportunity for poorer people to obtain justice and self-expression, and no independent and effective legal system that can redress high levels of human rights abuse. Support for the building of governmental, institutional and educational capacity is important.

As the right hon. Member for Bermondsey and Old Southwark pointed out, it is tempting to talk about every conflict in the world. I shall not do that; I will just mention a couple. The first conflict is that in the Democratic Republic of the Congo. The Congo gained its independence in 1961, having been the most abused colonial territory ever in history, I think. I am talking about the way in which Leopold and later the Belgian Government administered the Congo, with slavery, decapitation, humiliation, torture—just about everything appalling possible. "King Leopold's Ghost" is a book that everyone should read.

As I said, the Congo gained its independence in 1961. Its institutions were always weak. The skilled classes, the Belgians, left immediately. The power of the Government to administer the country was very limited. It quickly became a conflict between mineral companies and the military as to who would control the Congo. That still goes on. The institutions are still very weak. Militia, working on behalf of or in concert with mining interests, are killing people. Tens of thousands of raped and abused women survive in refugee camps in the east of the country. Kinshasa is beset by homeless victims of the war, mainly young boys and girls, who are trying to survive. It is a disastrous history. Although it is potentially very wealthy, we all have a responsibility for what has happened in the Congo and we all have an interest in ensuring that there is justice and peace in the future in the Congo; otherwise, the misery and waste of resources will go on and the lives of so many people will be blighted.

The second conflict—a long way away—is that involving central America and Guatemala. It came out of injustice, poverty and the civil wars of the 1980s, often inspired by outside interests, particularly oligarchs who wanted to hang on to power, and the United States, which wanted to hang on to the military interests in that country. The most abused people were the indigenous non Spanish-speaking people. That resulted in the civil wars. There was a peace resolution move in the 1990s. Welcome as it was, it did not result necessarily in peace. It resulted in an end to the conflict in a sense between

actors on behalf of the state or of other forces. It has now morphed into systematic criminal violence and abuse of people's rights, particularly abuse of indigenous people's rights, which means that there are many people living in desperate poverty who are, in effect, refugees from their own homes in a conflict zone. Again, the lack of justice, democracy and sufficient capacity has left the country in that situation.

What do we do about this? We must recognise that our economic policies—the economic policies of grabbing resources and the economic policies of western countries buying up large amounts of land, particularly in east Africa, to grow food for themselves while denying food to the local people—will be a cause of future conflict.

Jim Shannon (Strangford) (DUP): One of the concerns that certainly I and perhaps many other hon. Members have relates to the insatiable demand of China for the world's resources. Today's press underlines again the fact that China's demand is outstripping supply. Does the hon. Member for Islington North (Jeremy Corbyn) agree that China's emergence as a world power causes great concern for Africa in particular, but also for other parts of the world?

Jeremy Corbyn: I absolutely agree. In a sense, the way in which Africa is suffering from Chinese attention at the moment is little different from what the European powers were doing in the 19th and 20th centuries—I am thinking of the grab of resources. China's economy is unsustainable in the sense that it is growing far too fast and taking far too many resources from elsewhere in the world. That is fuelling an environmental disaster as well as a supply disaster in relation to so many other things. There has to be a coming together of world economic powers to control these things.

This debate is important. The proposals made by Saferworld on conflict resolution and capacity building and the work that it has done are very welcome. I hope that the Minister will tell us how the Government's policy on this is developing and particularly whether he is prepared to organise a seminar so that we can start to build the idea that we remove ourselves from armed conflict and instead bring about capacity building.

I will finish on this point. This morning, the Ministry of Defence is saying that it can no longer afford the conflict in Libya. We cannot afford conflicts. We cannot afford the level of arms expenditure that we are spending. What we can afford in this world is justice and peace. That means sharing. It means a slightly different approach to the world's issues from the one that we are adopting at present.

10.35 am

Stephen Twigg (Liverpool, West Derby) (Lab/Co-op): It is a pleasure to speak under your chairmanship, Mr Turner. I congratulate the right hon. Member for Bermondsey and Old Southwark (Simon Hughes) on securing this very important debate and the other hon. Members on both sides of the Chamber who participated in it. I refer the House to my relevant entries in the Register of Members' Financial Interests.

I congratulate the all-party group on conflict issues on its work, which has been discussed during the debate. From the Labour Front Bench, I very much support the suggestion of an annual debate in the House on conflict issues and conflict prevention and I welcome the suggestion of a seminar organised by the Foreign Office, which was made by a number of hon. Members.

I want to reinforce what my hon. Friend the Member for Hayes and Harlington (John McDonnell) said about the current crisis in Sudan. After decades of conflict in that country, the comprehensive peace agreement—Britain played a central part in bringing that about—was designed to bring an end to the civil war and to prevent a return to conflict. As my hon. Friend graphically described, we have seen in recent weeks reports of up to 500,000 people being displaced as a result of fighting between the Sudanese armed forces and the Sudan People's Liberation Army and rebel groups in South Kordofan. That is a real and pressing example of the issues that we are dealing with in the debate. I will return to the issue of Sudan at the end of my speech.

The right hon. Member for Bermondsey and Old Southwark referred to the responsibility to protect. That is a very important principle, and we should remind ourselves where it came from. It came out of the horror of the genocide in Rwanda in 1994. The concept was developed by Roméo Dallaire, who was the UN commander in Rwanda in 1994. He is now a Liberal Senator in Canada, and Canada was at the forefront of the move for the UN to adopt that principle. A great deal of further work needs to be done to turn what is a fine principle in theory into something that can be made to work by the institutions of the world today.

As the hon. Member for Cheltenham (Martin Horwood) said, the Government will soon announce their building security overseas strategy. Today's debate gives us an opportunity to consider some of the challenges and opportunities and to discuss the requirements of that pending strategy.

My hon. Friend the Member for Islington North (Jeremy Corbyn) spoke about the causes of conflict. He rightly placed poverty and inequality at the heart of those causes. Therefore, development is clearly a central way in which we can prevent conflicts. I am very proud of the record of the previous, Labour Government in setting up the Department for International Development and starting us on the path towards finally achieving the 0.7% requirement. I welcome the present Government's reaffirmation of that commitment. It is clearly vital that we all make the case for it in the face of the onslaught from sections of the media opposing that very important commitment, of which we as a country can be proud.

My hon. Friend the Member for Islington North spoke about the Congo. Last month, I had the opportunity to visit the Democratic Republic of the Congo for the first time and also to visit Rwanda with the all-party group on the great lakes region of Africa. The aim was to learn more about some of the challenges that my hon. Friend described. A feature of our growing aid programme is that the United Kingdom is an increasingly important contributor in that country. Some of the work that DFID is doing there is exactly the type of work that should prevent conflict in the future. It involves reconciliation and disarmament; addressing some of the horrific tales of rape and gender-based violence to which my hon. Friend referred; and dealing with the challenges in relation to natural resources. It also relates to how we can promote women's participation. One of the most striking features of how we deal with conflict

[Stephen Twigg]

issues is that women need to be at the centre of the solutions, because women have so often been the victims of some of the worst extremes in the conflicts to which hon. Members have referred.

Others have described the importance of the conflict prevention pool, which the previous Labour Government created in 2009. I welcome the fact that the present Government have maintained it and, indeed, given a commitment despite cuts elsewhere to increase spending from £229 million—the figure for the previous financial year—to more than £300 million by the end of this Parliament.

The other place recently debated soft power, and the concept is clearly of central relevance if we are to prevent conflicts in the future. I am keen to hear from the Minister what role the Government see institutions such as the British Council and the BBC World Service playing in the promotion of conflict prevention tools. In February, I visited Jerusalem as part of a visit to Israel and the west bank, and I learned of the excellent work that the British Council is supporting with the Palestinian Authority to promote English language training throughout the west bank. I also met the brilliant organisation OneVoice and talked to young Palestinians in Nablus and young Israelis in Tel Aviv who were working together to build the two-state solution to which this country is committed, but which seems such a distant prospect.

Another important innovation in recent years has been the Westminster Foundation for Democracy, whose work I have seen in a number of countries. The foundation grew out of the end of the cold war and the need to support the development of democracy in central and eastern Europe. The Foreign Secretary has spoken about the foundation's important role in supporting the development of democracy and human rights in the Arab world, and I would be interested to hear from the Minister what plans there are for the foundation in terms of preventing future conflicts.

One issue that has not been addressed is the importance of international justice in preventing conflict. The creation of the International Criminal Court has been an important achievement in recent years. Pursuing prosecutions at an international level of those accused of war crimes, crimes against humanity and genocide can send a strong deterrent signal and prevent such acts from happening in the future. In Sudan, ICC indictments are currently directed at the current President, al-Bashir, as well as at Ahmad Harun and Ali Abd al-Rahman, who have so far evaded trial. What are the Government doing to support the indictment process so that a real emphasis can be placed on prosecution as a conflict prevention tool?

Is the Minister aware of the gap in the international legal system in terms of the prosecution of suspects accused of crimes against humanity? I would like to draw hon. Members' attention to the work of the crimes against humanity initiative at the Whitney R Harris World Law Institute at Washington university, which seeks to address that gap. Currently, only 55 countries have domestic legislation covering prosecution for crimes against humanity, compared with more than 140 countries that have domestic laws against genocide and torture. Although the ICC is important, it has a narrow remit and it is limited by the number of countries that have not signed up to it. Will the Minister set out the Government's thinking on the proposal to adopt an international convention on crimes against humanity?

Several hon. Members have emphasised the importance of arms control, and I support what they said. The hon. Member for Cheltenham rightly highlighted the serious shortcomings in the UK's export licensing policy, which have been exposed by events in the middle east and north Africa. I welcome the Government's decision to review arms export licensing policy, and I look forward to seeing the results shortly. What discussions have the Government had, however, on replicating that review at European level and, most importantly, globally? We can do a lot through domestic and European Union controls, but as my hon. Friends have said, we need global progress. The then Foreign Secretary under the previous Government, my right hon. Friend the Member for South Shields (David Miliband), lobbied vigorously for commitments to a binding and comprehensive arms trade treaty. Since taking office, the present Government have sent delegations to the UN's preparatory committee on the treaty. Will the Minister update us on the progress that has been made towards securing the goal of a binding and effective treaty?

Finally, I return to the issue that I started with: the crisis in the Nuba region of Sudan. In the past 24 hours, we have heard that the leaders of the north and south struck an agreement in Addis Ababa, Ethiopia, yesterday, and I cautiously welcome that. The agreement allows for the demilitarisation of Abyei and proposes a contingent of Ethiopian peacekeepers. Will the Minister outline the Government's response to this latest development and their strategy for addressing the deep-rooted crisis in South Kordofan? On the basis of our experience in Darfur, there are real questions about the commitment of the al-Bashir regime in Khartoum to a genuine peace and reconciliation process. As my hon. Friend the Member for Hayes and Harlington said, there are immediate and pressing concerns about humanitarian access to the region. There is a fear that we find it hard to concentrate on a number of different crises at the same time. The Arab spring has rightly focused our attention, but the international community has perhaps taken its eye off the ball in Sudan. Let us hope that the agreement in Addis Ababa signals a positive move forward, but we need some serious reassurances if we are to accept that that is the case.

Again, I congratulate the right hon. Member for Bermondsey and Old Southwark on securing this important and wide-ranging debate. I echo what colleagues on both sides have said: clearly, it is better to prevent conflict than to end up spending large amounts dealing with its consequences. I look forward to the Minister's response to the points raised in the debate.

10.47 am

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Mr Henry Bellingham): It is a pleasure to serve under your chairmanship, Mr Turner. I thank my right hon. Friend the Member for Bermondsey and Old Southwark (Simon Hughes) for securing this important debate on the key issue of how we prevent conflict. I also congratulate him on the work that he has done with the all-party group on conflict issues, and I congratulate colleagues who have supported its work; it is one of the most important groups in Parliament.

Upstream engagement is essential to help us tackle the underlying causes of conflict before violent and costly flashpoints are reached. The Government have made their work on conflict prevention a key priority. Indeed, my right hon. Friend the Foreign Secretary's announcement of the extension of our network of missions, particularly in Africa and central Asia, bears out our determination to increase our activity and widen our footprint in many areas.

Conflict does, of course, matter. More than 1.5 billion people live in fragile and conflict-affected states or in countries with high levels of criminal violence. Conflict and violence deprive millions of their basic rights to life and security. The economic consequences of conflict for poor countries are enormous: an average civil war—if there is ever such a thing—costs a developing country 30 years of GDP growth. As my hon. Friend the Member for Cheltenham (Martin Horwood) said, nine of the 10 poorest countries in the world are fragile states. Not a single fragile or conflict-affected country has yet achieved a single millennium development goal.

Neighbouring countries and wider regions are often destabilised by the flow of small arms, light weapons, mercenary groups and displaced people that conflicts can produce. Five countries, all of which are in the midst of conflict, produced 60% of the world's refugees in 2009. Crime and instability also provide fertile soil for radicalisation and a recruitment ground for terrorist groups.

Short-term lulls in violence can mask the root causes of conflict. Since 2000, nine out of 10 new conflicts have been relapses, as fragile countries have fallen back into war. My right hon. Friend the Member for Bermondsey and Old Southwark made that point and referred to the recent World Bank report. Climate change and resource scarcity are also likely to increase the pressures on fragile countries, mainly in a band running from west Africa, through the Sahel and the horn of Africa and up to west and central Asia.

The hon. Member for Islington North (Jeremy Corbyn) referred to some of the drivers of conflict. He pointed out poverty as being one of the obvious ones. He mentioned natural resources and the clamour and demand for those resources, and the pressure that that creates. I refer him to the work that we are doing with the Kimberley process on conflict diamonds, because now about 90% of all rough diamonds are within that process. We must go further, particularly in respect of Marange in Zimbabwe.

The hon. Member for Islington North also mentioned the pertinent point of lack of proper governance, which in turn leads to the lack of basic freedoms and rights. He referred, as indeed did the hon. Member for Liverpool, West Derby (Stephen Twigg), to the Democratic Republic of the Congo. Nor should we ignore the continuing risk of state-on-state conflict in some regions. The causes of such conflicts are often similar to those within states and similar support and interventions are often required by the international community. When seeking to prevent conflicts through early engagement upstream, we must make sure that we emphasise the need to protect innocent civilians from the effects of conflict, paying particular attention to the most vulnerable groups, such as women and children. We should remember that no lasting peace can be achieved after conflict unless the needs of women are met: not only justice for the victims of crimes of war, but their active involvement in creating a society in which their rights are respected and their voices heard.

We need to acknowledge that we will not always be able to prevent conflict. Episodes of political change are often sudden, turbulent, violent and contested, as we see today in north Africa and the middle east. They may generate risks for the UK, affecting our security and prosperity and our ability to promote British values. When such rapid change occurs, the UK needs to be able to take swift targeted action and build popular confidence in positive outcomes, as we are doing in Libya, and as we are working towards doing in other countries. The evidence shows that achieving lasting change takes time. We need to be prepared to stay engaged and help to build strong and legitimate institutions—the best defence against countries falling back into conflict—as we are doing in Afghanistan.

The national security strategy identified shaping a stable world as a core objective for the Government, to reduce the likelihood of threats affecting the UK or our direct interests overseas. The strategic defence and security review made a commitment that we would reduce such threats by tackling them at source. Our response to the Arab spring has demonstrated the Government's commitment to engaging in places at risk of instability. However, we cannot achieve success on our own. We will work in partnership with others on prevention, with the same intensity as we do in response. That will require a greater investment of our diplomatic and influencing efforts, in particular with emerging global and regional powers such as Brazil, Russia, India, China and South Africa, and with influential Commonwealth partners—because the Commonwealth is incredibly important also.

Similarly, we will identify where and how we can work better through the EU, the World Bank, the International Monetary Fund, the Organisation for Security and Co-operation in Europe and NATO on prevention and crisis management. Recent events, for example in Côte d'Ivoire, have shown that the UN is willing, when appropriate, to take a more robust approach. We will actively engage with other regional groupings, such as the African Union. For example, we are exploring opportunities for investment in AU civilian capabilities to support South Sudan. We must also be realistic about the pace of change, providing predictable support over the long run, taking risks and accepting some failures in order to secure transformational results.

I agree with the hon. Member for Liverpool, West Derby: the British Council has an important role to play, as indeed do the BBC World Service and the Westminster Foundation for Democracy. I would like the British Council to be more flexible, and to be able to surge its activities. A good example is that it has large operations in countries such as Sierra Leone, Ghana and Nigeria, but nothing at the moment in Côte d'Ivoire. That is a country that has come out of appalling civil war, but is now moving promisingly towards peace-building and stability. There could well be an important role for the British Council.

Our response to the challenges is threefold. First, we need to increase our investment in upstream conflict prevention, to tackle the root causes of conflict to build longer-term and more sustainable peace. I support the idea put forward by the hon. Member for Hayes and

[Mr Henry Bellingham]

Harlington (John McDonnell) of a ministerial seminar with all the parties; it makes sense. The prevention of conflict is helped significantly in countries with inclusive political settlements and strong legitimate institutions that provide civilians with security, justice, economic opportunity and jobs. Conversely, countries with weak government, inequality, social exclusion, uncertain rule of law, and poor control of corruption are significantly more likely to fall into civil war.

In line with the SDSR the Government will invest more in conflict prevention. We have announced an increase in the conflict pool's programme resources over the course of the next spending review period from £229 million in the last financial year to £309 million by 2014-15. As part of that, we will refocus the Stabilisation Unit to do more work upstream. Also, by 2014-15 we will increase to 30% the proportion of UK overseas development assistance that supports conflict and fragile states.

As to early warning and early response, no one predicted the current crisis in the middle east, or that it would start in Tunisia. It is unlikely that anyone could have done, but we must become better at systematically spotting which states are at risk, for example as a result of unemployment or political exclusion, and where shocks, such as food and fuel price hikes or unrest elsewhere in the region, may generate instability. The middle east and north Africa conflict pool programme supports a number of key projects. Priority countries will include Iraq, the occupied Palestinian territories, Lebanon and Yemen.

I want to say something about Sudan and South Sudan, because as the hon. Member for Liverpool, West Derby pointed out, we have put great emphasis on it in the past few months. Indeed, my right hon. Friends the Foreign Secretary and the Secretary of State for International Development will hopefully be going to Juba on 9 July to witness the birth of a new country. However, I share the dismay and great fear of the hon. Gentleman about what has been happening in Abyei, South Kordofan and the Blue Nile State, and the attacks on south Unity State. Time is obviously running out fast. With less than a month until the secession of South Sudan, we urge both north and south to resolve the outstanding issues under the comprehensive peace agreement—particularly the status of Abyei, but also border demarcation and the sharing of oil revenue. I welcome yesterday's important announcement that the parties have signed up to the Abyei interim agreement. There is obviously a long way to go in rebuilding trust and good will, but it is essential that that good will and the determination to make the CPA work should be established in the next few days and weeks.

I want quickly to answer the questions of my right hon. Friend the Member for Bermondsey and Old Southwark. Do we have a strategy? We do indeed. Are we going to learn lessons? Yes, we certainly will. Are we going to look at the idea of the United States Institute for Peace, in Washington? We currently do the same things with a different number of structures—using Government operational staff, policy writers, lesson learners, planners and different think-tanks. The right hon. Gentleman also asked how much we spent on conflict prevention last year. We spent more than £600 million on peacekeeping and conflict prevention through the tri-departmental conflict pool. Our approach to conflict accepts that defence capability and conflict prevention work hand in hand together.

My right hon. Friend asked about monitoring on the ground, and we will certainly make sure that that happens. As to the lessons of the Arab spring, we will of course learn them. The Arab partnership works with those in the region who want to put the building blocks of democracy in place, underpinned by vibrant economies. The right hon. Gentleman also asked whether the Ministry of Defence—which of course was once the War Office—could become the Peace Department. He ought to take that up with the MOD, but I note his ideas on that.

On the matter of the arms trade, several hon. Members, including, I think, the hon. Members for Hayes and Harlington and for Liverpool, West Derby, talked about the arms trade treaty. I assure right hon. and hon. Members that we are working with the EU in helping to develop and deliver member states' objectives for a series of EU-sponsored ATT seminars. Indeed, we take review and revocation of arms export licences very seriously.

We have a long way to go, but across Government we are establishing co-ordination. We do not want to be just one of the world leaders: we want to be the world leader in making an impact in this vital area.

Young Runaways (Sexual Exploitation)

11 am

Ann Coffey (Stockport) (Lab): It is a pleasure to serve under your chairmanship, Mr Turner.

This debate is timely, given the growing number of cases of sexual exploitation and grooming of children that have recently hit the headlines in Greater Manchester and elsewhere. Sadly, the latest case involves young girls in the Stockport area, many of whom are repeat runaways. Every five minutes, a child runs away from home or care, and I support the children's charities' view that if we can reduce the massive numbers of children and young people running away and going missing from home and care, we can reduce the number of children at risk from violence, drugs, alcohol, sexual exploitation and grooming. It is estimated that 100,000 children run away overnight every year before the age of 16. Missing children will be protected only when they are seen as a priority for every local authority, police force, school, community and youth worker in every part of the country.

I want to thank the *Manchester Evening News* and its reporter, Jen Williams, for doing a superb job in reporting the plight of Greater Manchester's runaway and missing children in February this year, including the invaluable role of the Safe in the City project in working with runaways. People in our region were stunned to read that there were 11,819 police reports of children missing in Greater Manchester last year. Of these, 2,281 cases related to children aged 11 or younger. Another shocking figure is that Stockport has the highest number of reports to the police of children running from care across the whole of Greater Manchester at 41% against the regional average of 27%. That reflects not only the higher number of children's homes in the borough, but the high risk to children living in the borough.

We know from Children's Society research that children in care are three times more likely to run away and are more likely to appear in police statistics. However, for reasons that I will come to later, there is clear evidence that the number of children in care missing for more than 24 hours is greatly unreported to the Department for Education. I am also concerned, as the Children's Society research shows, that two thirds of children who run away from their own homes are not reported missing by their parents, meaning that the number of episodes is greater than the available data suggest.

Running away is an important indicator that things are not right in a child's life. Children's charities estimate that one in five of those who run away are at risk from serious harm, and many will become involved in the things that worry parents and society the most—drugs, alcohol and falling prey to sexual predators. The recent Barnardo's report, "Puppet on a string", states that "going missing" and "disengagement from education" can be key indicators

"that a child is being groomed for sexual exploitation."

It adds that 51% of the sexually exploited children it was working with when the survey was conducted

"went missing on a regular basis."

Sarah Newton (Truro and Falmouth) (Con): I congratulate the hon. Lady on securing this debate. There is enormous support across the House for what she is saying. The issue is of such magnitude that it is way beyond party politics, and we have a good opportunity today to discuss it.

Yesterday, I was in Torbay with Devon and Cornwall police to work with stakeholders on child sexual exploitation. Sadly, there have been two large paedophile rings in my constituency, so I have come to understand the devastating impact of such horrendous crimes on young people and their families. The hon. Lady is making a powerful case. Does she agree—she alluded to this in her speech—that we need good local work where everybody in a community understands and accepts that there is a problem and works together? I heard of some very good examples yesterday—

Mr Andrew Turner (in the Chair): I remind the hon. Lady that interventions must be brief.

Ann Coffey: I know that there is a particular problem in some seaside towns. The hon. Lady is absolutely right that we have to have good local partnerships based on good data if we are all to help to overcome the problem. I agree with her.

It has been said that children living in care, particularly residential care, are more vulnerable to targeting by the perpetrators of sexual exploitation. I want to welcome the recent announcement by the Minister of an action plan to tackle child exploitation. It is important that it focuses on the link between running away and child sexual exploitation. Not all children who run away will be sexually exploited. However, all children who are sexually exploited will run away or go missing at some point. Either they will start running away as they become sexually exploited, or they will become sexually exploited as a result of running away.

I also welcome the fact that the Child Exploitation and Online Protection Centre, whose headquarters I visited recently, is to take responsibility for missing children. I await with interest its thematic assessment on the extent of child sexual exploitation. I hope that the fact that CEOP will have responsibility for missing children and sexual exploitation means that linking the two issues is now Government policy. I am pleased that there is an interdepartmental ministerial group on missing persons with a lead Minister involving the Department for Education, the Home Office and the Department of Health. That is crucial if there are to be more effective partnerships at a local level.

As chair of the all-party parliamentary group on runaway and missing children and adults, I have met Ofsted, the Missing Persons Bureau, CEOP, Greater Manchester police, the Association of Chief Police Officers, West Mercia police, local safeguarding children's boards, the Children's Society, Missing People, Railway Children and others. A number of common concerns keep appearing: the ongoing problem with collecting and sharing accurate data; the fact that not all local authorities are adhering to the statutory guidance for children who run away or go missing; and the different priority given to missing children by local safeguarding boards, which are responsible for co-ordinating all actions by local agencies.

On data collection, police forces vary in how they collect and analyse data on missing episodes, making for inconsistencies across the country. Poor data mean that local safeguarding boards will be badly informed.

[Ann Coffey]

Accurate data would enable an intelligence-led response in each area to find out why children are running away, where they are going and what help they need. This would uncover patterns to prevent future sexual exploitation and enable convictions. I know that the Minister is aware that the collection and evaluation of data is a problem. He has rightly said that gathering data and evidence is the first major step to tackling child sexual exploitation and grooming. He is also right to say that the sexual grooming of children in the UK is a much bigger problem than has previously been recognised.

Mr David Hanson (Delyn) (Lab): My hon. Friend has just highlighted an extremely important issue, and I will be interested to hear how the Government intend to resolve it. The Minister is from the Department for Education; the Department of Health is involved; and the police, which are the responsibility of the Home Office, are also involved. The devolved Scottish Government have police, health and social care responsibilities; in my area, Wales, we have the Welsh Assembly; and in Northern Ireland there is another devolved Administration. Yet, in the UK context, child exploitation will cross all those borders. I want to know who holds the reins of responsibility for gathering information across the whole of the UK, because those who wish to indulge in exploitation will not worry about the fact that the Department of Health and the Department for Education happen to apply to England only.

Ann Coffey: My right hon. Friend makes a good point in relation to the UK as a whole. I, too, will be interested in the Minister's response.

Looking at the data held by the Department for Education on children missing from care for longer than 24 hours, there is a huge discrepancy between figures on missing children reported to the Department by local authorities and the information that I have gathered separately from police forces. I asked a parliamentary question in March about how many looked-after children in each local authority area were absent for more than 24 hours, but the answers that came back did not correlate with the figures provided to me by local police forces.

Figures provided to the Department for Education by 152 local authorities show that in England in 2010 a total of 920 children were missing from their agreed placement for more than 24 hours. However, figures that I obtained from Greater Manchester police, Kent police and West Mercia police reveal that, in those areas alone, more children in care went missing for longer than 24 hours in 2010 than the 920 recorded by the Department for the whole of England.

David Simpson (Upper Bann) (DUP): I congratulate the hon. Lady on securing this debate. I have lost count of the number of times that debates about child exploitation and child and people trafficking have been held in this Chamber and on the Floor of the House. I am pleased to hear that the Government have announced an action plan, but in previous debates we heard that children in this great United Kingdom have been sold at £16,000 a time for men to have their way with them. Young children who have not reached the age of sexual maturity do not know what is happening to them; they feel only the pain. In this day and age in our United Kingdom, we can have all the action plans that we want, but we need to know that they are working and that children are not being put through a horrific experience, which marks them for life.

Ann Coffey: I absolutely agree with the hon. Gentleman. He has brought home to us the sort of exploitation that we are talking about in his description of what happens to children. It is truly horrible, and he is right to say that we must take all available action to prevent it.

West Mercia police say that 266 children in care went missing for more than 24 hours in 2010, and Kent police figures for 2010 reveal that 826 children were recorded missing for more than 24 hours. However, an answer to a parliamentary question stated that in Stockport only 45 young people were missing from care for longer than 24 hours in the three years from 2008 to 2010. The Department for Education figures that I mentioned earlier are staggering, given that Stockport police has told me that there were 2,014 missing incidents between July 2009 and June 2010, of which 41% were from care homes.

The police have provided me with their most up-to-date figures for Stockport, which cover the first five months of this year up to Friday 17 June. They reveal that the police received 1,070 missing-from-home reports, generated by 284 children in Stockport under the age of 18; of those, 77 were reported missing from care, and they generated a massive 711 reports. Forty-six of the youngsters were missing for more than 24 hours, and of those 25 were from care.

That shows a clear pattern of repeated missing episodes and a consequent vulnerability to abuse, as well as further evidence of gross under-reporting by local authorities. In addition, two thirds of missing incidents from home are not reported by parents. As I have said, there is good evidence that repeated missing episodes are correlated to children being exposed to sexual grooming. If accurate data are not held by the Department for Education and the Home Office, it becomes more difficult to estimate the risk of sexual exploitation to which these children are exposed. It is important that we get it right.

On that point, ACPO pilots are looking at ways of achieving the collection of meaningful data on missing episodes, so as to determine when a child is missing. It is concerned that children's homes are reporting children missing when a telephone call could establish where the child was.

All the evidence shows that sexual grooming starts by encouraging children to stay away from home, or persuading them to go home late, in order to create parental disputes and thus drive a wedge between child and home. Removing the protection of families and carers is the beginning of the grooming process, and the eventual outcome is the sexual exploitation of the child. The significance of that should not be lost in any redefinition of "missing".

The "Puppet on a string" report states that the entrapment of children and young people in sexual exploitation does not occur overnight. If a child goes missing for a few hours, there is a danger that professionals will become complacent. However, that is when the

child may be at risk from the gradual grooming process that I have described, and these early missing episodes may be the warning signs.

Jim Shannon (Strangford) (DUP): Experience in my constituency, and I suspect in many others, is that the homes may not be able to control the children and keep them in all the time, and the children will always indicate that they have human rights that must be respected. However, is there not a better and more definite way, with the homes and the local police co-ordinating on those who habitually stay out late or who may not return until the early hours of the morning? Could more not be done by the police, the local homes and the local authorities?

Ann Coffey: Of course the hon. Gentleman is right. We must have proper arrangements between children's homes and the local police. If they do not work together, we will be unable to prevent children from going missing; and we will not know where those children who are that do go missing. He has made an important point.

Barnardo's says that those who exploit children are all too aware of how the system works:

"These heartless men and women understand the police procedure on runaway children and know if a child goes missing on a regular basis, for a short period of time and then returns home safely, the case is unlikely to attract much attention."

Turning to statutory guidance, another concern is the mixed picture that not all local authorities are adhering to the statutory guidance on children who run away from home or care, which was published in 2009. The guidance states that local authorities should have procedures in place for recording and sharing information between police, children's services and the voluntary sector, and that the local authority should have a named person responsible for children and young people who go missing or who run away and that there should be return interviews.

I cannot emphasise enough the importance of the independent return interview. As the Children's Society has demonstrated, children are more willing to disclose what has happened to them to adults whom they do not perceive to be in authority. A 16-year-old at Manchester's Safe in the City project said:

"It was horrible. I felt I could not talk to anyone—friends, family, police, teachers—no-one."

Eventually, however, the child did talk to the Children's Society.

I have asked a number of parliamentary questions about implementation of the guidance, but I have been repeatedly told that the information is not held centrally. Implementing statutory guidance should be a high priority for local authorities. Local safeguarding children's boards have a responsibility to protect children in their areas. The young runaways action plan 2008 asked safeguarding boards to evaluate the risk of children running away and to put action plans in place. The Children's Society's "Stepping Up" report found that half of the local authorities surveyed had no protocol for managing cases of children and young people who are missing from home.

According to recent research by the international centre for the study of sexually exploited and trafficked young people at the university of Bedfordshire, there are protocols for responding to sexual exploitation in less than a quarter of local safeguarding children's boards. Ten years on from the introduction of the dual strategy of protecting young people and proactively investigating their abusers, a third of the country has no plans for the delivery of such a strategy.

Susan Elan Jones (Clwyd South) (Lab): An increasing proportion of the sexual grooming of children now takes place online. I imagine that policing that is complex and difficult and that it involves many officers. It is important that funding is kept in place, and if possible increased, to deal with what is a horrific crime.

Ann Coffey: My hon. Friend has made an important point. It is crucial that resources are available to support such initiatives and actions, because without those resources the actions will be meaningless.

Ofsted has a duty to inspect general safeguarding in an area, yet in a letter to the director of children's services in Stockport in December 2010 following an annual children's services assessment, it stated:

"In reaching this assessment, Ofsted has taken account of arrangements for making sure children are safe and stay safe."

Astonishingly, in that letter and in the assessment itself, there was not one mention of the number of missing incidents reported to the Stockport police in that year. I am not clear how an assessment can be made of how well local safeguarding boards are discharging their responsibilities in relation to missing children, but one way might be for Ofsted, in its inspection of safeguarding in local areas, to assess whether local authorities are implementing statutory guidance in relation to the safeguarding of missing children. Another way might be for local safeguarding boards to publish information annually on numbers of missing children in their area together with the actions that they have taken and the outcomes of their interventions. I would welcome the Minister's comments on that. It is important that the statutory guidance is fully implemented in local areas, because such guidance is there for a purpose.

Furthermore, I want to see the development of early intervention programmes that target children who are at risk of running away. The Munro report stressed the value of early help in the area of child protection. I realise that funds are limited, but existing resources—education, health and police—could be used more effectively by developing innovative ways in which we can work with parents and voluntary agencies.

Sarah Newton: The hon. Lady has been generous to us all with the amount of times that she has given way. Does she agree that the UK Council for Child Internet Safety has an important role to play? Many new tools have been made available for young people, teachers, parents and carers to raise awareness of the issues of being groomed online.

Ann Coffey: I agree with the hon. Lady. I will emphasise that point later in my speech.

There is good practice. We have seen proactive police work in West Mercia, and projects such as Safe in the City Manchester and SAFE@LAST in South Yorkshire demonstrate the value of good local partnerships. It is vital that children's charities and projects that help young runaways continue to receive resources. I am concerned to hear about the disproportionate cuts that are being made to such valuable projects at a local level.

[Ann Coffey]

All local authorities and police forces need to understand the link between missing episodes and the vulnerability to harm that it indicates, which needs to be a high priority for child protection and safeguarding in every area of the country.

David Simpson: An early-day motion on guardianship was tabled in the House in 2010. Does the hon. Lady agree that that is a way in which to deal with children who have gone through this horrific situation? I understand that guardianship is a requirement of the Council of Europe, and it may be an avenue that we can explore.

Ann Coffey: I agree that we must consider all possibilities. I know that the hon. Gentleman has a long-standing interest in this issue and a commitment to improve the situation for children.

In relation to Ofsted, I welcome the publication of the new minimum standards for children's homes that came into force in April 2011. It set out how children's homes should develop relationships and work with police forces to safeguard children and young people in their area.

I am also pleased that the recent Ofsted consultation on the new framework for inspection of schools includes an assessment of pupil behaviour and safety. Teachers and other school staff are in a prominent position to help children who run away from home or care and to identify behaviour, including absences, which may be indicative of serious issues in the child's life. The all-party parliamentary group on runaway and missing children and adults emphasises the connection between missing episodes and vulnerability to serious harm, including sexual exploitation, in its response to the Ofsted consultation.

We should focus on prevention, which means involving parents and children themselves. I would like all schools to provide information about the risks relating to running away and how children can get help if they are thinking of running away. The subject should also be included in the school's curriculum, where it is appropriate. There should also be information available for parents about what to do if their child runs away or goes missing.

I welcome the fact that CEOP is going to make the prevention of running away a new educational theme, when it takes over responsibility for missing children on 1 July. I would also like to see all professionals in children's social care and education being trained in risks relating to children running away to ensure that they can identify such children and refer them to the appropriate services. Such training should also be in the forthcoming youth strategy.

The harm that is done to a child abused for sex is incalculable. Children live with it for the rest of their lives and are haunted by the memories of their experiences. Some never recover, which applies not only to children but to families. We should not forget that children who live in caring families can also be targeted and groomed.

I recently attended a meeting of the coalition for the removal of pimping at which parents whose children had been groomed talked about their experiences. Two of my constituents spoke up and said that their pain will last a lifetime. They said that they were not listened to when they expressed concern to local agencies. They said:

> "Our experience was that, at that stage, social services seemed to be focusing much more on our inadequate qualities as parents, rather than on the significant risk of child sexual exploitation, which we had brought to their attention."

Their daughter subsequently gave detailed accounts of having been kept in flats in various parts of Greater Manchester and both sexually abused and sold for sex. Her evidence led to the eventual conviction of 10 men. The parents said that

> "the traumatic nature of her experiences has caused her lasting psychiatric problems, including severe self-harm and has also resulted in one of us being off work for a period of two years through the stress of coping with this extended family trauma."

Parents must be listened to, helped and supported if we are to prevent sexual grooming of children. This is not an issue that divides the political parties, and we must all work together for the sake of our children.

I congratulate the Minister on his commitment and on his positive responses. Together with his colleagues in the Department for Health and the Home Office, he has announced a number of initiatives that deal with the concerns expressed by parents and children's charities. Sexual exploitation is an abomination, and no excuse can be offered by the perpetrators. Together, we must ensure that everybody working in this area understands the link between missing children and harm from sexual abuse and exploitation; that that training is given a high priority at a local level; that statutory guidance on runaways is fully implemented; and that local agencies work together with parents, children and children's charities. It is only then that we will be able to protect and safeguard our children in the future from some of the horrific experiences suffered by our children in the past. I look forward to hearing the Minister's response.

11.27 am

Annette Brooke (Mid Dorset and North Poole) (LD): It is a pleasure to serve under your chairmanship, Mr Turner. I congratulate the hon. Member for Stockport (Ann Coffey) on securing this timely debate and on leading the work on this issue. Helen Southworth, her predecessor as Chair of the all-party parliamentary group for runaways and missing children, also made an enormous contribution. The all-party group's inquiry three years ago resulted in the action plan and then the statutory guidance on runaways. It is rather sad to hear today that that guidance is not being fully implemented, and it shows that, as politicians, our work is never finished. Even when we think that we have made progress and produced the paperwork, the action is not taking place. Perhaps worst of all, the action is patchy over the country.

The hon. Lady referred to the lack of data. It is incredible to think that most children who run away are not reported as missing to the police by their parents or guardians. The problem of the lack of data is obviously compounded by the fact that there are different police and local authority responses. Added to that we have the issue of trafficked children, of which we do not know the full extent. It is difficult to see how we can move forward without more data. What we have at the moment is raised awareness, sadly because of the stories and the prosecutions that are being reported currently.

It makes us reflect on the society that we live in that these practices can happen and that we have been so unaware of them as a nation.

Dr William McCrea (South Antrim) (DUP): Why does the hon. Lady think that there is such a variation between the statistics that come from the police and those that come from central Government? Does she think that, as a society, we are trying to cover over a problem and that we are not facing the depth of the statistics? Also, does she agree that behind each of these statistics there is a vulnerable child, many of whom are hurting and who will carry that hurt to the end of their days? We had better get the statistics right, before we can know that the action plan will address the problems.

Annette Brooke: I thank the hon. Gentleman for that intervention. In many ways, he is right. However, I am not convinced that there is a deliberate cover-up. It is actually a case of our being blinkered and not recognising what is happening out there. That is why today's debate is so timely, because sadly we have so much evidence to refer to.

I want to compliment the many organisations that work day-in and day-out on this issue. Obviously there is Barnardo's, and its report, "Puppet on a string", is a really important contribution. There is also the Children's Society, which has engaged in long-standing work in this sector, and there are so many others. All of that work is important, but we must grasp the hour. People accept that there is a problem, but we are still not very good at recognising it in our own communities. It still tends to be a case of people saying that it happens elsewhere. I could easily say in Dorset, "Oh, it's up there in the north", but it is very important that we recognise this is happening throughout our country.

Sarah Newton: Will my hon. Friend give way?

Annette Brooke: I will indeed give way, but I do wish to be fairly brief.

Sarah Newton: I am very grateful to my hon. Friend for giving way and she is making a very important point, because I think that people do not want to believe that this is happening in every village, every town and every city. I am very concerned by what I think are inadvertent comments about, say, seaside towns having a problem, or big cities having a problem. In fact, this is happening everywhere.

Annette Brooke: I think that is absolutely right and we really need to endorse that point.

The interlinking of issues is incredibly important. The issue of running away must be addressed in conjunction with the issue of sexual exploitation, because children who run away will be in greater danger of being sexually abused or exploited. Equally, children who are being sexually exploited are likely to run away. So we must look at the issues together.

We must also appreciate that there are specific groups of children who are more likely to run away. The hon. Member for Stockport made the point that the entrapment of children and young people in sexual exploitation does not happen overnight. Therefore, we must look at the aspect of vulnerability. It is well documented that children in care often run away, but the hon. Lady pointed out that there is a lot of missing data. Children who are facing difficulties in school may well be runaways. Children involved in drugs and alcohol, children in trouble with the police, and the disabled or those with learning difficulties are all vulnerable too. We must think about vulnerability for a moment. Although we might think that the vulnerable are most likely to be entrapped, somebody who has become entrapped will, in turn, become more vulnerable. That makes it so important for us to get everything in place.

I was struck as I read the various reports on this issue that evidence or clues can be picked up in schools. For example, in Emma's story in "Puppet on a string" it says that she either missed school or behaved badly when she was at school. Missing school is clearly quite an important aspect. So, can the Minister specifically say how his Department will react if the Education Bill passes in its current form, removing the duty on schools, including academies and further education colleges, to co-operate with local authorities? I have expressed before how concerned I am about removing that duty, and the Bill's explanatory notes state:

"These bodies will be able to decide for themselves how to engage in arrangements to improve well-being."

I can see that there are arguments for not loading unnecessary bureaucracy on schools and colleges, but if the duty is removed, what on earth will fill the gap? I would really like the Minister to answer that question because there seems to be such an opportunity to identify potential problems at school. The hon. Member for Stockport referred to the obvious need to fully train teachers and social workers, but if we are not going to be blinkered and fail to pick up what is before our eyes we must ensure that everything is joined together.

I would also like to make a brief point about age. I think we became aware of the issue of age during the inquiry on missing children and people that is being led by the hon. Member for Stockport. I worry about classifying, in this context, a child as being someone under 18 because a vulnerable 19 or 20-year-old can be much more like a child than someone under that age. We have to be very careful about being so age-specific because we start to make assumptions. Some work carried out by the Children's Society, the NSPCC and the university of York states that professionals tend to assume that older children are more capable of looking after themselves. The reality, of course, is that all children are different, and young adults might not have the maturity to cope.

We should either be flexible about 18 being a cut-off for children's services or ensure that adult social services work really closely with children's services, and I ask the Minister to consider that gap. We heard a story in evidence of a young man who went missing aged 19 and who, four years on, still has not been found. The police were just not listening to the mother. They said, "Well, he's just a young man who's gone off," even though she said, "But he always phones me." A teenager from a tight-knit family home will be different in terms of whether they are likely to go off without telling anyone, so it is so important to listen to everyone.

We need this issue to be a priority across all services. We first need to acknowledge the problem of runaways and missing people, and then see the connections between that and sexual exploitation. We need full prevention

[Annette Brooke]

services, support for families and young people, and consistent responses from the police and local authorities, with everyone working together to truly make children and young people a priority in our society and to ensure that they are properly protected.

11.38 am

Mr David Hanson (Delyn) (Lab): I congratulate my hon. Friend the Member for Stockport (Ann Coffey) on raising this extremely important issue, which affects rural and urban constituencies across the country. It is important to have a co-ordinated Government response.

I want to focus on a couple of key areas, which have been touched on already. My hon. Friend's points about prevention, assessing vulnerability, recording school absence and supporting parents of vulnerable children are extremely important, and I have no doubt that the Department for Education will fulfil those roles very strongly. I particularly want to focus on the operation of the new agency that from 1 July will take on the National Policing Improvement Agency's responsibilities. In a former life I was Minister with responsibility for policing, and we had the National Policing Improvement Agency looking closely at these issues as part of its role with missing children under the Missing Persons Bureau. We and my hon. Friend the Member for Tynemouth (Mr Campbell), along with the then hon. Member for Warrington South, Helen Southworth, began the process of looking at how to compile the action plan for an effective response to this issue.

I do not want to make a party political point—this is not a party political issue, as the hon. Member for Truro and Falmouth (Sarah Newton) said—but will the Minister clarify how the new responsibilities will operate from 1 July? He is not a Home Office Minister, but it was announced yesterday that he is preparing an action plan, along with the Under-Secretary of State for the Home Department, the hon. Member for Old Bexley and Sidcup (James Brokenshire), who is the Minister with responsibility for crime. How does he visualise the new agency operating from 1 July? I would welcome, in particular, a commitment that the previous budget for the NPIA will not in any way be diluted in relation to the operation of the new agency from 1 July.

It is important that we look at what that does in relation to the important issues mentioned by my hon. Friend the Member for Stockport. What is the guidance given to police forces, and how will the new agency work with local authorities, not just in the Minister's area of responsibility—England—but, as I mentioned when I intervened on my hon. Friend, in Scotland, Wales and Northern Ireland? We have four devolved Administrations dealing with the issues of children's homes, education and vulnerability. It is important that the central UK agency has a responsibility for examining and pulling together that information, because although Wales has 40 parliamentary seats and the Welsh Assembly deals with its responsibilities, it is important to note that my constituency is a border constituency—it is 2 miles from the English border—and people can operate in Chester and deal with schools and colleges in my constituency.

Dr McCrea: From the right hon. Gentleman's own experiences in the previous Administration, will he enlighten us on what co-ordination existed between the Westminster Government and the devolved Administrations in tackling this issue?

Mr Hanson: If I am honest, it could have been better. One of the things that we tried to do was to look at how to make it stronger. Devolved Administrations, by their nature, wish to maintain an element of control over their areas of responsibility. We had a ministerial steering group, which included Ministers from the Department of Health, the Department for Children, Schools and Families and the Home Office, but we have to improve the liaison with the devolved Administrations. It is an important issue. There are UK-wide paedophile rings. Children can go missing form north Wales and end up in Liverpool or Manchester, and children from Glasgow can run to London. Co-ordination is, therefore, important and I am not clear about how the new responsibilities will improve it or about what the Minister's vision is for that co-ordination throughout the United Kingdom. I believe that the Minister will take this responsibility extremely seriously, but it would help if he outlined his vision of a UK response and whether or not the Home Office, which has still not devolved responsibility for policing to Northern Ireland or Scotland, has a central role in managing the issues.

My hon. Friend the Member for Stockport has touched on the issue of guidance to police forces and has referred to an article in yesterday's *Times*, the headline of which was, "Police 'must be more aware of grooming': Ministers call for action amid mounting concern". As the hon. Member for Mid Dorset and North Poole (Annette Brooke) said, that was an issue when I was a Minister and it continues to be an ongoing issue. What will the Minister do differently to improve the co-ordination?

How will the Minister judge the difficult issue of success in three years' time? We need an assessment of that so that we can judge the success of the plan as a whole. I genuinely do not know whether he has sufficient information about the number of cases involving runaway children—my hon. Friend the Member for Stockport mentioned that issue—or about how many prosecutions have occurred, what is happening in relation to support for changing the behaviour of offenders downstream, or how we are to look at the overall picture of long-term prevention.

I would welcome some clarification from the Minister about what he judges to be "success". We want to see fewer runaway children; we want to see fewer children becoming victims of sexual abuse; and we want to see more prosecutions. As I say, however, I would welcome clarification about how he will judge "success" in due course.

In addition, I would welcome clarification on another issue that has been touched on in the debate, which is co-ordination. How will we improve co-ordination, not only on policing issues but on the issues of tracking and vulnerability within the European Community, and indeed elsewhere? There will be potentially more trafficking of children into and out of the UK by European gangs. I would welcome the Minister's views on that.

My hon. Friend the Member for Stockport made some very important points today. My contribution is simply to say that the Minister will have the support of

the Opposition to do whatever he can to improve the situation for runaways. However, I think this is an opportunity for him to give both Members who are here in Westminster Hall today and the outside world some clarification about what the new agency will mean, in terms of budget, guidance, information gathering, impact on police and local authorities, and in pulling together a co-ordinated response on a UK-wide basis, so that people do not slip through the net because we only have a patchwork of individuals that are responsible for safeguarding, policing and providing advice and support across the country, and indeed across Europe. I would welcome the Minister's comments on those points.

11.46 am

Toby Perkins (Chesterfield) (Lab): Thank you very much for calling me to speak, Mr Turner.

I join Members from all parties in congratulating the hon. Member for Stockport (Ann Coffey) on securing this important debate. I pay tribute to the work that she does as chair of the all-party group on runaway and missing children and adults. Her commitment to vulnerable children in Stockport and right across the country is admired across the House. Those children, who may never have heard of her, have reason to be thankful that they have such a powerful advocate who battles for their rights in Parliament.

I also pay tribute to the work of the Children's Society, the National Society for the Prevention of Cruelty to Children and Barnardo's for their work in highlighting the experiences of children in care. The recent report by Barnardo's, "Puppet on a string", was a particularly important contribution to raising awareness of this issue. One thing that has emerged throughout this debate is the importance of raising awareness of this issue and of ensuring that people have an opportunity to do so at an early stage.

My hon. Friend highlighted the tremendous work done by the *Manchester Evening News* in bringing to the public's attention the plight of vulnerable children in the city of Manchester and the surrounding area, and I echo her comments in that regard.

This debate has been very important and very timely, and the message must go out from Parliament today that we are entirely united in fighting the evil of people, including pimps, who prey upon our most vulnerable children, and that no stone will be left unturned in that fight. We must show that this House is united in our determination to protect the most vulnerable.

Members expressed very powerfully the revulsion that we all feel about people who would inflict the horror of prostitution upon children and there is also very powerful evidence in the "Puppet on a string" report about child prostitution. When we, sitting in our relatively privileged position as Members of this House, think back to our own first sexual experience—I was lost in reverie for a moment—for most of us it will hopefully have been a happy one that we look back on with joy and, in some cases, pride. For others, the memories might not be so golden. However, the important point is that the development of our sexual identity is a vital part of who we become as people, how we see ourselves as adults and our path into adulthood.

When we, as parents, look forward to the lives that our children will lead, we hope that that important first sexual experience will be positive. We think about how it would feel for our children or, indeed, any children to look back on their first sexual experience not with fond memories, but with harrowing memories and to see sex and sexual experience as a time of fear. Such children might look back on that first trip into adulthood and recognise the fear that, at the end of the sexual experience, if they failed to comply, their lives would be in danger. That is a shocking and harrowing thought for us all, and gives us the determination to stamp out this evil and work together to ensure that these experiences are reduced for children in vulnerable circumstances.

Dr McCrea: In our speeches, it is certainly true that we have shown a united determination to stamp out this despicable trade—the sexual exploitation of children—throughout the United Kingdom. However, although we have had numerous debates, we do not have the appropriate and accurate data to get to the very heart of the problem. Surely, actions—our actions—will speak a lot louder than the words we utter in these debates.

Toby Perkins: My hon. Friend the Member for Stockport focused heavily on the importance of strengthening the data we have. I will refer to that in more detail later. She exposed graphically our failure to identify the scale of the problem. The fact that the number of police reports of missing children is so dramatically different from the number that are being reported to local authorities exposes that failure graphically. The Minister has identified that the importance of evaluating stronger data is the starting point for trying to improve the situation. We absolutely agree with that. Just to finish the point I was making, we all recognise the damage that is caused. For many people, that scar will never be washed clean.

I would like to reflect on the contribution to the debate made by my hon. Friend the Member for Stockport. She particularly focused on three things. The first was the chasm between the figures reported by local authorities and the numbers reported to the police. I am interested to hear from the Minister how he anticipates us improving the situation. Do we need more stringent standards in reporting, or is it about the measure against which children's homes are judged? Specifically, is the accuracy of those responsible for reporting something that should be judged?

As I said, the Minister has focused on the importance of data collection and evaluation. I would like to know more about how we can address that. Is there a role for Ofsted in measuring local authorities' implementation of statutory guidance, because considerable evidence has been highlighted today that shows how much worse the figures are than anyone realised? In the case of some two thirds of incidences of children going missing from home, the fact is not reported to the police by parents.

My hon. Friend the Member for Stockport also reflected on the importance of the link between running away and sexual exploitation and grooming. This debate is important in raising awareness, and we must do so across the board.

Much of our debate today is about vulnerable children and children in care, but sexual exploitation may occur in families where there is no apparent evidence of things having gone wrong, where the parents have done everything as perfectly as any of us as parents can do, and when there is no evidence to the outside world that there may be a problem. The Barnardo's report includes a powerful

[Toby Perkins]

and insightful description of a child who had had a happy upbringing, and discovered that he was gay when he became a young man. He started to go with friends to find like-minded people, but was caught up in a web of paedophilia. The evidence is harrowing. Parents may have no experience or expectation of their children becoming mixed up with such people, and they need a lot more support from us all to enable them to talk about it, and to ensure that their worries are treated seriously and that they have a powerful voice supporting them.

Awareness must be raised among the police, particularly when the focus is on front-line policing. Support must be given to police forces, and we must ensure that vice-ring and paedophile units are not reduced in difficult financial circumstances. Youth workers have an important role to play in identifying the prospects of children coming to harm. They must work closely with children's homes to ensure that training is available—this was raised by several hon. Members—to the staff to identify children who are at risk, because patterns and regularity of children going missing is a sign that something serious is wrong. Awareness among schoolteachers must be raised, because there is considerable evidence that regular absence from school may be a sign that something sinister is wrong. Awareness is important, not just of the number of separate incidents, but of their regularity.

The question that my hon. Friend the Member for Stockport asked the police identified that 77 children were reported as being missing for more than 24 hours, and there were 711 reports. That shows the scale of how often some children go missing. There is a danger that when the police or a children's home sees the same child go missing and then return, it is taken less seriously, but the evidence suggests that that is when we should be most worried.

My hon. Friend highlighted the patterns and tactics used by pimps and others engaged in criminal vice activities. I spoke to a woman who had worked in a hostel with young adults who had often just left care and who were targeted in a similar way. She said that people would often wait outside the hostel to try to encourage those vulnerable young adults to go with them, when they would be given gifts and attention, and were made to feel good about themselves, but their circumstances soon became bleak. They were often targeted because people in that environment knew how vulnerable they were and recognised that they were a soft target. When they succumbed, and started to feel good about themselves because someone was paying attention to them, the situation quickly changed, and they were in a situation of the utmost danger.

[Mr Dai Havard *in the Chair*]

The hon. Member for Mid Dorset and North Poole (Annette Brooke) spoke about the importance of raising awareness and the impact of alcohol and drug dependency on children. Alcohol and drugs are sometimes the reason children fall into the wrong hands, but they are also often a crutch once children have got into a situation that they feel unable to react against. The hon. Lady also cautioned strongly against removing the statutory duty and strongly emphasised the importance of us all working together.

My right hon. Friend the Member for Delyn (Mr Hanson) spoke about the importance of partnerships, and that came across in other contributions. It is important that our police, health services, youth workers, schools and other organisations work together. My right hon. Friend, who represents a north Wales constituency close to the English border, made an important point about how we ensure that there is co-ordination across the border with the devolved authorities, and it would be good to learn more about that. He also requested clarity about how CEOP will operate and wanted to confirm that the budgeting will remain in place for its important work.

Labour Members recognise the Minister's commitment to do something, and I echo the offer from my hon. Friend the Member for Stockport of our complete support for his work. We support his inter-departmental working group, which recognises the importance of partnership working. Many bodies have a responsibility for raising awareness, influence it and play a role. The Minister has direct control over partnerships such as those involved in youth services, local authority reporting and schools. There is also the responsibility of children's homes to take their duty seriously, so that they do not phone the police when a simple phone call to someone else could identify where children are. If we can reduce the work that the police have to do to identify where children are, they can focus more directly on serious problems that are identified.

There are other partnerships that the Minister can influence. We spoke briefly about the importance of prosecution. A number of new offences were created by the Sexual Offences Act 2003, but it is worrying that there have been too few prosecutions, as has been identified. Often in the situations that we are discussing, the police will seek to prosecute people for other offences, but given the evidence of the number of sexual offences being committed, we need to ensure that there are more prosecutions for them. Sentencing is obviously also important.

As I said, it is important that the police have in place the resources in these difficult circumstances to ensure that they can pursue what is often complicated work. It is important that the partnership between children's homes and their local police forces works well and that there is proper training, support, respect and partnership working. I also welcome the action plan looking into the link between children running away and sexual exploitation.

It is important to recognise that the previous Government took this issue very seriously and published guidance for local authorities and professionals in 2009. It is disappointing that that guidance appears not to have been followed in many cases. It is important to see how we can work better with local authorities to ensure that the well-meaning measures that have been put in place deliver what we want.

We have a responsibility and a duty to do more for our most vulnerable children and to support children and families on whom this nightmare is visited, apparently from nowhere. It sickens us and it is abhorrent that such things continue to happen in our society, but that reinforces our determination to work together. This problem unites us, and we say very powerfully that it is too important not to work together to ensure that we deliver that safer world that our children deserve.

12.5 pm

The Parliamentary Under-Secretary of State for Education (Tim Loughton): I welcome our Chair—he appears to have lost some hair since the beginning of the debate. We have had a very good debate with well-informed contributions, a great consensus about the importance of the matter and a determination to pick up the baton and ensure that we bring about effective action.

I congratulate the hon. Member for Stockport (Ann Coffey), not just on her excellent in-depth and well-informed speech—one would expect it to be so—but on the enormous amount of work she has been doing on the subject, raising its profile in this place and beyond, including in the national media, well beyond the confines of her constituency. I am sure that she, too would pay tribute to the work of Helen Southworth, her predecessor in the all-party group on child protection, who started that work. The hon. Lady is genuinely passionate about making a different to the lives of young runaways, as am I, and I am particularly concerned about the preponderance of children in the care system who fall into these dangers, and I have been working on the issue for some time. I hope that we can continue that work and step it up a gear in the future. I am very grateful to the hon. Lady for her constructive arguments, and for her communications on this and related subjects.

I will respond to the hon. Lady's detailed points about data collection, and about the roles of local authorities and local safeguarding children boards in particular, in a few minutes, and I will also pick up as many as possible of the points made by other Members before I make what is a fairly lengthy speech but which I might have time to get through.

I want to say at the outset that I absolutely share the hon. Lady's view that young runaways and missing children are a very vulnerable group of people who desperately need and deserve our protection. As she has said, the figures are alarming, with an estimated 100,000 children going missing every year—and that is just the ones we know about. That is one child under the age of 16 every 10 minutes, one in five of whom is likely to be at serious risk of being hurt or harmed by sleeping rough or staying with someone they have just met. The figures are stark. The experiences and alarming figures that the hon. Lady draws on from her own constituency are perhaps a result of her local children's services department and the police being more savvy about the problem and therefore better at detecting it, thus artificially inflating the figures. I do not underestimate the importance of the problem in her constituency but, as she knows, I spent a week there on the front line with social workers last year, and I know that they are aware of the problem and are determined to do something about it.

We also know that young runaways are often affected by other problems, and surveys have suggested that about one third of them have reported problems with substance misuse or involvement in crime, and we have heard about other difficulties, including mental health issues and domestic violence. Although many missing children fortunately return safely, many suffer harm and exploitation while they are missing and some, of course, never return. Once they are on the streets, children can find themselves with few options and no one safe to turn to, leaving them very vulnerable to exploitation by those who would harm them or seek to gain from their misfortune. In some cases—too many cases—that includes sexual exploitation, the profile of which, I am very pleased to say, has been raised.

As the hon. Lady points out, there is a strong link between children going missing and children suffering from sexual exploitation, and I can confirm, as she requested that I do, that the Government's action plan on sexual exploitation will take full account of that linkage. As she indicated, the connection works in both directions: children who go missing are at risk of sexual exploitation and children who are being exploited are more likely to run away from home or care. That is a Catch-22 situation, which the hon. Member for Mid Dorset and North Poole (Annette Brooke) also mentioned, and I absolutely agree that that is the case. Ever since the Under-Secretary of State for the Home Department, my hon. Friend the Member for Old Bexley and Sidcup (James Brokenshire) and I really tried to take a grip of this subject earlier in the year, I have been very clear that the problem is much bigger than we appreciate. The more work we do, the more alarmed people will be by the scale of the problem and by how widespread it is.

My hon. Friend the Member for South East Cornwall (Sheryll Murray) said that the problem was not exclusively urban, but existed in market towns and rural areas, as she knows from her own experience—I have met with her and her local police. The problem is also classless, affecting many middle-class, apparently stable families, with children running away from home for all sorts of reasons. We must open our eyes to the extent and range of the problem.

Understanding what young people in such situations go through is absolutely essential to learning lessons and improving our responses to the problem in future. The hon. Member for Stockport has arranged for the all-party group for runaway and missing children and adults to meet later today to hear the voices of former young runaways. I will attend that meeting, as will the hon. Member for Chesterfield (Toby Perkins). I was going to say that I am looking forward to hearing young people's stories, but that is not quite the phrase to use, given how harrowing such stories are. It is important, however, to hear those real-life experiences.

I will now take up a few of the points made, before returning to my substantive speech. The hon. Member for Stockport made a telling point when she said that removing the protection of parents or carers is part of the grooming process—she is absolutely right. I pay tribute to the BBC and the "Eastenders" programme for the storyline run a few months ago—very harrowing, realistic and "in your face", involving the character Whitney Dean and how she was enticed away from her family by someone who she thought cared for her but in fact was exploiting her, benefiting and profiting in a most nasty way from her misfortune. The wedge driven between her and what stability she might have had with family and friends was key to the exploitation taking place.

The hon. Lady also mentioned the importance of interviews with returning runaways. Absolutely—we need to know the reasons why they run away because, hopefully, we can then support that particular home, family or care establishment, as well as learn lessons for other children and young people in a similar situation.

The right hon. Member for Delyn (Mr Hanson) asked a substantial range of questions, all pertinent and many born of his considerable experience, not least as

[Tim Loughton]

police Minister in the previous Government. His point about cross-border and cross-departmental considerations was fair. I am the lead Minister on the subject in the Westminster Government, liaising particularly closely with the Under-Secretary of State for the Home Department, my hon. Friend the Member for Old Bexley and Sidcup, as well as with the Department of Health and beyond.

This crime, however, does not respect borders and I am aware of some unjoined-up gaps in our links with the devolved parts of the United Kingdom, which I aim to plug. Once we have a grip on the action plan that we are developing and will publish later this year, I will also have conversations with colleagues in Scotland, Northern Ireland and Wales. The problem also goes beyond the borders of the United Kingdom. I am only too well aware of problems we had in West Sussex, with young girls being brought in as unaccompanied asylum seekers from west Africa—Nigeria and Sierra Leone, in particular—only to be trafficked out of the country and ending up in the sex trade in north Italy.

Mr Hanson: May I ask that, as part of the development of the action plan, the Minister formally consults with the Scottish Parliament, the Welsh Assembly and the Northern Ireland Assembly before publication, to see if there are areas in which joined-up government can operate effectively to tackle the issue?

Tim Loughton: I think that is essential. In the same way, the inter-ministerial group on trafficking, which the Minister for Immigration chairs and on which I represent the Department for Education, has provided links. Our meetings have included counterparts from the other parts of the United Kingdom, physically and by video conference. Such discussions are essential, and officials are already having them, but I want to have them at a ministerial level as well, and that input is needed for the action plan. That is absolutely right. Of course, organisations such as the NSPCC and ChildLine, which we have funded, are UK-wide as well. It is important that we learn from that experience throughout the UK, too.

The right hon. Gentleman also asked about funding and how the new arrangements from 1 July would work. I am not the relevant Home Office Minister, but some of the services that CEOP will provide in the future are currently provided by the National Policing Improvement Agency missing persons bureau, and associated funds will therefore be reallocated from the NPIA to CEOP to reflect those new responsibilities. The new set-up will add to the provision of educational resources and training for the police, supporting police operations through targeted research and analysis, providing operational support for forces dealing with missing children by extending the CEOP one-stop shop to include online missing children resources, and ensuring that co-ordination arrangements and capability are in place to manage complex or high-profile missing children cases.

A lot of preparation has gone into this work, and as the hon. Member for Stockport saw on her visit, CEOP is very well placed to deal with these issues. It has very competent people, including Peter Davies at its head, who really understand this problem and are very keen to take it on.

The hon. Member for Upper Bann (David Simpson) mentioned the action plan—the fact that it needs to be a plan that results in action. The right hon. Member for Delyn cast a slightly difficult googly about how I would assess whether it had worked or not. Good guidance was published as part of "Working Together to Safeguard Children" back in 2009. The problem was that there was not an associated action plan. It is a very good piece of guidance—on a shelf, in a manual. I am absolutely determined in this area, as in many other areas of child protection, that we should not just write something down but pick it up and run with it and ensure that everyone is doing their bit towards it. That is why, through the Munro review and associated activity, I want to ensure that all the players in this are being monitored and are contributing, to make sure that the action plan produces results. That is essential.

We do need to get the statistics right. I think that it was the hon. Member for South Antrim (Dr McCrea) who made the point that I am thinking of in this regard. All colleagues present from Northern Ireland contributed and all made very good points, so I apologise if I get confused about which hon. Member made which point. With regard to the problems in relation to data, several hon. Members—I will come on to this in more detail—have slightly confused apples and pears. The data count different things. We have referred to different aspects of the data. They are not comparable, as they are different. The nationally collected data are specific to children missing from care for over 24 hours and do not include, for example, repeat disappearances by the same child, whereas local data do and may include children who have only just gone missing. There is no attempt to cover up, but we do have different sets of data. That reinforces to me the need to ensure that we know which sort of data we are applying to which problem. That is a problem, and one of the things that must come out of the action plan is all of us knowing where we are coming from on that.

I think that the hon. Member for Strangford (Jim Shannon) mentioned the problems with residential homes. Of course, only a small proportion of children in care are in residential homes, but we do need to do much better in terms of how they liaise with local police in particular. I know that from personal experience. I think that in Worthing, which is partly in my constituency, there are now no fewer than 10 independent children's homes, and there have been a lot of problems with children running away and the police getting involved.

Many points were made about data collection, and CEOP was also mentioned by the hon. Member for Clwyd South (Susan Elan Jones), who is no longer here. It is very good to see the hon. Member for Mid Dorset and North Poole (Annette Brooke) here again, contributing in a debate on children's issues, as she and I did for many years in opposition. She made a lot of well informed and sensible points. She was right to start by saying that the politician's job is never finished. We have to keep at this. It is not just a question of producing the booklet, producing the glossy brochure, producing the action plan and ticking the boxes. We have to keep people's feet to the fire—one of my hon. Friends would always use that phrase. Practice is patchy, and I want to

ensure that every local authority and agency is working to the standard of the best and using the same rulebook and manual so that we all know what we are talking about and the precise problem that we are trying to tackle.

I mentioned the problem of recognition of data. Part of the difficulty is lack of recognition of the problem, so that it is not a priority in certain areas. That must stop.

The hon. Lady mentioned another point that she and others have made before, about the duty to co-operate. We could have a whole debate just on that subject—and indeed that debate is happening on the Education Bill currently going through Parliament. However, under other education legislation—I think, from memory, the Education Act 1996 and the Education Act 2002—schools of all types have a duty to safeguard, watch, maintain and promote the welfare of the children in them. Schools are an important part of local safeguarding children boards. I want the groups in question to come together not because they must, but because they want to in the best interests of the children they are responsible for, and because they can get the best results by sitting at the same table, and acting and talking together.

On the hon. Lady's other point about children over the age of 18, the transition issue is a particular one for children in care, those with learning difficulties and those who are just not grown up enough, who are more likely to be exploited. With children in care, of course, "staying put" pilots are going on. They are a good thing, and will inform the process by which we can better look after children who happen to hit their 18th birthday; their problems and vulnerability do not suddenly disappear when they become adult. The hon. Lady makes a good point again, but it is a problem across the piece.

I shall return to my speech and try to whizz through it in the remaining nine minutes, Mr Havard. I want to say a little about how the Government's approach to the problem of runaways and missing children will pan out. Most missing children cases are dealt with well at local level by police forces, who see such cases as a clear priority. However, the Government recognise that there is a case for national capability to add value by ensuring that police are trained and equipped with the right understanding to identify and respond when children go missing. That is why the Under-Secretary of State for the Home Department, my hon. Friend the Member for Old Bexley and Sidcup, announced last month that from 1 July the Child Exploitation and Online Protection Centre would assume national responsibility for missing children's services. I was very pleased to hear the hon. Member for Stockport welcome that. As I mentioned, she visited CEOP recently, and I am sure that she will have been as impressed by its work as I was on my recent visit.

Making CEOP responsible for missing children's services is an extremely important development. It means that for the first time in this country there will be a dedicated team of experts at national level focused solely on missing children issues. The fact that that capability will exist within CEOP means that they can bring their considerable child protection expertise to bear on this problem. However, of course, as the hon. Lady made clear, the problem of young runaways, and missing children more generally, is not something that the police or CEOP can solve alone. There must be a multi-agency, partnership approach, involving local authority children's services, the police and the important charity and local voluntary sector—as well as, of course, families and parents. Local safeguarding children boards have a key role to play in co-ordinating and ensuring the effectiveness of the work of their members. That needs to cover raising awareness to try to prevent child sexual exploitation taking place—because, as the hon. Lady observed, prevention is better than cure—but also responding to it when it does.

Before going further, I should perhaps respond to the hon. Lady's points about the collection and evaluation of data, building on the reference that I made just now. Knowing the extent of the problem is an important step in being able to address it. The hon. Lady referred to the differences between my Department's statistics on children missing from care and local police data. The fact is that those statistics will be different because different things are being counted. In addition—the hon. Lady alluded to this—many children are reported missing from care as soon as their absence is noted, and, fortunately, are located within 24 hours. The Department's figures record only children who are missing from their placements for more than 24 hours. Of course, that is not to say that any of them may not be a risk to themselves or others during the period that they are absent.

To complicate the matter still further, the local authority that is responsible for a particular child's care is the one that reports their absence in the statistics of the Department for Education. The fact that an authority is shown as having only a small number of missing children is not the same as saying that only that number went missing from care in that authority, because some authorities have many looked-after children placed from other authorities within their boundaries. That is a particular problem in Kent. The result is that if a child from, say, Southwark, goes missing from a care placement in Kent and is reported to the Kent police, the child will appear under Southwark and not Kent in the Department's data. There are thus some problems; but we need to sort that out to make sure we know exactly the extent of the problem.

I appreciate that those technical considerations do not make it easy to form a clear and consistent picture of the extent of the problem. However, it is not a question of either the police data or the Department's statistics being wrong. They are just counting different things. The important thing is that local police forces and local authorities work together to form the clearest possible picture of the number of young runaways and missing children in their area, whether from care or from home. That data is not collected centrally.

The hon. Lady also expressed concern about some local authorities not adhering to the "Statutory guidance on children who run away or go missing from home or care". I can tell her that my Department is currently reviewing a range of guidance with the aim of reducing unnecessary bureaucracy. We will look at the guidance she mentioned as part of that wider review. We want—as I know she wants—guidance to be easily accessible and, most importantly, helpful for schools, local authorities and children's services.

On the specific issue of child sexual exploitation, we know that the great majority of missing children incidents are repeat cases, with the same children going missing—

[Tim Loughton]

running away from, or towards, something. Such children are vulnerable. They face serious risks while they are missing, and we know that there are clear links with child sexual exploitation. As I have said before, the sexual exploitation of children is a truly appalling crime, which can of course affect children whether or not they have ever run away from home. It is an extremely serious form of child sexual abuse. The sorts of experiences to which some children and young people are subjected are unspeakably shocking, involving rape, severe sexual assault and, often, chilling intimidation. We have heard of many such cases from hon. Members who have spoken today. Anyone perpetrating such crimes must be brought to justice. I am glad to say there have been some high-profile cases recently—some still going on—where that sort of justice is being brought to bear. However, as I have said, it is the tip of the iceberg.

The victims of sexual exploitation—and their families—need understanding and support. Support may be needed over many years, involving a range of expertise from across the statutory and voluntary sectors. Let us be in no doubt: the victims of such sexual exploitation are vulnerable children. As with any other vulnerable children, all our instincts should be to protect and support them.

The hon. Lady referred to Barnardo's "Puppet on a string" report, as did other hon. Members. I want to place on the record my praise for Barnardo's hard-hitting report. It made it uncomfortably clear to us that child sexual exploitation is a much bigger problem than many people ever imagined. It is not exclusive to any single culture, community, race or religion. It happens in all areas of the country. Stereotyping offenders or victims is quite simply a red herring and unhelpful. It is important, therefore, that every local authority and every local safeguarding children board in town and country, city and rural areas, assumes that sexual exploitation is a problem in their area and that they take action to address it.

The hon. Lady referred to research by the university of Bedfordshire, early findings from which suggest that many local authorities are not following the "Safeguarding children and young people from sexual exploitation" statutory guidance, which was issued in 2009. I know that many professionals are, like her, concerned that some local authority areas have yet to develop a satisfactory response to child sexual exploitation. I share that concern; it must improve.

As lead Minister, I have been urgently considering, within Government and working with national and local partners, what further action needs to be taken to safeguard children and young people from sexual exploitation. In April, I chaired a round-table meeting with senior representatives from a range of organisations. At that meeting, we identified a wide range of issues to be addressed, from awareness-raising and understanding to effective prevention and early detection, the challenges of securing prosecutions and the need to support victims and their families. We are committed to working with partners to develop over the summer an action plan to safeguard children and young people from sexual exploitation. The hon. Lady said that she welcomed this work and I am grateful for her support, which I am sure will be ongoing.

We are still in the early stages of developing the action plan so I cannot announce details today. However, I can say that it will build on existing guidance and our developing understanding of this dreadful abuse, including through local agencies' work around the country. It will include work on effective prevention strategies, identifying those at risk of sexual exploitation, supporting victims and taking robust action against perpetrators. A key element of the action plan will be ensuring that the wide range of work currently taking place on child sexual exploitation is complementary and comprehensive. The action plan will take account of CEOP's thematic assessment of on-street grooming, which will be published shortly. It will also reflect the recently announced two-year enquiry into child sexual exploitation to begin later this year, which will be conducted by the office of the Children's Commissioner.

There is also the university of Bedfordshire two-year research project, which I just mentioned, funded by Comic Relief—a worthwhile use of its funds—and due to be published in October, on preventing the sexual exploitation of children and young people. I expect there to be a good deal of learning in each of those projects, and in others taking place around the country, such as the Safe and Sound project in Derby—I pay tribute to Sheila Taylor MBE who is now chairman of the National Working Group on sexual exploitation—Barnardo's 22 sexual exploitation services, and the work being carried out by the Coalition for the Removal of Pimping.

Underpinning much of this is the Munro review of child protection on which we had a very good debate in the House only the other week, in which the hon. Lady took part. I was pleased that Professor Munro specifically mentioned in her report the issue of child sexual exploitation, and the important role of local safeguarding children boards. The report stresses the importance of re-focusing the child protection system on the needs and experiences of children and young people. Professor Munro's fundamental analysis is that the system has become too focused on compliance with unnecessary rules and procedures, and professionals have spent less time actually helping—

Mr Dai Havard (in the Chair): Order. That was breathless, Minister, if not breathtaking. I am sure that you will write with any important information that has not been covered. We will now move on to the next debate.

Leeds United

12.30 pm

Damian Collins (Folkestone and Hythe) (Con): It is a pleasure, Mr Havard, to serve under your chairmanship today.

This debate is focused on the case of Leeds United, but it is relevant to the governance of football in general and in particular to the rules regarding the insolvency of football clubs. I believe that the case of Leeds United should compel the Government to press the football authorities to provide greater clarity on the administration of the rules on club ownership. I also believe that a formal review should be conducted into the unanswered questions concerning the insolvency and administration of the club, and its ultimate takeover by Ken Bates.

The business failure of Leeds United was a cause of great distress to the fans of the club, costing millions of pounds in unpaid tax and leaving local businesses out of pocket. And yet former players, such as Danny Mills, were able to claim in full for more than £200,000 in unpaid wages while west Yorkshire's ambulance authority received only a few pence in the pound for its debt, which was worth nearly £9,000. That is because of the football creditors' rule, which even the chairman of the Football League says he cannot "defend the morality of". Nevertheless, the rule continues to exist, and those of us who are members of the Select Committee on Culture, Media and Sport have pressed vigorously, as part of our report into the governance of football, for it to be reviewed and ultimately got rid of. It has no place in the modern game.

There is also the question whether it is right that a great football club, such as Leeds United, can be sold between two Nevis-registered offshore companies without anyone knowing how much money was paid, where the money came from and, in the case of one of the companies, who was actually selling the club. Despite the denials, however, there can be few people in football who privately do not believe that Ken Bates has effectively been in control of the club for most of the past six years. The answers given by the club to questions about its ownership during that period stretch credibility, to say the least.

Leeds United is a great football club, which only makes the story of the last eight years all the more distressing. A roll-call of its players contains many modern greats, from Johnny Giles and Billy Bremner to Eric Cantona and Rio Ferdinand. The club's history includes great success under the incomparable Don Revie; the famously brief tenure of Brian Clough; and Howard Wilkinson's champions of England in 1991-92, which was the last time the English title was won by an English manager. Now, in Simon Grayson, Leeds has one of the best-regarded young managers in England.

Like most fans of English football, I want to see Leeds back in the premier league, where the club belongs. The decline and fall of Leeds from being Champions League semi-finalists in 2001 to experiencing administration and relegation to the third tier of English football just seven years later contains many lessons for those in charge of the governance of English football. Leeds are not the only club to have had difficulties, but there remain many questions of legitimate public interest about its exit from administration and about the ownership of the club during the last four years. Although the identity of the club's owner is now clear, no fans should ever be in the position that Leeds fans were in for some time, when they simply did not know who owned their club. That must never be allowed to happen again.

In fact, the Leeds United Supporters Trust issued a statement yesterday supporting this debate and my call for an inquiry into the ownership and administration of the club. The trust stated:

> "We also hope that this inquiry is able to uncover the whole truth and provide the answers Leeds United supporters deserve for it is they who suffered the 15-point deduction hardest, they who have paid heavily to support the club through the turnstiles home and away during this time and it is they who will still be supporting the club with their hearts and their wallets in the years to come regardless of who owns the club."

The statement continued:

> "The Leeds United Supporters Trust welcomes knowing the whole truth for its members, for all Leeds United supporters and for the good of the future of our great club and we look forward to the findings of this inquiry providing that truth and allowing Leeds United to move forward on the pitch and in the hearts and minds of all those involved."

Mark Garnier (Wyre Forest) (Con): It is very interesting to hear about the Leeds United Supporters Trust. Does my hon. Friend agree that such organisations, including Kidderminster Harriers Independent Supporters Trust, perform a very important function in holding the management and those in charge of the governance of clubs to account on behalf of the supporters?

Damian Collins: I wholeheartedly agree with my hon. Friend. Supporters' trusts play an incredibly valuable role in giving a voice to fans, particularly in clubs that are going through difficult times financially. We saw that at Kidderminster, which my hon. Friend has mentioned, and we have also seen it recently at Plymouth Argyle, which has a link to Leeds, in that Peter Ridsdale, the former chairman of Leeds, has been involved in advising Plymouth Argyle, although I am not entirely sure what on.

I want to comment on the events that led to Leeds entering administration. Following the collapse of the Monte Carlo or bust strategy pursued by Ridsdale, which saw the club try to sustain a massive increase in expenditure on playing staff, the club was sold in 2004 to the Yorkshire consortium of Gerald Krasner, Melvyn Levi and other business men. The consortium sold and leased back the Elland Road football ground and the Thorp Arch training ground, and it settled more than £95 million of debts, but the club was relegated from the premier league in May 2004 and the consortium could not keep it financially solvent.

Investors represented by Ken Bates, as the chairman, took over Leeds in January 2005. The ownership vehicle was Forward Sports Fund, which was registered in Nevis and administered from Geneva. From the beginning, it was said that it had no connection to Ken Bates and that he owned no shares, but FSF had appointed him as a director and as the chairman of the club. It is a curiosity that the record of FSF's incorporation in Nevis shows it was incorporated on 27 January 2005—six days after the Leeds takeover. If the company had not even been formed, where did the £5 million to buy Leeds come from in the first place? That question has never been answered.

[Damian Collins]

Bates and FSF could neither salvage Leeds financially, nor prevent its being relegated from the championship in 2007 and entering administration in May 2007. In administration—I hope colleagues will forgive me if I go through some technical numbers—FSF had an outstanding indebtedness of £2.4 million. Astor, another offshore company, claimed to have an outstanding indebtedness of £12.8 million, while Krato claimed to have an outstanding indebtedness of £2.5 million. Those last two debts were consolidated, and the total owed to Astor when the club was sold back to FSF in July 2007 was stated to be £17.6 million.

When Bates and his co-directors put Leeds into administration in May 2007, the total debts were said to be £37.5 million. The debt to HMRC was said to be £7 million, and HMRC opposed the company voluntary agreement under which FSF would buy the club back, because it disputed the debt claims made by Yorkshire Radio, which was owned by Leeds, and those made by Astor. However, the administrator sold Leeds directly to FSF, with Bates as the chairman, for £1.8 million. Leeds then had 25 points deducted by the Football League—10 for going into administration and 15 for emerging with no company voluntary arrangement.

The mystery here is Astor's offer to waive its debt if FSF, with Bates as the chairman, was given control of the club, even though it was not connected to FSF or Bates. Astor insisted that its debt had to be included with that of the other creditors to be repaid by any other bidder if FSF and Bates were not given the club. Even though there was no connection, Astor would not waive its debt, unless Bates was given control of the club and FSF was made the owner.

At the time of the sale in July 2007, the total owed to creditors stood at £30 million. All other bids would have had to pay a proportion of that, but Astor's decision to waive its £17 million meant that FSF and Bates had to pay only £12.5 million. Other bidders offered more money, but they lost to FSF. One offered £3.5 million immediately; one offered £7 million; and another offered £5 million, once Leeds's participation in the Football League was assured. FSF offered only £1.8 million, but with Astor's £17.6 million not included, the FSF bid was accepted as the highest proportionate dividend to creditors, giving 11p in the pound. The taxman therefore received about £750,000 of the approximately £7 million he was owed—a loss of £6 million. The administrator stated that Astor and Krato were "unconnected" to FSF. The significance of that was that Astor's votes counted in the administration vote, where it had more than 50% of the vote, when 75% was required for a decision to be taken.

Ken Bates swears on oath that he does not know who the new owners—the FSF investors in the club—were at the time and that he has never known. In his affidavit to the Jersey court, he said:

"Having made due inquiry, neither I, Mark Taylor or Shaun Harvey are aware of the ultimate beneficial owners of the participating shares, save to say that each of us can confirm that we have no interest in the participating shares."

The judge, Sir Charles Gray, referred to Astor, waiving the £17.6 million that it was owed and that it was not connected to FSF. He said, "I am exceedingly puzzled" about why Astor would "kiss goodbye" to so much money if it had no connection with Bates and FSF.

Bates replied that he could only "presume" that Astor wrote off its £17.6 million because

"there would be the option for business in the future"

if he and FSF remained in control of the club. It should be noted for the record that no such future business has ever been transacted between Astor and Leeds.

Moving on to the Select Committee inquiry, we looked at the unanswered question of the ownership of the club and the challenge that that gave to the football authorities. How could the FA and the Football League enforce their own rules on club ownership of the fit and proper person test, if they did not know who the ultimate owners of the club were? Following our evidence hearing with the Premier League, it was clear that it would require disclosure of this information if Leeds were to be allowed to compete in its competition. At the time of the hearing earlier in the year, there was still a possibility that Leeds United would be promoted. Lo and behold, on Tuesday 3 May, Leeds announced that Ken Bates had bought the club. The club statement said:

"The scaremongering arising out of the football governance inquiry has not been helpful and, whilst the board were always confident that there were no issues, they recognise the concern the unknown outcome of any Premier League questions may have on our members. To address this issue and in the hope that this brings an end to the speculation, the chairman Ken Bates has completed the purchase of FSF Limited for an undisclosed sum."

Why would the company feel that it had to sell a club that was on the brink of being promoted to the premier league?

Julian Sturdy (York Outer) (Con): As a Leeds United supporter myself, I agree with my hon. Friend's opening statement that Leeds United is a great football club and that the fans deserve answers. That is crucial, and it is welcome that he has secured today's debate. Given what has happened with Leeds United, is not the problem the fact that there is not enough openness in the process and that too much is decided behind closed doors? Football clubs are part of the community, and the community deserves the answers that we are not getting at the moment.

Damian Collins: My hon. Friend is absolutely right, which is why the issue of the rules concerning the ownership of clubs is so crucial here. Fans have the right to know who owns their clubs. It was incredible that the FA and the Football League maintained a situation in which they did not know who the ultimate owners were. Such information is the least that the football fans should expect. I have no objection to overseas investors bringing in money to English football, but we have a right to know who they are and where that money comes from.

Jason McCartney (Colne Valley) (Con): I will give my hon. Friend a breather from all those murky statistics that he has been firing at us. As a Huddersfield Town fan, I feel lucky that our chairman, Dean Hoyle, is a self-made millionaire. He has been a Town fan all his life and is doing a fantastic job. Some businesses in my Colne Valley constituency, such as a balloon company down the road from me, suffered and were owed money when Leeds United went into administration. I have been working closely with the Huddersfield Town Supporters Trust, and we have been

talking about having supporters' representation on the boards of football clubs. Does my hon. Friend agree that that would be a good step forward, because it would allow more transparency, as my hon. Friend the Member for York Outer (Julian Sturdy) has mentioned?

Damian Collins: Supporters' representation on the boards of clubs can be a good thing. Clubs should create a model that works best for them. A template model may not be appropriate for all football clubs. At the heart of the problem that my hon. Friend raises is the football creditors' rules on which I touched earlier in my remarks. Until those go, it does not matter how many supporters there are on the boards of clubs, because clubs are still free to run up debts. They have to pay back debts not to local businesses but to former players who may have left some years ago or to a football club at the other end of the country with which the community has no direct relationship. That is morally wrong, which is why the rule must go.

Moving on from the statistics of the Leeds transactions to the simple bread and butter issues around why FSF would seek to sell the club at a time when the club's value was rising, why would there not be marketing around the world for such an asset and an opportunity for bidders to come in? Where indeed did the money come from for Ken Bates to buy the club from FSF? We do not know how much that sum was, but there must have been some sort of a transaction. If it was a nominal fee, it would bring into question the relation between Ken Bates and FSF. Those are questions that the club will not answer, so will the Minister ask his colleagues at Her Majesty's Revenue and Customs to contact the authorities in Nevis to try to resolve these issues about where the supply of money came from for the purchase of Leeds United?

In the words of the judge, it remains "exceedingly puzzling" that Astor and FSF were unconnected. No rational explanation has ever been given for why Astor would waive its £17.6 million on condition that Bates and FSF, which were responsible for its losing all that money in the first place, were given the club back. FSF was not even incorporated when Bates took over as chairman of the club, so who were the investors and where did their money come from? Who were the owners of Leeds United for the six years in between? The identity of FSF's beneficiaries has never been disclosed to the football authorities or anyone, not least to the club's fans.

Ken Bates said on oath and to the football authorities that he did not know who the investors were and stated that they were not connected to him. The Government should satisfy themselves that no regulations regarding the payment of tax or the purchase of companies were compromised in the case of Leeds United. The football authorities need to review the administration of their rules on club ownership and how they best apply the fit and proper persons test.

That situation must never be allowed to happen again in relation to the purchase and ownership of a major English football club. We are critical of how FIFA has recently tried to enforce its own code of ethics and its own inquiries into its own people, and of the farce we saw yesterday, where the FIFA ethics committee dropped its case against Jack Warner in return for his agreeing to leave FIFA. There will be no investigation or declaration of all the serious allegations of corruption that were made against him.

We cannot truly have a voice of authority on all those issues around the world, as we should do considering that we are one of the world's great footballing countries with some of the greatest football fans in the world, until we resolve all the domestic issues. The unanswered questions around Leeds United—both financial ones and those that affect the governance of football—are crucial to our setting our own house in order.

12.46 pm

The Minister for Sport and the Olympics (Hugh Robertson): Thank you, Mr Havard. May I say how nice it is to be responding to the debate under the chairmanship of someone who has, throughout his parliamentary career, been a great fan and supporter of sport in the House?

Mr Dai Havard (in the Chair): If not the financing of it.

Hugh Robertson: Indeed.

I congratulate my hon. Friend the Member for Folkestone and Hythe (Damian Collins) on securing the debate and on his considerable research. Crucially, he and other members of the Culture, Media and Sport Committee have done invaluable work into football governance and the regulation of professional football clubs. Their work has proved invaluable in taking stock of a range of issues that affect the way that football is run and in ensuring that our national game is in the best possible place to make the most of its strengths and weaknesses and to address the challenges it faces.

With reference to this morning's debate, it is worth reassuring my hon. Friend the Member for Folkestone and Hythe that a number of Culture, Media and Sport Committee members have approached me about a range of things that disturb them across football. I know about their experience at Leeds, where I understand that the Committee was unable to find out who the owner of the club was at that stage, which appalled people in a way that little else has.

I look forward to receiving the Committee's report and recommendations next month, after which, within the statutory time period, I will set out the Government's official response. Without prejudicing that too much, I am grateful to my hon. Friend for giving me the opportunity to outline the Government's current thoughts on the regulation and governance of football clubs and specifically on the issues that he has raised around Leeds.

It is worth repeating—this is really important—that the starting point is that the Government do not want to run football or micro-manage its future. All sport, including football, is best run by sport governing bodies. However, those bodies must prove that they are strong, effective, independent, transparent and, crucially, accountable organisations. The Government's role, and my role as Minister, is to challenge the FA and the organisations that run the leagues—the Premier League and the Football League—and to ensure that the game and its governance arrangements are capable of responding to the challenges and opportunities. Of course, that is the background to the current Select Committee

[Hugh Robertson]

investigation. It worth saying in that regard that I do not particularly want to legislate, but football should be in no doubt whatsoever that if it does not react to what the Government lay out after the Select Committee report, we are prepared to do so, if necessary.

Leeds fans will of course be pleased finally to know who owns their club. However, the whole episode signals the complete disconnect between the supporters' legitimate expectation of knowing who owns their club and the requirement to publish that information. The football authorities deserve some credit for the rules that they introduced in recent years on financial regulation and club ownership. They include a new means and abilities test, which requires proof of funds of prospective new owners as well as strengthening the rules on owners and directors. However, the situation that my hon. Friend has outlined shows how much more needs to be done.

Touching on a point made earlier, football clubs are not investment banks. They are part and parcel of the community. I often refer to them as businesses with a social conscience. It is not unrealistic, therefore, for supporters to have higher corporate expectations of the owners of their club than they do of some local businesses. Supporters at every club have a right to know, with certainty, which person or people own their football club, whether they own it outright or in shares of less than 10%.

The football authorities need to work with the clubs to make full disclosure a priority and to ensure that appropriate inquiries about the identity and circumstances of potential buyers are always carried out with due diligence, and that needs to be done before ownership is allowed to change hands. This is not me, as a Minister, hammering football clubs once again; it is a requirement for all good businesses. Furthermore, the necessary checks should continue to be made throughout a director's or owner's tenure at a club. Club owners have a responsibility of stewardship. Supporters need to have trust in them and to know that they will not jeopardise the long-term future of the club. Under no circumstances should the owners take the fans for granted or deliberately or inadvertently misrepresent the position in relation to their club.

It is for the football authorities to take a hard look at whether they should tighten their rules. The inquiry with which my hon. Friend is involved will clearly play a big part in that. My preference is that the two should be done together—that the findings of the Culture, Media and Sport Committee are discussed with the football authorities, so that we can agree a way forward collaboratively. That should happen under the leadership and direction of the sport's national governing body, the FA. It remains to be seen whether that is achievable, but I am encouraged by the strong statements made to the Committee by the chairman of the FA, David Bernstein, about the importance of transparency.

I do not wish to prejudice the Committee's findings, but as my hon. Friend has mentioned the matter, it is worth saying a little about the football creditors' rule and HMRC. I would rather not give an absolute answer on the creditors' rule until I have seen the results of the Select Committee's investigation. Indeed, I have tried not to provide a running commentary on it, as it would not help the Committee or the Government. However, it is clear that the football creditors' rule has probably had its day. The moment when people in football said that it was morally indefensible was the moment when everyone felt that a considerable corner had been turned. I await the Committee's findings with interest.

If my hon. Friend sends me the details I will happily pass them on to HMRC. However, he will know that although it is a governmental body, it is independent of Government. It would be worth the Committee Chair writing to HMRC on behalf of the Committee, given the strength of feeling that was evident following its investigation into Leeds.

Damian Collins: With specific regard to the case of Leeds United and HMRC, based on the information that has been gathered and the unanswered questions that remain, particularly on the purchase of Leeds United from FSF by Ken Bates, is my hon. Friend prepared to write to ministerial colleagues suggesting that there may be grounds for HMRC considering the matter?

Hugh Robertson: The simple answer is that I am perfectly happy to write, which my hon. Friend can do equally easily. The bigger point is that I have a sense that after the Select Committee's visit to Leeds, the Committee was unusually disturbed by what it found. Normally speaking, that would be a good moment for the Chair of the Select Committee to write directly to HMRC on behalf of the Committee. That would be powerful, but I am also happy to write, if he wishes to do that through me to a Minister.

In conclusion, I understand my hon. Friend's desire for an inquiry into what has happened in Leeds's case. His speech was powerful and convincing. However, with a Select Committee report due in the next month, I would rather wait until then to decide what needs to be done, simply in order to achieve the best use of time and resources. The exact detail of what has happened is not clear, but the overall lessons most certainly are, and those lessons should inform what happens next. My intention, as part of the wider process of the inquiry's recommendations, is that the FA will be able to make any changes to the issues highlighted by today's debate. If not, the FA should be in no doubt that the Government will legislate to ensure that such things do not happen again.

Mr Dai Havard (in the Chair): That concludes the debate. We now move, slightly early, to the next debate.

Early Years Assessments

12.56 pm

Mr Graham Allen (Nottingham North) (Lab): It is a great pleasure to be under your chairmanship once again, Mr Havard. I also take particular pleasure in welcoming the Minister of State, Department for Education, the hon. Member for Brent Central (Sarah Teather), to Westminster Hall today, because I have the chance to put on record my thanks to her and her officials for the tremendous help I have had with the two reviews on early intervention that I was asked to do by Her Majesty's Government. I am very pleased with the personal and the official co-operation, which have made my job much easier. My first report was on what an effective early intervention strategy is and my second report, which is due out shortly, is on how we pay for it.

Early intervention is about giving every baby, child and young person the social and emotional capability—the bedrock—that we all need to lead effective lives, so reducing the massive costs of failure to the individual and to taxpayers. All of us in this Chamber, I imagine, are early interveners. We were either intervened upon early by our own parents or, almost naturally and unconsciously, intervened early with our children, but many families do not do that, and in our debate we want to assist those people.

Today's debate is about assessing the social and emotional capabilities of the nought to five-year-olds. The issue is as close to the Minister's heart as it is to mine. Such assessment is key to early intervention. If we do not have that knowledge, intervention is much more difficult, and we therefore intervene only when problems have become deep-rooted and much more intractable. Assessment is also the key to the concept of school-readiness, which has thankfully gained favour recently.

In that context, one of the most important things we will see in the next year or two will be the Government proposals on the early years foundation stage, which I understand might even be published before the recess. That statement will be of immense significance, and I wish the Minister well in getting those judgments right, because they will impact on every child and their life chances and for the rest of their adult lives. Getting it right for the nought to fives also means—a bonus for the Minister—that she will probably do more to reduce the structural deficit in this country than any host of Treasury Ministers, by attacking the massive, multi-billion-pound costs of failure, such as educational underachievement, low work aspiration, lifetimes on benefit, high crime levels, poor parenting, drink and drug abuse and teenage pregnancy. All of those are reduced by effective early intervention. The evidence now, not least in my report for Her Majesty's Government, is absolutely incontrovertible: those consequences flow from effective early intervention. The Minister would not be the person I know her to be if she did not have a long list of useful items on which the gigantic pool of savings could be spent when we can monetise and realise those savings in due course.

It is possible to wait. We can wait until school begins, and we can have a booster programme, but I believe that a far better approach is to help children to achieve the milestones as they grow, giving a little extra help as it is needed, rather than just before going to school. Therefore, regular and effective assessment of nought to five-year-olds is crucial. It should not be necessary to say this, but I am not asking for babies to sit examinations or any of the other tripe that people misinterpret in some lower-grade newspapers. Assessment should be gentle, and not intrusive. It should gauge levels of attainment and school-readiness much earlier in the life of a baby, child or young person, and identify and then support those who are not school-ready.

Just as we can barely believe that tiny children were once sent up chimneys, I believe that in years to come future generations will be aghast that we let children enter school when they were not ready, and often subjected them to 11 years of humiliation and underachievement before spending billions of pounds picking up the pieces. Now, with what we know, we no longer have an excuse. We know that it is much cheaper and more effective to provide an alternative: evidence-based programmes that produce real results. They are available to all of us, and will help to overcome the barriers that have become commonplace in many constituencies, including yours, I suspect, Mr Havard, and mine. They put in the early filters that good parenting normally puts in so that our public services and voluntary sector are not swamped with a tsunami of dysfunction, but can focus on the really tough problems that people thought they had become teachers, local beat officers, doctors or health visitors to deal with. We must filter out the vast majority of people whose needs are not as serious and can be dealt with by early intervention.

The key to doing that is for the Department for Education and Department of Health, who separately do so much excellent work on this issue, to work together, and I know that the Minister is working extremely hard on making those connections and working with ministerial colleagues. If we can do that, and create a single strategy for nought to five-year-olds, instead of one that breaks off or changes criteria halfway through, we will have effective assessment, and be able to identify the individuals who need it.

In my first report, I recommended that all children's development should be regularly assessed from birth up to and including the age of five, with a focus on social and emotional development so that they can be put on the path to school-readiness, which many, not least those from low-income households, would benefit from. Accountability is confused and divided, policy is incomplete, and there is an unnecessary separation between the healthy child programme reviews and the early years foundation stage assessments. It is timely that several external reviews have taken place, and that a more integrated programme of assessments for all children should explore the opportunities for national measures based on those suggested not only in my first review, but in the almost identical proposals in the reviews of the right hon. Member for Birkenhead (Mr Field) and Dame Clare Tickell, as well as Professor Eileen Munro.

There have been four serious and significant reviews in this area. This issue is one of the many—I would argue that it is the most important issue—on which all four independent reviewers agree. The culture of early rather than late intervention should be central to the policy not just of the present Government, but of all future Governments. This is an intergenerational problem. It is not the property of one party or one Government. We all have to sign up to this. I am very grateful to the

[Mr Graham Allen]

Prime Minister, the Deputy Prime Minister and my right hon. Friend the Leader of the Opposition for their kind words in support of my first report and the kind words that they have allowed me to attach to the second report, which will be in the public domain shortly.

The Government have the opportunity to act swiftly to ensure that the nought to fives are helped at the earliest and most cost-effective point in their lives, so that they can develop that social and emotional bedrock and thrive. I hope very much that that is the direction that we will see from the Government in the early years statement, which I believe is to be published in the not-too-distant future.

My next point is about evidence. I do not want to go into that in too much detail. There is lots of it around now. There is a great deal of it in my own review and the other reviews. However, there is one important connection that I want to raise with the Minister. It is of concern to many of us, not least, if I may say so, the Deputy Prime Minister. I am referring to social mobility. If we are to have the levels of social mobility that all parties would subscribe to, it is vital that the groundwork is put in place as early as possible. Schemes that are produced late on in the life cycle are very gallant but highly ineffective when compared with early intervention. The Department for Education's internal analysis of the national pupil database underlined that when it said that children who perform badly at the start of school tend to perform badly throughout and that a good start in life is hugely important to later educational attainment.

There are those who say that this is a choice; we have only so much money and we have to figure out whether we spend it on this, that or the other, because there are discrete, hermetically sealed primary results, secondary results and further and higher education results. Nothing could be further from the truth, as underlined by the Department's own findings.

If we can give the little ones a great start, we are giving them the most fantastic advantage. We all know from our constituencies what the response is when we say to a secondary head, "Why aren't your numbers better? Why aren't your people getting more GCSEs?" They say, "You ought to see the people who come to us at age 11. Some of them can't read and write." If we ask a primary school head why their children aren't doing quite so well, they say, "You should see the children when they arrive. They are not potty-trained. They can barely speak. They think a pencil is an implement to inflict pain on their nearest neighbour; they don't understand that it's used for writing. They can't speak in a sentence. They don't recognise letters or numbers."

All the things that I have just mentioned are from Ofsted reports about schools in my constituency. Let us get this right early on, and those kids will then be open to all the fantastic potential that Governments of all political colours have created throughout the education system. However, they need to have the social and emotional bedrock in place first, or nothing else can go forward. That, too, remains a key to social mobility.

Assessment is vital, but there are two key points about assessment. First, it must be regular and comprehensive. Secondly, the content of the assessment must measure the right stuff. That has to include social and emotional capability—not just how much baby weighs or whether baby looks as though he or she is thriving, but some of the measures of social and emotional capability that we have the science to do now. That way, we will ensure that individuals who need help can be found and helped. We can then track their progress and as soon as the young person, child or baby is back on track, we can leave them alone. They are self-starting and they will do well in life. Then we are out of their life.

People sometimes talk about the nanny state. There is no bigger nanny state than not giving people help when they need it, because later on there will be the mega-nanny state of policing, drug rehabilitation, drink abuse, magistrates courts, a lifetime on benefits, welfare advisers and remedial teaching. You want nanny state? That is what we have now, whereas early intervention can actually free people to make the best of themselves and free parents to make the best of their children. So I get a bit annoyed about people who say that early intervention is part of the nanny state. It is actually the opposite of the nanny state and the response to too much state intervention, too late, in someone's life, when it is not effective.

Pat Glass (North West Durham) (Lab): I congratulate my hon. Friend on securing this incredibly important debate.

I have spent a lot of years in education, some of them at the hard end of the scale with the young people that my hon. Friend is talking about—the young people who will cost the state millions of pounds throughout their lives. And yet, whenever I go into nurseries, and I still go into nurseries, nursery teachers will tell me exactly—well, not exactly, because things do intervene, but generally—which children, in years to come, will be the children who will be excluded from school, who will be part of the prison system and who will cost the state a fortune. It is incredibly important that we can move things forward so that we can identify those children early on. Whenever that has happened, it has happened successfully. It is just about shifting the resources down to those children and at the earliest point, even below the age of three.

Mr Allen: My hon. Friend speaks with great personal experience and she deserves to be listened to with great respect. I imagine that the Minister would not disagree with the sentiments that she has just expressed. In many ways, the arguments about early intervention have now been won. We all now "talk the talk." What will be very important about the paper in the summer will be seeing what the Government will do. Having said that, they will need the support of the Opposition Front Bench too. I hope that there will not be sniping about this issue. I hope that this is an issue about which people will say, "This is so important that we all have to get behind this and we all have to go forward together", because it is about inter-generational change rather than a quick snapshot and a quick media opportunity. That is why the Government statement will hopefully contain some things that my hon. Friend and I will relish.

At the moment, there is the early years foundation stage framework for assessment, which is very useful, and the healthy child programme, which is also very useful. However, they have to be combined and they must go further. I hope that the Minister will take that point on board.

Clare Tickell, in her report, strongly recommended that the Government work with experts and services to test the feasibility of having a single integrated review between the ages of two and two and a half. I think that my report goes a little further than that.

The second thing that I mentioned about assessment is content. There is a vast range of other possible means of assessment out there, which can make assessment more effective. Rather than taking time in this debate today, I will write to the Minister separately about those means of assessment. But they include assessments of infant attachment behaviour; the assessments of the incredible years programme; the assessments of the social and emotional aspects of learning, or SEAL, programme, although I know that programme starts at primary level; the parental attitudes surveys; and the ages and stages questionnaire. There are lots and lots of other possible assessments from which inspiration can be drawn for a light-touch but none the less effective set of regular assessments.

So what next? First, I welcome the Government's commitment in this area. I particularly welcome the recruitment of 4,200 extra health visitors. I also welcome the extension of the family nurse partnerships and the fact that developmental checks will be made on children at six weeks, six months, one year and two years. What I would press the Minister on, in the most friendly way, is to ensure that those checks are reliable and standardised, and that they include social and emotional checks, not just those for physical well-being. That includes a check at six weeks to assess the degree of attunement between parents and baby—the interactivity and development of empathy upon which all social relations form a base—and an assessment of the relationship between the parents. It is a tragic statistic or fact that most domestic violence and child abuse often begins in this very early period of a child's life.

At six months and one year, there should be another check on the attunement and attachment between parent and child, and at two to three years there should be a check on parent-child interaction, warmth, authoritativeness and the child's level of personal, social and emotional development, as described in Clare Tickell's review, supplemented by the questionnaire on strengths and difficulties at the age of three. At the age of four, there should be a light-touch assessment of how the child is doing and how they might be helped to be school-ready and to make the best of themselves. Will the Minister also confirm that, at five years, there will be an assessment of a child's level of personal, social and emotional development, as described in the Tickell review?

I also press the Minister to confirm that data on children's personal, social and emotional development at age two, three and five will be available to hold Government, local authorities and children's centres to account, as recommended by my fellow reviewers, Clare Tickell and my right hon. Friend the Member for Birkenhead (Mr Field). I understand that some in government might not want to collect or use data from the review of ages two and three, because they see it as too prescriptive or as requiring bureaucracy, but I hope that my tirade earlier about the nanny state will expunge any remaining view that this is part of some immense bureaucracy. This is actually designed to defeat and counter that sort of bureaucracy and to reduce the need for any state intervention in someone's later childhood or adult life.

Pat Glass: I want to support what my hon. Friend has said. When we have assessed the academic capability, particularly in things such as maths and science, of the many young people aged 14, 15 or 16 whom I have worked with, we have found that they are age appropriate. However, when we look at their personal and social development, we see that they are in the P scales, well below what we would expect a child to have at two and three years old. If we could tackle those things at three, four and five years old, before allowing those children to get to 15 or 16 without being able to talk to one another or hold a conversation without hitting each other, and without being able to go into a shop without causing trouble, we would make their lives, and our own, much better.

Mr Allen: Again, I agree strongly with my hon. Friend. I am sure that the Minister also agrees with, and will respond positively to, her sentiments. Time is running out, so I will move on quickly and put down markers about the new health visitors. I hope that the early implementer sites for delivering health visitor commitment will be able to test some of the things that I have talked about. My final marker is about children's centres. They already provide very good and effective outreach and family support, and I hope that the Minister will be able to ensure that they include the social and emotional development along the lines recommended by the Munro review.

Rather than continuing and taking up the Minister's time, I would like to repeat my thanks to her and her officials for all the support she has given this issue during her time in office. It has made a difference and I hope that it continues to do so. The forthcoming review provides the Minister with an opportunity, which I am sure that she will seize, to make a difference to the lives of not only someone we meet on a casework basis or some group, but literally millions of children, babies and young people. She can help them realise their potential and see what they have to do to make their lives much more rounded and capable, and not many of us in this place ever get a chance to do that. It is a fantastic opportunity that has fallen to the Minister, and it could not fall to a better person.

Mr Dai Havard (in the Chair): Minister, you have nine minutes to do all of that.

1.20 pm

The Minister of State, Department for Education (Sarah Teather): Thank you, Mr Havard. May I begin by welcoming you to the Chair? I understand that it is your first time in the Chair. This is the civilised end of the House of Commons.

Mr Dai Havard (in the Chair): I have been up the other end.

Sarah Teather: Okay. It is a great privilege to serve under your chairmanship, Mr Havard. I congratulate the hon. Member for Nottingham North (Mr Allen) on

[Sarah Teather]

securing this really important debate, which he finished by saying what a great privilege it is to be able to do this job.

The hon. Member for North West Durham (Pat Glass), who is also present, takes a real interest in this area. We are all united by this sense of wanting to make a difference to many future generations. I know that that is why the hon. Gentleman was keen to do this piece of work on early intervention for the Government. We were very grateful to him for his work and we look forward to his second report. We are particularly grateful to him for championing the issue of emotional and social development. As he said, such development is a vital part of school-readiness, which Dame Clare Tickell took up in her review of the early-years foundation stage. She made it clear that school-readiness is about being able not just to hold a pen but to form relationships. As the hon. Gentleman said, if a child has not acquired those skills, they could have 12 years of misery ahead of them and a lifetime of difficulty in forming the kind of relationships that they need to in order to get on in school and work.

There is already a huge amount of evidence on the importance of this area. I hope that the hon. Gentleman will understand that given that we are still awaiting his second report and that we are about to produce our own publication on our vision for the foundation years, I am limited in what I can say today in response to his questions. However, I can assure him that all of his questions are issues with which we are still wrestling and that he is absolutely in the right area. I will not be able to give him any details until we respond formally. When we do, we will be responding to the outstanding recommendations from his first report and to Dame Clare Tickell's review of the foundation stage, and we will be holding a formal consultation on that. I hope that we will be able to produce those publications this side of the summer recess, so there is not long to wait. Some of that detail is still being thought through.

The hon. Gentleman spoke about a number of issues, including attachment, the assessment processes, the need to have an integrated process and the importance of focusing on the early years for social mobility. It is important to stress that early intervention is wider than just early years. It is a concept of intervening before a problem becomes so unmanageable that it requires people at different stages in their life to be rescued. It is to enable people to put the pieces of their life back together again and to move on. Although it is wider than focusing on nought to five, those early years are a critical part of an early intervention philosophy. A wide range of evidence shows that sound social and emotional development is absolutely critical to a child's success. It helps them to form positive relationships and to understand the emotions of others, which the hon. Member for North West Durham mentioned. It also helps to create the resilience that is necessary to be able to deal with the challenges that life throws at everybody at different stages. Without the strong parental attachment and bonding that happens in the first few weeks, months and years of life, it is difficult for young people to grow up to be able to cope with the difficult things that unfortunately befall most of us at some stage in our lives.

We know that poor parenting and, in particular, harsh, inconsistent and neglectful actions lie behind many of the child behaviour problems that last into adulthood and are common in young people who find themselves within the criminal justice system. Such children are often much more disruptive in the classroom and much more likely to be excluded from school. It is important that we support parents early before that cycle sets in and becomes so entrenched that there is nothing we can do about it.

There are many different ways in which we can support parents. I will speak a little about some of those things in the last few minutes and address the points made about assessment. It is not only the Government's role to support parents. Many other organisations, including those in the voluntary sector, do an absolutely vital job in supporting parents to form close attachments with their children. There are parent and toddler groups, often run by faith groups, in my constituency and I suspect in many other constituencies as well. They perform a vital role in supporting parents to understand good parenting behaviour and to learn from one another.

Arrangements for assessment in the early years have been strengthened by the early-years foundation stage, which Dame Clare Tickell has just reviewed for us. However, I agree with the hon. Gentleman that a lot more can be done, in particular to try to integrate health and early years. That is why I have been working very closely with my hon. Friend the Member for Guildford (Anne Milton), the Minister with responsibility for public health and child health, on the statement that we will be producing before the summer recess, as well as working closely with the sector. We are determined to try to ensure that we draw from the best of good practice from health and integrate that with the best of good practice that already exists in many early-years settings.

There are already regular health checks for children in their first year, which offer parents an opportunity to raise any concerns they have at a very early stage. A key principle of the early-years foundation stage is that early-years practitioners should undertake ongoing assessment and discuss children's progress regularly with parents and carers. However, Dame Clare Tickell made recommendations that I hope will make the process more transparent for parents. They focus on three key areas, including the area that the hon. Gentleman wants us to focus more on—emotional and social development. They will create clarity in the conversation that early-years practitioners are able to have with parents and will focus on how children are developing.

The hon. Member for Nottingham North said that he hopes the Government will take seriously the need for better assessments. Obviously, we need to balance different factors. We need to have more information for the right people to ensure that we can intervene, but the assessment should not be so burdensome that it takes away from practitioners' being able to spend quality time with children and helping them with their development. That is the balance that we are seeking to strike as we think through our recommendations in relation to the hon. Gentleman's report as well as the report of the right hon. Member for Birkenhead (Mr Field), Dame Clare Tickell's report and the Munro review.

Dame Clare recommends a written summary assessment when a child is aged between two and three, building on the current requirements of the EYFS. That chimes with much of what the hon. Gentleman was recommending. She suggests introducing that in a phased way, reflecting the development of policy over the next few years as we roll out the extra health visitors and ensure that the healthy child programme is available to all children. So in the first phase the summary assessment should inform the health visitor review wherever possible, but be done by early-years practitioners and be a key factor for helping parents to understand their child's development. In the second phase, Dame Clare suggests that there should be a single integrated joint review by health and early-years practitioners at around two, once the healthy child programme is fully implemented.

I am going to run out of time, because I have only one minute before I need to sit down, but I will say to the hon. Gentleman that the Government absolutely understand the need to focus on early years and the importance of early years in getting this right. It is the reason we have extended free early-years entitlement to disadvantaged two-year-olds, subject to Parliament's passing the Education Bill, which is being debated in the other place at the moment. It is the reason why we are focusing on making sure that Sure Start children's centres do more on evidence and trialling payment by results to address the points that the hon. Gentleman raised. We will respond fully to his report as soon as the Government receive it. I must now sit down, but I am very grateful to have had the opportunity to debate this issue today.

Wicksteed Park

1.30 pm

Mr Philip Hollobone (Kettering) (Con): It is a delight to serve under your chairmanship, Mr Havard, and I wish you well in your career on the Panel of Chairs. I am delighted that the Minister with responsibility for culture, heritage and tourism is here to listen to the debate, and I thank Mr Speaker for allowing me to hold it. The debate is fundamentally about celebrating the 90th anniversary of Wicksteed Park in Kettering.

Wicksteed Park is a combination of a country park and a leisure park in the town of Kettering in Northamptonshire, and it is right in the middle of my constituency. I often speak of the Kettering constituency as being middle England at its very best, and Wicksteed Park represents the very best of Kettering. It is a park of some 147 acres, with about 40 different rides, activities and amusements, and everyone in the town, most people in Northamptonshire, and hundreds of thousands of people from the east midlands and further afield will at some point have spent time enjoying themselves there. It is a huge honour for the town and for the borough of Kettering that the park is now celebrating its 90th anniversary.

Wicksteed Park is named after its founder, Charles Wicksteed, who was an engineer by trade. He was born in 1847 and was a man of great energy and vision who, in his business career, invented lots of different machines. He was primarily involved with steam ploughs but also got involved with making gearboxes for early motor vehicles, and later in his life he invented a hydraulic hacksaw that would cut through steel at an extreme speed—perhaps his biggest success. He came to Kettering, married a Kettering girl and settled down, and in 1913 he started to purchase land where Wicksteed Park now is, to develop an amenity space for local people.

Kettering in those days was very much a boot and shoe town. There were lots of factories, and many of the workers helped to make the boots and shoes in the little outhouses of their own terraced properties. There was no leisure space, in the modern sense of the word, even though there was lots of farmland because Northamptonshire is a very agricultural area, so Charles Wicksteed had a vision to create an amenity space, a park that could be enjoyed by Kettering residents and their families. He purchased the 147-plus acres along the River Ise, and with the first world war starting in 1914 and with the land fit for heroes when the war was finished, his vision came into its own. He invested a great deal of his own money in the park, creating a man-made lake some 30 acres in size—Wicksteed Park lake—and the park was first opened to the public in any proper sense 90 years ago in 1921.

Wicksteed Park was the first theme park—in the modern sense of the word—in the country. It has other unique features, including the largest free children's playground in the United Kingdom. In the water chute ride, opened in 1926, it has the oldest working ride in any amusement park in the country, and the railway that goes round the park attracts some 200,000 passengers every year. It is the biggest commercial narrow-gauge railway in the country. My point is that in the middle of Kettering we have a unique asset, of national importance.

[Mr Philip Hollobone]

Wicksteed Park is not Alton Towers, Thorpe Park, Drayton Manor or Chessington World of Adventures. It could go down that route, becoming all-singing, all-dancing, commercial and multimedia, and attracting all sorts of leisure interests. There is nothing wrong with that, but Wicksteed Park has chosen another route because of its special status. Charles Wicksteed had the vision to establish not only Wicksteed Park, but also the Wicksteed Village Trust, to carry on the development of the park and his work after his death. Sadly, he passed away in 1931, but the trust continues to this day and its chairman is Oliver Wicksteed, the great-grandson of Charles. I pay tribute not only to Oliver but to all the other trustees on the trust board for their work, which is volunteering in action.

Kettering people are proud that the park was effectively left to the people of Kettering and the wider area to enjoy. They are proud of the fact that the park is run by a trust. It is different from a commercial outfit or a local authority-owned park. As such, Wicksteed Park is the ideal recipient of the funding that is now available through the Heritage Lottery Fund. Heritage lottery funding is there to do what it says on the tin: to preserve and enhance the heritage of our great nation. We have in Wicksteed Park an important part of our nation's heritage—a visionary combination of a country park and a leisure park, which exists not to be all-commercial, but to provide recreational and amenity facilities for local families, and in particular children. What Wicksteed Park needs is investment to preserve the heritage of the park, and to encourage its educational use. There is a huge opportunity for the generosity of the Heritage Lottery Fund to make a difference to a little bit of Britain's heritage, in the middle of the best of England.

The Wicksteed Trust was established by Charles Wicksteed in 1916 to carry on his work after his death. The objectives of the trust are to provide

"free access to open spaces conducive to health".

The open spaces in the park of 147 acres comprise gardens, an arboretum and the general park land. The operation of the leisure park is carried out through a wholly owned subsidiary company called Wicksteed Park Ltd. The leisure park is situated within the wider Wicksteed Park. As a charity, the trust cannot attract commercial investment or operate on fully commercial lines. It is not local authority-owned or funded, despite the fact that Wicksteed Park provides the main recreational park facility in the borough of Kettering. Understandably—this is not a criticism—the park does not benefit from resources from the local authority, of which I am honoured to be a member, or direct Government funding. As such, I believe that it ticks all the boxes in terms of where Heritage Lottery Fund money should go.

The park has applied to the Heritage Lottery Fund for a "Parks for People" grant of approximately £2 million, which will help to restore the park, and present its social history in an interesting, educational and imaginative way. I am delighted that it has got through the first phase of that process, and now proceeds to the second phase. There is a huge local community buy-in to the success of Wicksteed Park, and if a local asset ever enjoyed huge local community support, it is surely Wicksteed Park.

Wicksteed Park is not reliant on funding from the Heritage Lottery Fund, but it would make a huge difference. It would make a huge difference to the increasing range of educational activities undertaken in the park. It has all sorts of assets that the community can enjoy. Not only are there acres and acres of open spaces, mainly grassland, there are nature trails, a fishing lake, the arboretum that I mentioned, and platforms on which productions may be staged, songs may be sung and plays may be delivered. There are many buildings that can take a large number of people. The main pavilion is big enough for more than 1,000 people, and I believe that it is the largest social event space in Northamptonshire.

The park wants to maximise its income through innovative activities such as Asian weddings. It is one of the main venues in the country for such weddings, and attracts newly married couples from throughout the east midlands and further afield. All sorts of attractions can be held in the park and its facilities. As for educational activities, it recently held a "one world, one people" event for Northamptonshire schools, when local schoolchildren came along to celebrate the different attributes of nations around the world. They became Chinese dragons, played the didgeridoo, did maypole dancing, and of course had a big, grand parade at the end.

There are Victorian theme days when schoolchildren are encourage to undertake a project, and to imagine that they are going to the seaside as a Victorian schoolchild, making use of the train in the park, and dressing up in Victorian costumes. That gives children a really wonderful experience outside the classroom. "Stories in the park" is an event when stories are read to children under the trees outside, in a different setting from their normal school classroom. Perhaps the highlight is the now annual Bastille day, when children come along to learn about the importance of learning modern languages. All the signs in the park are changed from English to French, and everyone is encouraged to speak a foreign language. That gives pupils, just for a day, a sense of what it might be like to live in another country, and to communicate in another language.

The park's facilities offer local schoolchildren huge opportunities to enhance their classroom experience. That is why Wicksteed Park is unique. From Charles Wicksteed's original vision of providing people with a place of recreation that gives them an objective in life and their children a safe and happy playground, we now have an increasingly modern facility that is adaptable and flexible to the needs of modern families and their children.

Wicksteed is also important to the local economy because it employs between 100 and 350 people, depending on the time of year—there is obviously a lot of seasonal employment there. Perhaps the best-known employee is Wicky Bear, the park's mascot, who, along with his friends Charlie the dog, Pong the panda and Kerry the koala, regularly entertains local young children.

Lots of events are held at Wicksteed every year. For example, there is the crazy hats fundraising walk, which raises tens of thousands of pounds for local cancer charities. In this 90th anniversary year, the park is holding a number of themed events, such as "Wicksteed at War", to commemorate the contribution of Kettering and Northamptonshire in the second world war; "The

Way We Were", which goes back to the 1950s and 1960s; and a 1970s and 1980s weekend. In September, the Abba tribute group Björn Again will perform an outdoor concert. Lots of imaginative things are going on in the park to get people to come along.

With 1 million visitors every year, we can see how important Wicksteed Park is not only to Kettering, but to areas further afield. Kettering is very proud of Wicksteed Park. It is important not only to Kettering, but to Northamptonshire and the wider east midlands that the park continues to be a success. With heritage lottery funding, we could make a real difference to the park as it approaches its centenary in 10 years' time.

Wicksteed Park is a facility of national importance, and it would be a huge shame were it unable to build on the good work it has done. Its fundamental problem is that it is asset-rich and cash-poor. Charles Wicksteed had a vision of a superb amenity for local people, but the park does not have the endowment to keep it going every year. With heritage lottery funding, the imagination of Oliver Wicksteed and the rest of the trust board, the large number of visitors who come along every year and the good will and support of people in Kettering and further afield, Wicksteed Park has every chance of becoming even stronger as it approaches its centenary in 10 years' time. I very much hope that the Minister shares my ideals.

Mr Dai Havard (in the Chair): I call Mr Penrose. I am glad to see you have not brought your didgeridoo.

1.47 pm

The Parliamentary Under-Secretary of State for Culture, Olympics, Media and Sport (John Penrose): No didgeridoos, but I am delighted to see you in the Chair, Mr Havard. I understand this is one of your first outings, so I am delighted to be here when you break your duck, as it were.

I must confess that I almost did a double take when I walked in, because I am slightly more used to seeing my hon. Friend the Member for Kettering (Mr Hollobone) sitting in the Chair, but this time he is representing his constituents in his usual enthusiastic fashion. I congratulate him on securing the debate, because it is all too infrequent that we have a chance in this place to celebrate a notable local success, and my hon. Friend has demonstrated the value and importance of doing that. His enthusiasm, and that of the people of Kettering, has come across very strongly in his remarks, and I thank him for that.

I am dredging the mists of a rather distant memory, but I have a feeling that I may have been to Wicksteed Park. I fear it was quite a few years ago, when I was a child, but I am pretty sure I was taken there by my godmother or a family relative. I suspect that, just as one knows one is getting old when policemen start looking younger, one must be getting old when a childhood play area one has been to starts to qualify for heritage lottery funding—that must be the definition of getting ancient.

I was fascinated by the news that Wicksteed Park was one of the first examples, if not the first example, of what I will call a theme park, although it is not only a theme park, but a leisure park and a country park, as my hon. Friend has rightly said. However, it is one of the first examples, if not the first example, of such a facility being created anywhere in the world. It struck me that where Kettering leads, Disney follows, and there is much to be admired in that.

It is fascinating to see the way the park concept has developed, because, as my hon. Friend has rightly pointed out, it is a mixture of a leisure park and a country park. Obviously different, newer examples of the form have gone down different routes, but Wicksteed Park is one of the originals of the form. The park shows the social background in which it was created at the time and, based on what he has been saying, it has managed to remain true to those roots and to its function of serving the local community—a great many ordinary municipal parks have also tried to do that. The park is a fascinating blend and mix of that.

It is great to hear that the affection Kettering holds for this local amenity is clearly so strong. The park is a good example of the kind of big society volunteer support that a community is willing to provide and produce when it takes a facility such as this to its heart. People are willing to volunteer their time and sometimes their money in order to ensure that somewhere they themselves have played as a child is available for their children and grandchildren as well, which is clearly what is going on here.

My researchers have been hard at work and got very enthusiastic because they found what they told me is some fantastic old footage on the BBC website of people having a great day in the park many years ago. That was part of a report recently done by the BBC to highlight the anniversary, and it includes some comments from those who have had very happy memories of their past visits. The briefing note from my researchers says, "Catch it if you can, before it disappears." Clearly the footage is worth seeing, and I commend it to everyone. For anyone who has not been to Wicksteed Park—I think that I did many years ago—that footage captures not only its historical essence, but its modern context.

More broadly, the park is an example of the kind of heritage asset—I am using a small "h" at the moment because I do not want to prejudice what I will say in a minute about the Heritage Lottery Fund—that is unusual in its own right. There are lots of different examples of other kinds of heritage asset in pretty much every hon. Members' constituency dotted right around the country. They are vital for telling the local story of an area and illustrating a facet of the history of a local community. Some of those heritage assets are important from the context of the grand sweep of our national history. There are many examples of large ruined castles, stately homes or whatever. Many heritage assets are not so grand, but they are, none the less, tremendously important from the point of view of the local story. The park is clearly a heritage asset that is tremendously important from Kettering's point of view, but there are many others around the country.

I urge hon. Members and, indeed, anyone else reading the debate to go to the English Heritage website and look at the new list for England, which is effectively a database of all the national listed buildings, including parks, gardens, battlefields, protected shipwrecks and scheduled monuments. All those things have been gathered together in an easily accessible database, which was launched last month or the month before, so it is still very new. That database gives amazing background, depth of vision and detail about the reasons why, in this

[John Penrose]

case, Wicksteed Park—it might be any other asset in any other constituency—is tremendously important to that community. The database gives a wealth of interesting detail and, for anyone who is interested in heritage, local history, archaeology or any of the related fields, it is already proving to be an invaluable local resource. I hope that that database will serve to burnish some of the local pride that my hon. Friend has made clear is felt in Kettering.

I also want to make a few remarks on my hon. Friend's comments about the Heritage Lottery Fund, which is important for Wicksteed Park. My hon. Friend has been in this place for as long as me, so I am sure that he appreciates why I must be careful in what I say. Ministers are quite rightly not allowed to intervene on or interfere with individual funding decisions by the lottery distributors. It would be a slippery slope, if any Minister—past, present or future—tried to move down that road, creating an open door for political favouritism and accusations of bias. Rightly, the lottery distributors, ever since they were set up, have jealously and carefully guarded their independence from anyone in Parliament telling them what to do.

The application for Wicksteed Park will therefore have to travel under its own steam and survive on its own merits. However, I am sure my hon. Friend has done its chances no harm by securing the debate and by making such a passionate and well informed case for its importance. The application going, as I think he has mentioned, from phase 1 to phase 2 of the "Parks for People" programme might therefore be worthy of serious consideration. I will have to leave the matter at that point, or I would be crossing the line that I have just drawn for myself and others, but I am sure he has done Wicksteed Park a huge favour by putting the case so clearly.

As I walked into the Chamber, my hon. Friend was kind enough to give me a map of Wicksteed Park, which includes the various facilities that he has described—boating lakes, aviaries and all the other bits and pieces. Featured in the bottom left-hand corner is a rather sweet picture of Wicky Bear, whom he has described as the park mascot. A picture of Wicky Bear is also hidden somewhere on the map, but I must confess that for the life of me I could not find it during his speech. I am sure that, given a lot more time and a microscope, I could, but perhaps he will point it out to me afterwards. The map demonstrates the depth and variety of facilities available in Wicksteed Park, which the local community clearly values hugely.

I will not go on too long, but I am entirely sympathetic to my hon. Friend's comments. It is wonderful that there are such facilities around the country, in all their variety, and we must remember that the rather dry phrase, "heritage assets", describes not only ruined or even roofed buildings, such as gorgeous palaces of one kind or another, but buildings in all shapes and sizes, and Wicksteed Park is one of the more fun shapes and sizes. I am delighted that Wicksteed Park exists, that it is being so carefully looked after and that it is so greatly valued and loved by its local community. I wish it every great success not only for the next 10 years, as it goes from its 90th anniversary to its centenary, but with any luck for the 90 years after that and beyond. Given how it is regarded by local people, it is set well to survive, so with any luck the hon. Gentleman's successor but two—which will not be for many years, I know—will be able to stand up in this place and to lay out for the then House of Commons just how successful Wicksteed Park has been in the intervening 90 years of its career.

With that, I do not propose to delay anyone any longer. I am delighted to be here and to respond to the debate. I am sure that I speak for everyone when I wish Wicksteed Park an excellent and happy 90th birthday, and I look forward to many more.

Question put and agreed to.

1.57 pm

Sitting adjourned.

Westminster Hall

Wednesday 22 June 2011

[MARTIN CATON *in the Chair*]

Youth Unemployment

Motion made, and Question proposed, That the sitting be now adjourned.—*(Mr Robert Goodwill.)*

9.30 am

Steve McCabe (Birmingham, Selly Oak) (Lab): Thank you, Mr Caton, for calling me to speak.

I am delighted to have this opportunity to make the case for more to be done to help young unemployed people in this country. I begin by welcoming the drop in the unemployment figure for the 16 to 24 age group in the past three months, although I think that the Office for National Statistics attributes most of that drop to student behaviour, and it is fair to say that the overall claimant count for May for that particular age group is the worst for two years.

The purpose of this debate is to try to raise awareness of the scale of the problem of youth unemployment and to warn against complacency. In the early '80s, I worked with unemployed young people in Wolverhampton. They were the usual assortment of youngsters: some high on ambition but unsure where or how to get started; some low in confidence but with obvious talents that needed encouragement and a chance to be developed; and some already despairing for their future.

During the long '80s recession, it became clear to me that a generation of young people were being denied the chances and opportunities that they deserved. There were some success stories, because we should never underestimate the resilience and drive of youngsters and their capacity to cope with the things that life throws at them. However, some turned to crime and ended up in prison; some ended up on anti-depressants; and many ended up on long-term benefits. In some cases, those youngsters are now the people the Government say should be reorientated to the world of work, because of the difficulties that they experienced in the '80s—in particular, the fact that they never got into the pattern of work.

During the '80s, youth unemployment continued to rise for four years after the end of the recession, and I am very anxious that we guard against a repeat of that situation now. A recent poll for *The Independent on Sunday* revealed that eight out of 10 people believe that it is harder for a youngster to get a job now than it was 20 years ago. Three quarters of the people who were surveyed called for a tax on bankers' bonuses to fight youth unemployment, and two thirds of them said that they thought that the Government's economic policies threatened to leave a generation of young people jobless and that not enough was being done to help young people into work. If we want to avoid a repeat of the tragedy of the '80s and of the lives that were wasted then, we need to act now. Otherwise we risk having another lost generation of young people. I do not think that any of us who remember what happened in the '80s are willing to stand by and see that happen again.

I know that there will be endless arguments between the Labour Opposition and the Government about the origins of the recession. The politician in me is not really surprised that the coalition wants to pin the blame on Labour and trot out the familiar and ready-made excuses, especially when it is confronted with doubts and allegations of unfairness about some of its policies. But however the blame is apportioned, there is one thing that we can be certain of—the group that is not responsible for the difficulties we now face is the next generation of people seeking work. Their only crime is to come of age at a time of austerity and limited opportunity, and for so many of them the mantra sounds less like, "We're all in this together," and rather more like, "It's everyone for themselves."

Mr Andrew Turner (Isle of Wight) (Con): Does the hon. Gentleman agree that a great deal will depend on the quality of schools and education for those young people coming into work?

Steve McCabe: The education and skills base of young people is very important. Increasingly, however, employers talk about work experience and preparedness for work, which are slightly different from academic achievement or results at school. Nevertheless, I take the hon. Gentleman's point.

David Simpson (Upper Bann) (DUP): I congratulate the hon. Gentleman on securing this debate. On work experience, does he agree that we need more work experience for young people? Education is good—there is no doubt about that—but it is no guarantee that young people will get a job. If we can get more work experience for young people, it will help them to make up their minds about what they want to do. Does he also agree that the further education colleges and universities need to supply courses that are relevant to the needs of industry today?

Steve McCabe: Yes. I welcome any initiative that is designed to help people to be better prepared for work and to help young people to get that first foot on the work ladder. I absolutely agree with the hon. Gentleman on that point.

Mr Iain Wright (Hartlepool) (Lab): I congratulate my hon. Friend on securing this debate, which is very important. His experience in Wolverhampton in the 1980s is very similar to my experience in Hartlepool in the 1980s. Following the two previous interventions, does he agree that the cancellation of the education maintenance allowance is a detrimental step in helping people to stay on in education? In addition, the abolition of the future jobs fund, which helped scores of people in my constituency and elsewhere, will also stop interventions that help young people gain work experience, which is so vital for their future careers.

Steve McCabe: I feel quite strongly that, so far, what we have seen from the Government is the cancellation of initiatives. I hope that during this debate we might hear something about a fresh initiative. However, I personally think that the wrong time to withdraw support is when we are in the depths of a recession and youth unemployment is rising. That is patently wrong.

[Steve McCabe]

I am not alone in expressing my concern about youth unemployment. The CBI has recently voiced its concerns about the rising trend of youth unemployment, a trend that it fears. There are about 31,000 more young people chasing work now than there were last summer. Youth unemployment is hovering around the 1 million mark. That means that one in five of our young people are without work, which is an awful lot of talent and potential for any country to write off.

The Minister of State, Department for Work and Pensions (Chris Grayling): I am grateful to the hon. Gentleman for giving way. I hope he will forgive me for intervening so early in the debate, but I want to ask him to place on the record something that I think is material to the overall headlines, if not to the issue of youth unemployment itself, which we all agree is very serious. Will he accept that of the number of young people who are unemployed—a number that went close to 1 million and then came back down again—277,000 are full-time students who are looking for a part-time job alongside their studies? Those students are not "unemployed" as we would understand that word in its conventional sense.

Steve McCabe: I have acknowledged that students are part of the figures that we are discussing, and I am happy to accept that point. I will say a little more about both students and those who are not in education, employment or training later. However, I am happy to accept the Minister's point that there are some students in the youth unemployment figures. Of course that is true.

In Birmingham, the youth unemployment figure is now about 13,000, which is quite a high figure for that city. OECD data show that Britain compares poorly with its competitors in terms of youth unemployment initiatives. NEETs are also part of that problem. That predicament not only has an effect on young people themselves, but is bad for the country, adding to the Government's borrowing at the very time when they are concerned to reduce it. Over time, we will pay the price of this lack of activity. It has been estimated that the young people themselves suffer a long-term wage scar, earning between 8% and 15% less during their working lives than they might have done. The CBI tells us that youth unemployment costs the country about £3.6 billion per year, which is not a sum of money to be trifled with. A failure to provide initiatives or opportunities can lead to some young people disengaging completely, which clearly has a long-term impact on their employability. Persistently high unemployment, especially among younger and less skilled workers, leads to the problem that the Minister is now trying to grapple with. That problem involves people who are out of the labour market for so long that their potential to rejoin it reduces with each passing month, which explains, at least in part, some of the long-term benefit problems that he is attempting to deal with.

Jim Shannon (Strangford) (DUP): There is a clear need for better co-operation and co-ordination between further education colleges, businesses and the Government to explore jobs, options and opportunities. Not everyone can be a hairdresser or a beauty consultant, but there are opportunities for engineers and in food processing. This week, Bombardier Aerospace announced a substantial investment on the home front, so the opportunities are there. Perhaps there is now a need for the Government, the further education sector and businesses to work together more closely to identify the opportunities, so that young people can gain skills and do training to get those jobs.

Steve McCabe: I entirely share that view. Part of my purpose here today is to argue that a greater effort is needed to respond to this problem rather than to collapse under its weight.

I was suggesting that the danger of persistent unemployment is that it makes people less employable. I was a struck by a young woman called Laura McCallum who came to see me at my advice centre the other week. She is 22 and has an excellent degree from Sheffield university, but she has been unemployed for two years, despite hundreds of applications and a number of interviews. I am told that she has an interview in three weeks' time, so I hope that we will all keep our fingers crossed for her. Strangely enough, she wants to join the civil service—there are obviously lots of optimists around. Laura is a classic example of someone who has done everything right so far, but as the months go by her CV looks worse, because of this gap that she cannot plug.

If we look at people at the other end of the scale—not graduates but NEETs—we see a much bigger employability problem. We know that NEETs are three times more likely to end up in prison, that 50% of them are likely to suffer poorer health, that 60% are more likely to develop a drugs problem and that female NEETs are 20 times more likely to become teenage mums. Those figures were produced by the Prince's Trust, on whose authority in this matter I am happy to rely. These young people lose out, but the country loses out, too. The most recent OECD figures suggest that joblessness in this country is more than double that in apprenticeship nations such as Germany, Austria and Switzerland.

The Minister mentioned earlier that if we look at figures we have to take account of the fact that students make up a proportion of them. I accept that, and it is also fair to say that if we look at NEETs, there are indications that some of the youngsters have additional hurdles, problems or difficulties that make it harder for them to access jobs, and I have no doubt that that is a factor. None the less, the numbers are worrying. The figure for NEETs in the west midlands is about 20%, and it is going up steadily—it currently stands at some 4% above the UK average. NEETs are a particular problem in our region.

I recognise that there are some special problems that require attention. About 10% of NEETs probably find it difficult to join the job market because they are either pregnant or parents with very young children. About 6% of them might be students on gap years, and it would therefore be reasonable to argue that we would not want to include them in an unemployment breakdown, and at any one time about 4% could be in custody. We should not, however, be complacent and say that we can discount those figures; we should instead say that we need not only measures on which everyone works together but, for particular youngsters, even more intensive measures to ensure that their potential for the job market improves.

Labour's proposals for tackling youth unemployment merit serious consideration. It has never been entirely clear to me, as it has not been to my hon. Friend the Member for Hartlepool (Mr Wright), why, even allowing for the scale of the cuts, the incoming Government were so keen to scrap the future jobs fund and the guarantee of work or training. When there is so much public support for it, I do not know why Ministers do not look again at the idea of a tax on bankers' bonuses, especially as the bankers continue to take money they have not earned and show, in my view, little by way of contrition for the problems that they created for all of us, which have caused the suffering of the young people that I have discussed. If we chose to tax bonuses in addition to having the bank levy, we would have the money for the kind of employment programmes that some hon. Members have already mentioned. We estimate that £600 million would fund opportunities for at least 100,000 young people—perhaps more—which might mean that as many as 10,000 youngsters in the west midlands would benefit. That is not enough, but it is a start, and it is a lot better than the present situation.

These folk are our next generation; they are the people we hope will pay taxes, produce growth and finance pensions and health care. They are the people to whom the Minister for Universities and Science claimed we have a contractual obligation in his excellent book, "The Pinch". We are not fulfilling that obligation at the present time, but instead we are denying those people jobs, pricing them out of higher education and threatening their ambitions by preventing them from getting a foot on the ladder.

I am sure that when the Minister replies he will itemise some of the things that his Government are doing to tackle the problem, and I hope that he will also tell us what will happen to the young people's careers advice and support agencies now that the Government have decided to abolish Connexions. I want to make it clear that I welcome some of the Government's initiatives. The national citizen service, which launches this summer, is to be commended. It will offer about 10,000 places for 16-year-olds, although it lasts for only six weeks. It is a step in the right direction, but it is too little.

The Government say that they want to create 100,000 more apprentices, but I am not clear how they expect to do that with so few incentives for businesses to take on more apprentices. I appreciate that this is not strictly the Minister's responsibility—the Minister for Further Education, Skills and Lifelong Learning made it clear to me last night that everything to do with apprentices is in his domain. If there are criticisms, perhaps I should direct them at him. I am sure, however, that the Minister of State, Department for Work and Pensions, the right hon. Member for Epsom and Ewell (Chris Grayling), has some views on the matter, as he thinks about the more general issue of youth unemployment.

I think that we could do more to make apprentices attractive, especially for smaller companies. The Federation of Small Businesses has argued for two specific measures. It thinks that some kind of national insurance holiday and some measure of wage support would be helpful. Its members have also made it clear that one of the biggest problems that they face is managing the administration and bureaucracy of apprenticeships. Interestingly, they are keen on apprentice training agencies, so will the Minister say something about that? Those agencies were initially a Labour initiative, but he does not have to set his face against every such thing. If it makes is easier for him, I think they originated in Australia, so he should not worry about the affiliations. They are something that the FSB wants.

It is important to recognise that only 8% of small businesses have taken on an apprentice in the past year. The figures for 2008 show that half of all apprenticeships were in companies with fewer than 50 employees, and it is vital that we make inroads in that regard.

Mr Gregory Campbell (East Londonderry) (DUP): I congratulate the hon. Gentleman on securing this debate. He is making a very important point about youth unemployment. In many parts of the United Kingdom, it is the small business sector, whether it involves the FSB or other groups, that will deliver for young people, rather than large, inward investment projects—we all love to see such projects, but their days are probably over. Does the hon. Gentleman agree that the small business sector needs promotion and assistance, and that it can offer some prospect of employment to young people?

Steve McCabe: I totally agree. As I have said, the figures for 2008 show that about 50% of all apprentices were in small companies. Moreover, if we look at micro-companies, we see that they are the businesses that need things such as an ATA or some sort of support or incentive. I think that that is where we will find the extra apprenticeships.

I did not call this debate to totally damn the Government, but I want the Minister to recognise that I am not alone in thinking that not enough is being done. The National Institute of Economic and Social Research argues that the current funding for apprenticeships is simply not sufficient to tackle the scale of youth unemployment. Its director told the Treasury Committee in March that neither apprenticeships nor work experience were sufficient to tackle the scale of the problem.

Of course, there are some good news stories, as is the case in all such situations. I received a letter in advance of this debate from Emma Reynolds, the government affairs director at Tesco. I know that Tesco does not always get a wonderful press, but it is the largest private sector employer in this country. It is worth noting that 25% of its almost 300,000-strong work force are under the age of 25. This year alone, it hopes to create 10,000 new jobs. It has provided 3,000 work experience placements, and last year, despite all the difficulties, it was able to take on 335 graduates. It also has a regeneration partnership, which means that it works with Jobcentre Plus in areas in which it is developing new stores or centres. I hope that I can work with it on that, because it has submitted a planning application in my constituency.

Not to be outdone, the Co-op has also announced that it plans to create 2,000 more apprenticeships over the next three years. It is worth noting that its chief executive, Peter Marks, joined the company at 17 and knows exactly what it is like for someone to get their first foot on the ladder and work their way through the company.

I urge the Government to think again about an immediate jobs and training programme. Like many other people, I believe that it could be funded, or part-funded, by a tax on bankers' bonuses. I also think

[Steve McCabe]

that the Government need to establish proper arrangements for careers advice and guidance for young people. Although it is welcome to see examples like the big retail chains—we should encourage more of that and I am all for it—we need to listen to what the FSB is saying and to recognise its problems, particularly in relation to ATAs. If the Minister can indicate that the Government are willing to take some of these things on board, we might be in a situation whereby the accusations that we do not care would not be so loud, and the likelihood that we repeat the things that happened in the 1980s would diminish significantly.

9.56 am

Robert Halfon (Harlow) (Con): It is a pleasure to serve under your chairmanship, Mr Caton. I congratulate the hon. Member for Birmingham, Selly Oak (Steve McCabe) on his thoughtful speech, even if I did not agree with all of it, and on securing the debate.

This is an important debate, because today is vocational qualifications day and apprentices throughout the country are being congratulated on their achievements. In my maiden speech, I said:

"In Essex, nearly 4,000 young people are not in employment, education or training, and Harlow is one of the worst-affected towns...If we give young people the necessary skills and training, we give them opportunities and jobs for the future."—[*Official Report*, 2 June 2011; Vol. 510, c. 488.]

The argument is about not just economic efficiency, but social justice. I want to talk about where youth unemployment is coming from, what the Government are doing and what more can be done.

In 2000, there were 600,000 16 to 24-year-olds who were not in employment, education or training. By 2010, there were well over 1 million and the figure remains at that level. This massive surge was not the by-product of the credit crunch—youth unemployment rose steadily throughout the past decade and the direct causes are well documented. We asked teachers to spread themselves too thinly, with too many competing priorities. Maths and English suffered, and half a million children left primary school unable to read or write. The Education Secretary has recently argued that too many soft qualifications crept in at GCSE and A-level, undermining academic rigour. The recent review led by Sir Richard Sykes, the former rector of Imperial college, concluded that many students were forced to take easier courses, to raise schools' positions in league tables. One member of the review panel said that our current system is a "national disgrace", because it encourages pupils to drop tough subjects such as science. The result is a skills deficit.

In Austria and Germany, one in four businesses offer apprenticeships to young people, but in England the figure is just one in 10. Why do only 28% of British workers qualify to become apprentices or gain technical skills, compared with 51% in France and 65% in Germany? What has gone so badly wrong in the UK that our skills level is so low? Our population is less skilled than that of France, Germany and the United States. As a result, we are 15% less productive than those countries. For example, construction has long represented about 10% of gross domestic product, but we have consistently imported much of that labour from Europe. The consequence has been a rootless, under-educated, jobless generation of graduates who do not have the right skills for our growth industries.

Dr William McCrea (South Antrim) (DUP): Is it not true that, throughout the United Kingdom, we have given the impression that if a young person has not got a degree, they are not really a young person with great achievement? We have sent a lot of our young people to university to obtain a degree that has little relevance to working life. Therefore, do we not need to change that approach and say, "Listen, we need young people without a degree, but who are at least skilled and ready for the workplace"?

Robert Halfon: The hon. Gentleman is exactly right. I always find it astonishing that, when someone goes to university, it is regarded as something of great prestige—and, of course, it should be—but when someone does work experience or an apprenticeship, hardly anyone bats an eyelid. We must change the culture of skills and apprenticeships in our country.

Mr Iain Wright: The hon. Gentleman is making his argument in his usual thoughtful and considered manner, and I agree with virtually everything he is saying: for far too long in this country, we have had a culture of academic success but vocational failure. However, will not the changes to the English baccalaureate and the curriculum be a backward step? Is not the Secretary of State for Education embedding that negative culture, whereby academic equals success but vocational equals failure?

Robert Halfon: I thank the hon. Gentleman for his remarks, but I do not agree with them. As I will show later, we are gearing everything towards vocational training and apprenticeships.

I accept that the previous Government and many Opposition Members were concerned about and did their best to tackle youth unemployment. However, sometimes their policies were expensive and inefficient. The future jobs fund, which was mentioned by the hon. Members for Hartlepool (Mr Wright) and for Birmingham, Selly Oak, cost up to £6,500 per placement. Most placements were temporary six-month internships in the public sector. In comparison, the normal cost of finding work for a young person on the new deal was just £3,500 per job, which is better value for money.

Despite that, tens of thousands of young people who finished school were still on the dole a decade later. Although billions were spent on the new deal, around 100,000 of those who left school in the first term of the previous Government have never held a job. They are now in their 30s and have never worked in their lives. The future jobs fund and the new deal too often operated like a revolving hamster's wheel back to benefits. People were shifted around and around but did not get anywhere. The future jobs fund was announced in 2009 and aimed to create 150,000 jobs in two years. By the end of the first year, fewer than 5,000 jobs had been created, which is 3% of the target. It just did not work. There were also problems with Train to Gain. Much of the training on Train to Gain was not actually training; it was bureaucratic assessments dressed up as training.

Stephen Timms (East Ham) (Lab): The figure that the hon. Gentleman gave is a little bit misleading. Between October 2009 and January 2011, there were more than 90,000 starts thanks to the future jobs fund. Of course, the scheme did not run for the full two years, for reasons that we know about, but over the full period that it was in operation, a large number of young people got into work.

Robert Halfon: Yes, but the crucial thing is not just for someone to get initial work, but for them to stay in work. I hope that the Minister will announce later that our policies relate to giving people long-term jobs. The point is this: job creation schemes, however noble, will not break the poverty trap unless they give people new skills in real private sector jobs.

The Government's skills strategy published last year sets out plans to refocus spending on apprenticeships and to make all vocational training free at the point of access, with costs repayable only once someone earns a decent salary. That will help many young people into training, especially single parents, people who have been made homeless, and ex-offenders. I strongly support the announcement that 250,000 new apprenticeships will be created over the next few years. I particularly support the establishment of 24 new university technical colleges, which are essentially pre-apprenticeship schools led by local employers.

In Harlow, we have applied for a UTC led by Harlow college. If we get it, that UTC will be a centre of excellence for engineering and journalism backed by local firms and Anglia Ruskin university. On top of that, I support the funding for 100,000 sponsored work experience placements for jobless 18 to 21-year olds. I hope that such policies will significantly reduce youth unemployment in the years ahead.

However, it is not just about national Government. In Parliament, I have often championed the pioneering wage-subsidy scheme run by Essex council and Harlow college. As I mention in early-day motion 1258, that scheme has boosted young apprentices in key growth industries, especially high-tech manufacturing. Essex council and Mr Dean Barclay have even helped to sponsor the apprentice in my Westminster office, Andy Huckle, who is combining a year in the House of Commons with a level 3 course in business administration. A few other MPs have taken on apprentices and I urge all hon. Members to do the same.

In Essex, that scheme is being taken to the next level by the Federation of Small Businesses, which has applied to the regional growth fund to sponsor 2,000 new apprentices, especially in the energy sector. That scheme will be similar to the targeted £2,500 wage subsidy proposed by the central business institute a few years ago. So despite the historic problem, a lot is being done to address the social injustice of young people who want to get on in life but cannot find a job.

Work experience and apprenticeships give young people a chance to see a busy workplace, and to make things happen in the real world. The hon. Member for Birmingham, Selly Oak mentioned the Prince's Trust. As we speak, a young girl from the Prince's Trust is doing some work experience with me. The Government must start to use their planning powers and their contracts to insist that there is a better uptake of apprenticeships in Britain. Harlow council is currently looking at ways of using planning law to require developers to employ young apprentices. In the same way, Essex council is exploring ways of putting clauses into contracts to boost apprenticeships for young people. The total value of public sector contracts is £175 billion a year. If even a fraction of those built in apprenticeships, it would make a huge dent in youth unemployment across the country.

The issue is not just about how to create job opportunities. Let us be honest: for too long apprenticeships have been seen as plan B if someone does not want to do A-levels, as the hon. Member for South Antrim (Dr McCrea) mentioned. That was the problem with the old technical schools of the past: attending them was seen as a lesser thing to do. That must be confronted, rather than swept under the carpet. The plans to enhance a level 3 apprenticeship to technician level will make a difference, but as I mentioned, we must give apprenticeships parity of esteem to make them more attractive to young people who are looking for work.

That is why at 3.30 pm today, in the Jubilee Room next door, I will launch a new apprentice card with the National Union of Students and businesses, who together have tens of thousands of apprentices on their books. The card has one simple aim: to give apprentices the same benefits as A-level and university students. I have worked for many months with the NUS and other organisations to establish a national society of apprentices. The card is the very first step towards such a scheme and it will give young apprentices discounts at restaurants, travel agents and high street stores, as well as access to free support services and legal advice. There will also be social events, mentoring, careers guidance and other planned benefits, including financial products such as interest-free overdrafts.

Dr McCrea: It is important to find out if the scheme about which the hon. Gentleman is talking is being rolled out throughout the United Kingdom or if it is just happening here on the mainland.

Robert Halfon: At the moment, it is an English apprentice card, but we hope to extend it as we slowly roll out the scheme. I urge the hon. Gentleman to come along to the launch this afternoon; he would be very welcome.

The effective rate of youth unemployment is devastating, and has been for the past decade. If we leverage Government contracts and planning, and boost the prestige of on-the-job learning through efforts such as the apprenticeship card, we will transform the lives of the 1 million young people who are out of work.

Martin Caton (in the Chair): Order. I want the winding-up speeches to start at 10.40 am, and I have five people indicating that they want to speak—so, more brevity, more speakers.

10.10 am

Ms Margaret Ritchie (South Down) (SDLP): I commend my hon. Friend the Member for Birmingham, Selly Oak (Steve McCabe) for securing this important debate. I come from Northern Ireland and represent a Northern Ireland constituency. Along with my colleagues from the Democratic Unionist party, we want to bring to the debate the perspective from Northern Ireland, where devolution has given us the prime responsibility for

[Ms Margaret Ritchie]

apprenticeships and for tackling youth unemployment. However, social security and jobseeker's allowance are issues of parity, because the funding comes directly from the Treasury here in London. We are keen and anxious that the levels of youth unemployment are gravely reduced.

Some of the issues go back to educational attainment. For example, one in every five children leaves primary school in Northern Ireland without proper literacy and numeracy skills, which can be directly correlated to levels of economic inactivity later on, because such people are not properly equipped to undertake skills and training. That is an issue throughout the United Kingdom. Although we come from different political perspectives, we are anxious for youth to be geared and invested with the skills and training necessary to ensure that they do not get involved in violence and terrorism, such as we have witnessed for the second night running in east Belfast. That road leads only to a different way of life, and we want youth to be channelled into positive activity, so that deprivation and social disadvantage do not mean no active work or engagement.

To emphasise the scale of the problem, we need to look at the stark figures. The annual increase in JSA claimants in Northern Ireland is the largest among the UK regions. Over the past year, 3,900 people have joined the dole queue, and that is an increase of 7%, compared with a rise of 0.3% in the UK as a whole. Critically, the trend of increasing, long-term youth unemployment is most alarming, with Northern Ireland experiencing a sevenfold increase in long-term unemployment among 18 to 24-year-olds since the recession.

I do not want to indulge in ostrich economics. We must rebalance our economy in Northern Ireland, and that is why we are seeking the assistance of the Treasury. Some of us might have different views about the degree to which corporation tax should be lowered to attract foreign direct investment—I think it should be lowered—but I agree with my colleagues that small indigenous businesses must be encouraged as well to provide the opportunities for young people to be skilled.

David Simpson: The hon. Lady made a point about small indigenous businesses, but surely small businesses can be encouraged to take on more apprentices and young people by reducing the red tape and bureaucracy, as well as by the accessibility of bank credit. Currently, small businesses are experiencing such difficulties, which have a domino effect.

Ms Ritchie: I thank the hon. Gentleman for his helpful intervention. I agree that the Government, with the British Bankers Association, need to tackle directly the lack of availability of credit facilities for young people who have the skills to set up in business. Also, a prevailing view is that the Government's failure to act with the necessary urgency and immediate action casts doubt on the coalition's ability to deal with this crisis before it becomes a structural liability that will weigh down on our economy in years to come. Over the past 20 years, successive Governments have instilled in young people, quite rightly, the sense that by investing in their education, they are investing in their future career. To have them leave university during a stagnant job market is a fundamental failing, and another failing is in the whole area of welfare reform. We are encouraging people to go into work rather than to apply for benefits, which is all very well if the job and skills opportunities are available but, sadly, in many instances, that is not the case.

We must be aware of the economic cost that goes hand in hand with the social cost of youth unemployment. The London School of Economics found that each young person in long-term unemployment costs the Exchequer up to £16,000 a year. The Prince's Trust has stated that youth unemployment in Northern Ireland costs up to £4.5 million a week, which is almost £250 million a year. The economic cost of the failure to tackle the problem could not be more evident.

In conclusion, while the Northern Ireland Assembly and Executive must not shirk their responsibilities, there is no doubt that central Government have a profound role in influencing devolved Administrations. Youth unemployment lies at the centre of a constellation of other problems, including local economic performance, education, welfare dependency and the state of local infrastructure. It is most important that the Minister responds positively on how we can collectively tackle this pernicious issue, because we must ensure a future for our young people, that the issues of educational disadvantage and skills deprivation are properly dealt with and that a university degree is seen as on a par with skills training, and vice versa, because as soon as the public sees that equality of advantage, we will really be tackling youth unemployment.

10.17 am

Tony Baldry (Banbury) (Con): I want to make three points. First, we must put the debate into context—the good news and the bad news. The good news is that the June official unemployment figures showed the number of young people out of work falling in the quarter to April—youth unemployment has continued to fall sharply—and the number of unemployed people between the ages of 16 and 24 dropped by 79,000, which is the largest fall since official records began in 1992. That point needs to be made in this debate. Against that, we must recognise that 900,000 young people aged between 16 and 24 are still out of work. I accept the earlier caveat of the Minister, that a number of them are youngsters who are studying but looking for part-time work; even so, there is still a problem, in particular for those not in education, employment or training, who have that hideous acronym of NEETs.

Secondly, in the Budget the Government announced an extra £180 million to help fund 40,000 apprenticeships, so over the next four years a potential 400,000 on-the-job training schemes will become accessible to young unemployed people. However, employers have a responsibility, too. We might get more apprenticeships, but a two-way process is involved: employers need to offer the apprenticeships. In a constituency such as mine, where the overall unemployment rate is about 2%, employers often bemoan the skills shortages when things are going well but fail to realise that the wise employers with foresight ensure that they train their own staff for the future.

Pro Drive, Norbar Torque Tools, Crompton Technology and Bicester Village in my constituency are flagship businesses with nationally and internationally recognisable names, and all have excellent apprenticeship schemes.

Pro Drive has a scheme to send apprentices to university. Bicester Village has introduced a scheme for retail apprenticeships, and Crompton Technology, Norbar Torque Tools and many others are enhancing their work force and their future by investing in young people today. We cannot just stand on the sidelines and shout at the Government. The Chancellor made opportunities available in the Budget, and it is now for small, medium and large business to take up the opportunities.

My third point relates to NEETs. The NEET rate in many places is far too high, but young people do not start to become disengaged with education and employment at 16. That often happens much earlier. In Oxfordshire, we are launching an early intervention service that will start at a much earlier age to provide specialist services to families facing exceptional difficulties. The whole point about the early intervention service is that it will try to help to improve outcomes in relation to reducing persistent absence and exclusion from school in the hope that when youngsters get to 16 they will still be engaged in education and training. It is sometimes unbelievably depressing to meet young people who have fallen out of education and training, and we must ensure that many more of them are engaged. If they are unqualified and unskilled at 16, the chances are that they will be unqualified, unskilled and unemployed not just at 24, but for the rest of their life. Banbury and Bicester job clubs are organising specialist job clubs during the summer for young people to ensure that every youngster in the area knows about all the available opportunities, and that they get the fullest possible support in finding a place in the world of work.

10.22 am

Karl Turner (Kingston upon Hull East) (Lab): It is a pleasure to serve under your chairmanship, Mr Caton. I congratulate my hon. Friend the Member for Birmingham, Selly Oak (Steve McCabe) on securing this important debate. For me, it is crucial. Since the peak of the economic crisis, youth unemployment in my constituency was definitely falling steadily. It took a Tory-led Government to reverse that trend. The latest figures show that 1,450 16 to 24-year-olds in my constituency are collecting jobseeker's allowance, which is one third of the overall claimant count, and 36 people chase each job vacancy. I am told that a year ago, 10 people chased each vacancy. Clearly, there is a problem that needs to be addressed.

It is crucial that Connexions is not allowed to close. The new Labour city council in Hull has overturned the Lib Dem council's policy of withdrawing funding for Connexions, so we are lucky to an extent. But that raises the issue of what the Government's agenda is, and that was made clear to me at my last surgery when a young, 18-year-old constituent, Michaela Droullos, came to my office. She is about to go off to do a degree in nursing at Leeds university. She said, "What have the Government got against young people?" I said, "How do you mean?" She said, "They are scrapping the future jobs fund, abolishing Building Schools for the Future, scrapping the education maintenance allowance, and trebling tuition fees." The Minister is turning his back to me, but my constituent came to me highlighting how she perceives the Government's agenda of the past 12 months. That is serious, and I respectfully ask the Minister to take notice of what my constituent thinks of his Government. They gutted funding for creative partnerships, and then attacked Connexions.

I intend to be brief, Mr Caton, but I want to ask the Minister some questions. I am concerned about the care to learn programme in my constituency. It is an initiative that concentrates on youth parents under 20, and I wonder whether it will continue after the 2011-12 academic year. I also wonder whether the Government have acknowledged the fact that by scrapping EMA young people will become estranged from their parents and will claim income support. What assessment has been made about the financial implications of that?

Face-to-face careers advice is crucial, certainly in my constituency. Young people should have an opportunity to sit with an expert careers adviser and receive face-to-face advice. What are the Government doing about that, and what is likely to happen to the statutory obligations on special educational needs?

This is important in my constituency. As I said at the outset, 36 people chase every job, and it is not a coincidence that that has increased by a massive amount in the past 12 months.

10.27 am

Mr David Ward (Bradford East) (LD): I congratulate the hon. Member for Birmingham, Selly Oak (Steve McCabe), who is a fellow graduate of the university of Bradford. I shall cut to the chase. I have quite a lot to say about the schemes to help young people aged 18 to 24, but that is not the contribution that I want to make. I want to follow on from some of the comments that the hon. Gentleman made about those in the school system. The Minister may say that I am making my speech to the wrong Minister, but in some ways that is the problem. There is a lack of joined-up thinking between Ministers.

The Secretary of State recently came to Bradford. I say Bradford, but it was Ilkley, where there are no NEETs, absolutely zero, and to Bingley where there are 19, but in my constituency, the average secondary school, let alone ward, has more young people than that on a reduced timetable and receiving specialist provision. I am not speaking behind the Secretary of State's back because I have spoken to him about this, and I hope that he will remedy it with a visit to some parts of Bradford in the future.

The issue that I want to focus on is not what we do post-18 or post-16, but what we do from birth and certainly from the ages of 10, 11, 12, 13 and 14. At that point, although there are still many problems to be faced, there is a chance with appropriate and skilled intervention to do something about the future life chances of young people. A reduced timetable tends to be the answer, but we are often dealing with teachers who simply do not have—why should they?—the necessary skills set to deal with often difficult young people.

The consequences of failure are there to see in the statistics on NEETs post-16, and teenage pregnancies. In my area, 20% of DWP claimants aged 16 to 24 are lone parents. The other consequence—this is stark language, I know—is the number of young people who end up in Armley prison. That is how serious the issue is.

The main problem seems to be that we burden the post-16 world with remedial work as a consequence of a failure to support structured interventions pre-16. The pre-16 work is often unco-ordinated and insufficiently funded. It involves a mixture of separate units and reduced timetables, as I mentioned. I am sorry to have

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to say that for many schools it is simply a case of getting a young person through, without losing track of them, to the age of 16, when they can pass them on to someone else because it is no longer their responsibility.

Why is no permanent, mainstream, funded provision available? Within these four walls, that has repercussions. There is additional funding for pupils who have English as an additional language, but none for white working-class pupils, whose literacy skills may be just as bad and whose oral skills are often deplorable. No wonder we have issues with the British National party and the English Defence League in some of our white communities. We need to have a positive response to that.

The answer to the question that I have posed is that often the provision is regarded as just a temporary measure. We see schemes in schools that involve a pilot followed by another pilot. A short-term pot of funding is available and then another one needs to be found. There is no continuation and certainly no mainstream funding available. However, until we deal with the high levels of deprivation in some of our communities, there will be a constant flow of disaffected young people who end up requiring post-16 and post-18 support, which by then will be of no value.

Some schools are doing well. Carlton Bolling college, a secondary school with which I was involved, provides an example of sustained effort. That includes off-site provision; learning support units; timetables that are reduced but with a mixture of provision; and the development of a vocational curriculum. However, those options are expensive and are all without additional funding. The Ilkley grammars of this world have the same level of funding per pupil, but do not have the problems that a school such as Carlton Bolling college has. It is hoped that the pupil premium will provide support, but that should not be required. What is really required is intensive, integrated multi-agency work, and much of that has to involve family interventions. That work is difficult and expensive, but the cost to society of not doing it is of course even greater.

We must consider how we assess our schools. How will we ever adequately fund measures to deal with some of these issues when we assess and evaluate schools based on league tables that reward a school that lifts a young person from a grade D to a C, but does nothing at all to acknowledge the fact that to get someone from nothing to something—G or above—is often a far more prestigious accomplishment? Again in stark language, how will we ever adequately fund such measures when a school receives more credit for converting a student from a D to a C than for diverting a student from a life of crime?

Much work needs to be done. No doubt the Minister will say that he is not personally responsible for the group to which I am referring. However, the conveyor belt of failure has to be picked up by the Minister. We need clear evidence first that the Minister is aware of it and then that measures are being taken to join up the provision required to stop that conveyor belt.

10.34 am

Jenny Willott (Cardiff Central) (LD): We have heard a lot today about the statistics, so I will not go into those. The good news is that youth unemployment is dropping, but everyone shares the concern that it is still too high. As I think almost every hon. Member said, we must tackle the implications of long-term unemployment; the issue is not just those who are out of work for short periods. That is where the picture is looking quite good. The number of 18 to 24-year-olds claiming jobseeker's allowance for more than a year has reduced from more than 26,000 to just under 15,000 in a year. That is good for all our constituencies.

However, research done recently showed up some worrying findings. One finding was that young people are very disillusioned about their prospects of employment. They believe that they will find it very difficult to get work. A very worrying number said that they would like to work but they were not even looking for work because they believed that no jobs were available, so in some ways we have talked ourselves into an even greater problem than we need to have. We therefore need not only to tackle skills levels, as a number of hon. Members mentioned; we also need to increase young people's motivation to go out and compete for the jobs that exist. There are jobs around. There may not be as many as we would like to see, but there are jobs and young people need to be encouraged and supported to go out and compete for them.

We must not lose sight of the short-term and long-term implications of youth unemployment, both on a personal level and for society as a whole. We have heard about the financial implications of youth unemployment, but there are other implications for the individual and for society in the longer term. The longer someone has spent unemployed, the less opportunity they have to go up the career ladder. They are likely to have lower lifetime earnings, which means that they and their families are more likely to struggle. It also means that they are less likely to save for their retirement, so in the very long term they will end up with low or non-existent pension savings and either are likely to have to work for longer or are likely to be living in poverty as a pensioner. The implications can be very long term for the individual and for society.

This is one of a number of debates that we have had in the past few months on youth unemployment and what can be and is being done about it. Hon. Members are right to say that we need to improve the employability of young people, but I believe that the Government are trying to do that. I am reassured by work that is being done by the Department for Work and Pensions and by the other Departments with a responsibility in this area. The Government have been investing in apprenticeships. The hon. Member for Harlow (Robert Halfon) has explained why that is critical and given very good examples of what can be done not only by Government, but by individuals. I congratulate the hon. Gentleman on the work that he has been doing in this area. He sets an example for all of us—we should be doing more.

I hope that the Minister will tell us more about what the Government are doing with regard to work experience placements, because for many young people that taster of the workplace and the opportunity that it provides for employers to see what young people are like and that they can step up to the mark is important. The Government are also investing in early support in the Work programme for NEETs, which many hon. Members spoke about.

Without wishing to play the blame game, I think that it is important to put it on the record that Labour did not do enough to tackle the trends in youth unemployment when it was in government. In many ways, that contributed to the problem of long-term unemployment among young people that the present Government are trying to resolve. Labour threw money at the problem rather than focusing on what worked. A number of hon. Members mentioned the future jobs fund, but it was created to ease the problem of youth unemployment, not to create long-term sustainable jobs. That was the problem with the programme: at the end of the placement, there was not always a job to go to, so the young person ended up back on working-age benefits. That also knocked their confidence, which takes us back to the problem that I referred to at the beginning of my speech of young people feeling disillusioned. We need to create long-term sustainable jobs and a skilled work force—a cohort of young people who are willing and able to take up those jobs.

I therefore welcome the early access to the Work programme for NEETs. I would be grateful if the Minister told us whether there are any plans to roll that out, if it proves successful, to more young unemployed people who are not necessarily NEETs. I cannot remember which hon. Member mentioned investing in support for young entrepreneurs. A very small proportion of the under-24s are self-employed. That is understandable, but many young people have good ideas, are keen and enthusiastic and will generate wealth and jobs for the future. I would be grateful if the Minister could tell us a little more about the support that is being, or will be, made available to help and encourage those young people, whether that is mentoring support or access to capital to enable them to invest in themselves and in jobs for the future.

I welcome the significant progress that has been made in tackling long-term youth unemployment. We cannot risk another generation facing the same problems as those who left school and university in the 1980s and 1990s. The Government are doing a lot, but there are some areas I would be grateful if the Minister could expand on, and I hope that that work will continue.

10.40 am

Stephen Timms (East Ham) (Lab): I, too, congratulate my hon. Friend the Member for Birmingham, Selly Oak (Steve McCabe) on securing this timely and important debate.

Unemployment is too high across the board, but young people are being disproportionately hit, and the impact of youth unemployment is particularly damaging. Long spells of unemployment early in somebody's working life can permanently harm their future potential. Paul Gregg at the university of Bristol has shown how severe that scarring was after the 1980s recession, when my hon. Friend was working among unemployed young people in Wolverhampton and my hon. Friend the Member for Hartlepool (Mr Wright) was doing similar work in Hartlepool.

It is that long-term impact which makes this topic important and which explains why it is important that the Government tackle it. I have been looking at the Churches' seminal 1996 report on unemployment and the future of work, which powerfully set out the key moral case for dealing with this issue:

"it is wrong, in such a prosperous society as ours, for large numbers of people to be denied for long periods the means to earn a living".

On youth unemployment, the report said:

"The reason for special concern about youth unemployment is not just that it is relatively high, but also that it comes at a crucial stage in a lifetime. The anxiety must be that young people who fail to obtain work experience at this stage will miss out an essential induction into adult responsibility and independence...It is...the main focus for the initiatives proposed by the Labour Party for their 'new deal'."

Indeed it was; in 1997, the new Government recognised the imperative to change things for the better, and they did so through the new deal.

Fifteen years later, however, that job needs to be done again. If anything, the case for action is even greater now than it was then. We have a particularly large cohort of young people aged 18 to 24, and large youth cohorts need to be cared for; there is a big risk of social damage if they are not. We now run the serious risk that this large group's entry into adulthood will be stunted by unemployment.

As we all know, being unemployed has an impact on short-term and long-term health and even on life expectancy. However, if a young person is unemployed, it can hurt even more. Falling at the first hurdle in working life can mean missing out on the fulfilment that comes from a meaningful career. As the hon. Member for Bradford East (Mr Ward), among others, said, high levels of youth unemployment also tend to be associated with poor social outcomes, including increases in crime, particularly property and street crime. We need to keep our focus on that, particularly when police numbers are being cut, as they are at the moment.

Youth unemployment means a loss of productive work, adds to the benefits bill and increases the costs of policing and long-term social exclusion. A couple of contributors to the debate have referred to the work of the Prince's Trust, which estimated in 2010 that the cost to the public purse of a young jobseeker was up to £16,000 per year, which is too high a price.

In a recession, young people are most at risk in the labour market. Often, firms will operate a last-in, first-out policy, which naturally works to the detriment of their younger employees. Firms facing an uncertain future will often not take on new staff at all, which, again, disproportionately affects young people.

The problem is being exacerbated by the fact that the Government are cutting public spending too far and too fast, hitting families, costing jobs and running the serious risk that they will make it even harder to reduce the deficit. The Labour party's case is that we should put jobs first. We do, of course, need tough decisions on tax and on spending cuts, and it is absolutely right to tackle inefficiency and waste. However, getting people off the dole and back into work is the best way to bring the deficit down. As the Prince's Trust has said, keeping young people on the dole is a waste of money and talent, and it puts the future well-being of our economy and society at risk.

On the most recent figures, there were 935,000 unemployed 16 to 24-year-olds in the three months to March. That is a welcome fall on the quarter, but it means that there were 31,000 more young unemployed people than there were last summer.

Chris Grayling: The actual number in the last figures was 895,000, which is lower than at the general election.

Stephen Timms: Those were not the Office for National Statistics figures. The figure, as I read the release, was 935,000, which is 31,000 more than last summer.

Of course, it is no surprise that unemployment rose sharply in the downturn. However, a year ago, with the youth jobs guarantee and the future jobs fund in place, youth unemployment was starting to fall steadily, including in the constituency of my hon. Friend the Member for Kingston upon Hull East (Karl Turner). As we have heard, one of the new Government's first acts was to scrap that successful programme, and we can see now some of the damage that has resulted. The rise in unemployment means the benefits bill is going up by more than £12 billion. As we have heard, that comes at a time when other Government decisions, such as scrapping education maintenance allowance and removing Connexions, are making it harder for young people who are starting out.

As my hon. Friend the Member for Birmingham, Selly Oak said in opening the debate, the Labour party is arguing for a second, one-off £2 billion tax on bankers' bonuses. Of that, £600 million should be used to help create 90,000 more jobs for young people at this crucial time, when those jobs are so badly needed. The remainder of the funding should be used to build more affordable homes—that, in itself, would probably create about 20,000 jobs for young people—and to support small businesses by increasing the regional growth fund. Later this month, we shall seek to legislate for that proposal through an amendment to the Finance Bill.

Last year, the bankers' bonus tax brought in £3.5 billion. By comparison, the current Government's bank levy will yield less than £2 billion in the current financial year. It is estimated—conservatively, I think—that a repeat of the bonus tax could bring in an additional £2 billion this year. That funding could be put to extremely good use.

As my hon. Friend said, youth unemployment in the 1980s continued to rise for four years after the recession was over. We need to act now to avoid another lost generation of young people. A fair tax on bank bonuses can help to get young people off the dole and into work. It would be hypothecated, and people would see where the money was coming from, what it would do and where it was going.

Official figures show that between October 2009 and January 2011 there were, as I said in an intervention, 91,890 starts in future jobs fund vacancies. The hon. Member for Harlow (Robert Halfon) made some telling and important points, but his case was rather undermined by his suggestion that only 5,000 people started on the future jobs fund, which is not correct; it was well over 90,000, and the programme would have been well on track to achieve the 150,000 target had it been allowed to continue for the full two years for which it was planned.

A strikingly large proportion of those who started on the future jobs fund went on to other jobs when their placement ended. The crucial point, however, is that having a proper job for six months at an early stage potentially transforms a young person's future career and life chances. That is why that intervention was so important and effective. More than 10,000 of the 90,000 were in the region of my hon. Friend the Member for Birmingham, Selly Oak—in the west midlands.

Of course the new youth jobs fund would be different. It would be linked with other schemes and with employers, to ensure that real jobs came out of it. No doubt lessons would need to be learned from the experience with the future jobs fund, and I agree about the importance of linking with apprenticeships; but the principle that substantial effort and investment are needed to safeguard the current generation of young people should be agreed across the House. The Government need to take that seriously, not just addressing the incentives for work, but taking responsibility also for there being jobs for young people to do.

10.50 am

The Minister of State, Department for Work and Pensions (Chris Grayling): I too congratulate the hon. Member for Birmingham, Selly Oak (Steve McCabe) on securing the debate. I want to set out, as several hon. Members have requested, the details of the Government's strategy to deal with youth unemployment, but I should start by giving a little context to the problem we now have.

Let me be clear, first, that the shadow Minister is plain wrong and a month out of date: the latest unemployment figures, published in the past month, show that the total number of young people who are unemployed in this country, according to the International Labour Organisation measure, is 895,000. That is 35,000 lower than at the general election. Let us put that in context. We have heard a lot of rhetoric and comments in the debate about the record of the previous and present Governments, but we should be clear that youth unemployment—happily, and long may this continue—has fallen since the general election.

Stephen Timms: The Minister made a case in an earlier intervention for perhaps taking some people out of that figure, because they are full-time students looking for part-time jobs. Is he suggesting also that the number of full-time students with part-time jobs should be taken out of the employment count?

Chris Grayling: I have issues generally with the way some of the ILO's data are collected. Perhaps the right hon. Gentleman or some of his colleagues would like to request another debate, and we can consider the question at length. What pleased me most fundamentally about the last set of figures was that the drop occurred not in the group of those in full-time education, looking for a part-time job, but in the group of those not in full-time education or employment. That is a welcome development.

There is a big challenge for us.

Steve McCabe: I do not want the debate to get bogged down in the question of figures, but I am not quite sure I understood that last point. I thought that the Office for National Statistics said that 61,000 of the 88,000 drop was accounted for by students becoming economically inactive because they are in full-time study. It is not true in that case to say that the bulk of the drop could be attributed to non-students. The reverse would be true.

Chris Grayling: There is a headline number of 895,000, less 277,000, so there has been a figure for the past few months of six hundred and something thousand young people who have been unemployed but are not in full-time studies. It is in that group that the falls of the past few months have happened. That is welcome; but it is only a small step in the right direction. We accept absolutely that there is a big challenge. It has been arising for much of the past decade. It began not even in the recession but in 2003-04. I think that the previous Government did not do enough to recognise that trend—the hon. Member for Cardiff Central (Jenny Willott) was right. We inherited from that Government a collection of inadequate and expensive schemes, as well as a monumental financial deficit. That led to our having to take some pretty difficult decisions, which we might rather not have taken; we had to, given the scale of the financial mess left behind.

We have put in place in the past 12 months a strategy that I believe will start to make a difference. It is of paramount importance that we should focus on the hardest-to-help in the group. The numbers show that about 80,000 young people have been on jobseeker's allowance for more than six months and that there is a core of 300,000 young people who have been out of work for more than six months, according to the ILO measure. Happily, the majority of young people who go on to jobseeker's allowance move off pretty quickly. That is good; it is a temporary phase and they move into employment. Many who are not in education, employment or training are only in that group as a temporary phase between school and college, or a similar situation. However, a core of young people are struggling to get into the workplace, and they are, should be and will be a priority for the Government.

Mr Iain Wright: Does the Minister think that the ending of face-to-face careers guidance will have an impact on youth unemployment?

Chris Grayling: Of course, we are not ending face-to-face careers guidance. Under the plans that we have put forward it is, first, for head teachers to look after careers advice for school-age pupils. However, for those over 18 we shall provide a face-to-face option through the all-age careers service. We are working carefully to ensure that Jobcentre Plus and the all-age careers service will work extremely closely together, to ensure that not only do we deal with job search requirements, but we steer young people towards that advice, which of course will also be available online. That is the right approach, and the work being done in the Department for Business, Innovation and Skills is important on that front.

There are three key elements to our strategy. The first, as the hon. Member for Cardiff Central mentioned, is work experience, to try to tackle the age-old problem that someone without experience cannot get a job, but they cannot get the experience unless they get a job. Earlier this year we launched our work experience scheme. Our target is to provide work experience placements for 50,000 young people per year over the next two years.

On top of that we are launching work academies later this year, to provide additional combined training and experience placements. We are looking to provide a very large number of young people with opportunities to take first steps in the workplace. Jobcentre Plus is engaging employers throughout the country. There is a national effort to get bigger employers involved, and already several thousand young people have gone through the work experience placements. Many of those have now moved on into jobs and apprenticeships. That is the first essential part of our strategy, and we have commitments from employers for tens of thousands of work experience places, which I hope can provide an extra leg up into the workplace for some of those who are shorter-term unemployed—some of those entering the labour market after school and college, and wanting to take their first steps in the workplace.

The second key part of our strategy is apprenticeships. I pay particular tribute to my hon. Friend the Member for Harlow (Robert Halfon) for the work that he has done. He has been a great champion of apprenticeships, and the initiative that he is launching—the apprentice card—is valuable. He should take great pride in what he has achieved with that. Since the general election we have announced tens of thousands of new apprenticeships. The hon. Member for Birmingham, Selly Oak raised the question, and I can tell him that employers have taken up those extra places. We are meeting our goal of filling those apprenticeship places; long may that continue. It is an important part of building a long-term career opportunity for young people—not the six-month placements of the future jobs fund, which cost four times as much per job outcome as even the not terribly successful new deal for young people. Apprenticeships are a path to provide career skills for a lifetime and a long-term job in the private sector, where jobs are currently being created—with 500,000 more roles in the private sector since the election. That is where our focus should lie.

There is also, of course, the Work programme—intensive support for young people who are struggling to get into the workplace. Entry to that intensive support for any young person is after nine months, which is sooner than under previous schemes; but, crucially, there is entry after three months for some of those who are most challenged—those who have been NEET, and those who are struggling, from the most difficult backgrounds and circumstances—to get intense, personalised support from the Work programme providers. There is huge innovation among those providers, such as the recruitment of skilled military and leadership personnel to provide mentoring and guidance to young unemployed people; and the involvement of charities such as the Prince's Trust, which have expertise in helping young people to meet their challenges and get into the workplace. All that is hugely important.

I accept the points made by my hon. Friend the Member for Banbury (Tony Baldry) and by the hon. Member for Bradford East (Mr Ward) about the need for a focus that is not just post-16 or post-18, and for a strategy of early intervention. That is why our school reforms are so important, and why we recently announced a package of support for 16 to 18-year-olds, who all too often are missed out in the current system. The innovation fund that we are launching this week will invite charitable groups to present proposals to tackle some of the challenges presented by 16 to 18-year-olds who drop out and do not go into education. That is all part of a strategy that we believe can make a big difference to an issue that is very real to the nation, and about which the previous Government did much too little.

Education Capital Programmes (Coventry)

10.59 am

Mr Jim Cunningham (Coventry South) (Lab): It is a pleasure, Mr Caton, to initiate a debate under your chairmanship, and I thank Mr Speaker for granting me this debate. What I have to say will be supplemented by my two colleagues—my hon. Friend the Member for Coventry North West (Mr Robinson) and my right hon. Friend the Member for Coventry North East (Mr Ainsworth). They will go into more detail, particularly about the schools in their constituencies.

I start by giving an overview and some background. I am sure that the Minister knows about it, as today is the second time that we have debated Coventry's capital programme. We obviously have not moved far since then, which was some months ago. It is worth reminding the Chamber that Coventry lost about £300 million of its schools capital programme as a result of changes made by the Government. That, of course, has had an effect on the quality of teaching in our schools and on its buildings; indeed, we should not forget those employed in the construction industry. We should not lose sight of the fact that Coventry's local economy has lost that £300 million.

We are awaiting the Secretary of State's response to the James review. Even after he has announced the results of that review, and possibly talked of implementing it, in our view it would still take many months before anything could be done. Meanwhile, back at the ranch, in Coventry, schools are crying out for repairs and, in some cases, rebuilds. We cannot go on like this for much longer.

We also want to hear from the Minister how the money is to be allocated to the various local authorities for their capital programmes. Will it be done on a regional basis? Will it be done by consortia? Exactly how will the money—if there is any—be made available and allocated?

We find it strange that the Government can find money for academies, but they cannot find money for school repairs. Many people in Coventry are asking why the Government can find money for academies but cannot find it for local education authority schools. It is obvious that the Government's strategy about 12 months down the line will be to talk about profligate local authority spending. I and my colleagues will demonstrate that that is exactly what will happen.

Coventry is considering what it calls prudential borrowing. Following on from that, schools will probably be funding their own capital programmes. We should not lose sight of the fact that that will put an extra burden on them. As we have heard in our previous debates, schools are already finding money very tight, to say the least. The local authority obviously will have to service any debts incurred. Coventry will probably have to borrow about £3 million, and it will cost about £300,000 a year to service that debt. The council taxpayer will have to pay that money in addition to what has to be paid by the national taxpayer. Taxpayers will get a double whammy, yet get less from the Government. People in Coventry and the local authorities there want to know when we might have some information about the James inquiry and some answers to the questions that I have raised.

The late Dick Crossman, a former Leader of the House many years ago, said that the first six months of any Government determines their future. The first six months have certainly determined this Government's future. They have made a number of U-turns, which shows that they rushed into decisions that, had wiser counsel prevailed, would have taken longer.

The combination of a significant increase in the number of births in the city and some inward migration has placed pressure on school capacity, particularly in the primary sector. Coventry city council proposes to increase pupil places. By 2012, a total of 120 additional places will be required at six schools, at an estimated cost of £9.4 million. I shall refer specifically to a few schools, but I shall touch on them only lightly as they are in the constituencies of my colleagues, and I would not want to tread on their territory. I think, for instance, of the Grange Farm and Sacred Heart schools. The latter demonstrates that capital programmes in the public sector are not the only ones to be affected; there is also what I would call the religious side. There are Roman Catholic schools in Coventry as well as Church of England schools and they, too, will face the same problems as the local authority schools. Furthermore, the local primary care trust's figures suggest that between 150 to 180 additional reception pupil places will be required for September 2014. Work to identify possible sites for these additional places is under way.

There are, of course, other school funding pressures in addition to the need to provide additional primary places. There is an urgent need to replace two large primary schools because of structural problems. Coventry's five-year building plan includes the replacement of two primary schools that have major structural problems with their roofs. Engineers have confirmed that these schools need to be replaced in the next four to seven years. The estimated cost of replacing them at today's prices is approximately £20 million.

A significant amount of ongoing basic maintenance and refurbishment work is required to ensure that schools in Coventry meet the minimum standards. In recent years, schools have used their devolved formula capital to deal with such needs. However, that has been reduced by 80%, and schools will not now have the resources to undertake these essential repairs. The overall financial implications include the pressures of pupil placement and the cost of essential improvements and replacement of buildings, and there is a total funding gap of almost £54 million pounds up to 2015.

I shall highlight the key issues. The time necessary for consultation, designing and building requires projects to be planned some years ahead. Officers have told me that undertaking this work in the context of a one-year allocation of funding is utterly unrealistic. The city council cannot commit to contracts of that value without certainty on future funding levels. The city council has already had to make provision for prudential borrowing so as to fund projects that need to be started immediately in order to provide sufficient places in 2011-12. That still has to be cleared by the school forum. We also have to consider the legal implications.

Further delay in making funding announcements will jeopardise the ability of local authorities to provide sufficient capacity in schools. The delay of the James review means that it is unclear how funding allocations are to be made. That will further complicate how local

authorities plan school-based projects. I am concerned that this may be an attempt by the Government to fragment the school system. If the James review takes capital funding for schools out of the control of local authorities, how will the money be allocated? Will it be done on a regional basis or will there be consortia? Exactly how will it be allocated? Although the Government say that they are trying to abolish quangos, will they introduce another one?

I have outlined the problems that we experience in Coventry but, as I said earlier, my two colleagues will elaborate on them. In the interests of the pupils and the people of Coventry and the local authority, we would like some clear-cut answers from the Minister.

11.9 am

Mr Geoffrey Robinson (Coventry North West) (Lab): I congratulate my hon. Friend the Member for Coventry South (Mr Cunningham) on securing this debate, and I thank Mr Speaker for granting it and the officers who preside here today. It is a timely debate for Coventry. It follows an earlier debate, in which we tried to explain the particular difficulties faced by Coventry. I am pleased to see the Minister here today; I know that he is well aware of the situation in Coventry. It was dreadfully compounded by the fact that, for whatever reason—it was not entirely the council's fault, although it was partly responsible—the city failed to get a single school under Building Schools for the Future. BSF said that much needed to be done, even in the secondary sector. As a result, the overall programme, including that for primary schools, has to be increased if we are to overcome the terrible disadvantage that we incurred.

That was all the sadder because we were on the verge of signing those contracts. If they had been signed, we would be going ahead with three schools, two in my constituency and one in my hon. Friend's constituency, behind which we could bring on the other schools. As it is, rebuilding in Coventry has come to a virtual halt, leaving schools such as Woodlands in my constituency suffering as a consequence. The central block of the school, which is rather inappropriately known as the Gibraltar block—it is anything but firm or solid—is propped up by scaffolding. Last week, we had to close the block because even the scaffolding had begun to collapse under the wear and tear of the past five years. That really is not good enough. That primary school has produced no fewer than three members of last two Lions rugby football teams. It has a great sporting tradition. That scaffolding around the main block is a great deterrent to a very fine school in a very good part of Coventry.

That problem may be resolved as the school has now chosen to become an academy, and I hope that that will loosen up funds and speed up the repair work. I recognise that that will take money from where it needed elsewhere in the city. It is a pre-emptive strike, but what was it supposed to do? On reflection, it is rather sad that the only way in which it can overcome the sudden chopping by this Government of a rebuilding programme and get something in advance of everyone else is to become an academy. That sole reason has been the driving force behind its decision to become an academy.

Ahead of or along with the James report, may we please have a clear programme for Coventry's schools, especially its primary schools? That would be very welcome. At the moment, we are in no-man's land; we cannot go forward and we cannot go back and the situation is deteriorating. I have mentioned two schools in the primary sector in this marvellous debate, but we could talk about all of the schools in the city. We do not have to be parochial about it.

Two schools need to be demolished. The estimated cost to rebuild them is £20 million, so we are looking at £10 million a school under the new regime. I am the first to admit that the old regime was too cumbersome and took too long. I fought with my right hon. Friend the Member for Morley and Outwood (Ed Balls), who was Secretary of State at the time, over the matter. I said to him, "Look, this is taking too long. We must get on with this." None the less, I knew that the work would get done. I did not think that it would come to a grinding halt. It was just taking longer than it should. What the present Government have done is to bring the work to a grinding halt.

We also need two new primary schools. Fortunately, this is a happy period for us in that birth rates are up and migration is in favour of Coventry. Something in the region of 200 places will be needed by 2015. Again, where will we find that money? Time is also a factor. Even under the accelerated programme, of which I am all in favour, it takes engineers and architects three to four years to plan a project. If it is to be done to cost and on time, a good deal of planning is needed. When will we have the certainty that we can go ahead with such a project? When will we have adequate funds to meet the needs of the children who are coming into school? They do not want to go into over-crowded and unsatisfactory buildings.

As a minimum, we require £54 million for our building programme, which will take us through to 2015. Will the Minister tell us when we will be able to access such funds? I would also like the local council to be a lot more active. It has not been the most dynamic council in securing money for such purposes. Nevertheless, it is finding it extremely difficult to deal with the delays. I know that the present Secretary of State wanted to avoid them, but that is what we face.

Remarkably, Coventry council initially took the view that if it did not criticise the Government for cancelling BSF, and behaved responsibly and showed that it understood the difficulties of the Government, it would do better financially. Of course it has not; if anything it has done worse than expected. The leader of the council, John Mutton, now says:

> "The antics of this government are appalling. Here we are in June and we still do not have a clue what we are going to have by way of a budget this year."

Councillor Kelly, who is in charge of the education brief, makes similar remarks about the uncertainty over the Government's intentions.

The position of Grange Farm school in Allesley is particularly concerning. It is in need of immediate improvement. Children can be scarred for life. Their impressions in primary school are vital. Will the Minister specifically respond to that concern?

In conclusion, the Coventry building programme has been cut to the bone and is full of uncertainty. The number of children is rising and we need new schools. Woodlands school in my constituency needs to be extensively refurbished. Perhaps funds could be released

[Mr Geoffrey Robinson]

for it alone. It has had scaffolding around it for five years. One year into this present Government and little progress has been made in Coventry.

Mr Bob Ainsworth (Coventry North East) (Lab) *rose—*

Martin Caton (in the Chair): Mr Ainsworth, I did not receive prior notice that you wished to speak in this debate. I am happy to call you, but I need the Minister's permission.

Mr Jim Cunningham: On a point of order, Mr Caton. I did tell you that Mr Ainsworth was going to speak in the debate.

Martin Caton (in the Chair): I may well have misheard you, Mr Cunningham, because I was trying to chair the meeting at the same time. Neither the Clerk nor I picked up a reference to Mr Ainsworth. We are wasting his time now, so let me call Mr Ainsworth.

11.16 am

Mr Bob Ainsworth (Coventry North East) (Lab): I apologise for the misunderstanding, Mr Caton. I thought that the procedure was that we had to make arrangements with the individual who has secured the debate. Thank you for allowing me to speak.

On 15 March, I raised the dilemma of Richard Lee school in Coventry. Over the winter, the condition of the school became quite disgraceful. Children were being taught in corridors because of water egress in classrooms. The sewers are inadequate and spill out on to the playground. The wonderful teaching staff wrestle with those appalling conditions and continue to provide a good education for the children. I said then that I was really worried about whether the school would get through another winter. Sadly, crisis has struck before another winter. Last Thursday, the ceilings came down in one of the corridors. Fortunately, the rain storm was at night. There were no children in the building, and it was a teacher training day the next day, so education was not dreadfully disrupted. None the less, my fears for Richard Lee school have been exacerbated by the latest crisis.

If we are not careful, we will remove all hope. We had a reasonable capital budget that was getting around the schools in Coventry, and Richard Lee was right at the top of the council's priorities. The council's capital programme, which was £49 million last year, is now £9 million. It will take £9 million to rebuild Richard Lee alone, leaving no money for the rest of the city. The devolved budget that the school has, which has enabled it to patch and repair, keep the children going and make the environment acceptable, has been cut from £49,000 to £9,000. This is a desperate situation. As my hon. Friend the Member for Coventry North West (Mr Robinson) has said, we need some certainty. We do not know where the funding is coming from. Coventry knows that it has to rebuild Richard Lee school without delay. It is already spending money on survey work, because it knows that that has to be done, but it has no idea from the Government whether it will get the necessary money to rebuild the school.

We badly need certainty, and we need some hope to be restored to those schools that for very good reason had reached the top of the list for a rebuild. Patch and repair at Richard Lee is not feasible, nor is it feasible at Wyken Croft. Those Hills-built schools are structurally damaged. They have come to the end of their useful life and need to be replaced, and I hope that the Minister can give us some hope.

11.20 am

The Minister of State, Department for Education (Mr Nick Gibb): I congratulate the hon. Member for Coventry South (Mr Cunningham) on securing this debate. Like the hon. Member for Coventry North West (Mr Robinson) and the right hon. Member for Coventry North East (Mr Ainsworth), he is no stranger to education provision in the Coventry area. He has assiduously raised the difficulties faced by schools in his area through questions and a number of debates in the House, and he and his colleagues met the Secretary of State last July.

I fully understand the difficulties in Coventry both in providing sufficient primary pupil places and in ensuring that repairs and desperately needed capital improvements are carried out in schools such as Richard Lee primary, which is again in the news because of maintenance problems. That school is in not the hon. Gentleman's constituency but that of the right hon. Member for Coventry North East, who secured a debate on the subject on 15 March this year.

The Government are fully aware of the pressures that many local authorities face in the light of the very tight spending review capital settlement for the Department, but we must not forget why we find ourselves in this difficult position and why we have had to make difficult decisions. Because of the size of the budget deficit and the increasing caution of the capital markets to fund sovereign debt, our top priority in the medium term has to be to reduce the country's budget deficit, which means that we need to prioritise a diminished level of capital funding for school projects, on the basis of need, primary places and deprivation.

In the context of what we are currently spending on debt interest payments alone, the action that we are taking is essential. Those interest payments could have been used to rebuild or refurbish 10 schools every single day of the year, but despite the difficulties we have been able to secure capital spending of £15.9 billion over the four years of the spending review period. We know only too well that there are schools in desperate need of refurbishment that have missed out on previous Governments' capital programmes, and we fully appreciate that some people will feel that they have been treated unfairly, particularly if they fall just on the wrong side of the dividing line that had to be drawn. Despite the austerity of the capital programme, we will continue to spend significant capital on the school estate, at an average of almost £4 billion a year.

I know that schools and local authorities will experience difficulty in adjusting to these lower levels of funding. Nevertheless, they are historically high levels and, taking a wider perspective, they are still higher on average that those experienced in the 1997-98 and 2004-05 periods. Even when funding is tight, it is essential that buildings and equipment are properly maintained, to ensure that health and safety standards are met and to prevent an

ever-increasing backlog of decaying buildings that will be difficult and more expensive to address in the long term.

By stopping the wasteful and bureaucratic Building Schools for the Future project, which the hon. Member for Coventry North West referred to as cumbersome and taking too long, we have been able to allocate £1.3 billion for capital maintenance for schools, with more than £1 billion being allocated to local authorities to prioritise their local maintenance needs. We have also been able to allocate £195 million directly to schools for their own capital repairs. It is clear that rising birth rates mean increased demand and pressure on primary places, with more parents unhappy with the lack of choice open to them. The education system has rationed places in good schools for too long, which is why our reforms are designed to allow more children to go to the best schools and to drive up standards in the weakest performers.

We are encouraging scores of new free schools to be set up, run by groups of teachers or educational charities, in places where parents want them, particularly in areas that have been failed educationally for generations.

Mr Robinson: I tried to intervene on the Minister when he mentioned BSF, but unfortunately I did not manage to catch his eye. I directly criticised BSF myself to the then Secretary of State for Education, my right hon. Friend the Member for Morley and Outwood. One thing that happens whenever a big programme of that kind gets into the hands of civil servants and others who want to control it to the nth degree is criticism, which is fair enough. However, nobody recommended bringing BSF to a screeching halt, which has been to the great detriment of Coventry. We have two schools at the moment where there are problems. We have Woodlands school, where the scaffolding itself is falling down and there is a danger that it will bring the whole building down with it. We also have Richard Lee school. The Minister must have seen reports on that school. There are gaping holes in that school that people might fall through. These are urgent matters. What will he do about them?

Mr Gibb: The hon. Gentleman has raised a good point, which I am about to come on to. We have allocated £800 million of basic need funding for 2011-12, which is actually twice the previous annual level of funding, to support the provision of increased places, particularly in primary schools, as a result of the increasing birth rate. In addition, we expect similar levels of funding to be allocated from 2012-13 until 2014-15, which will address some of the concerns that he has raised.

Mr Cunningham: How much of that £800 million will actually be allocated to Coventry? That is what my right hon. Friend the Member for Coventry North East and my hon. Friend the Member for Coventry North West were getting at when they talked about the two schools.

Mr Gibb: The capital allocation for 2011-12 for Coventry city council and its schools was announced on 13 December last year, and it was in excess of £13 million. It is now for the council to prioritise how it will spend the available funding, taking into account the building needs of its schools and its own responsibilities to fulfil its statutory duties.

Mr Ainsworth: The Minister has said that it is important for schools to maintain their buildings, even if they are in need of a rebuild. How on earth can Richard Lee school do that with a devolved capital programme of £9,000? How does a school maintain an ageing building with that size of devolved capital programme?

Mr Gibb: We took a decision about how we allocate scarce resources to schools and local authorities. It was our judgment that, because of the cut in the capital budget, it is better to allocate the bulk of the capital to local authorities for them to decide where the greatest need exists in their area, rather than to allocate more of that money down to the school level, because there are many schools that do not have the same need as Richard Lee school. It is better to divert that money to the local authority, which can allocate it to those schools, such as Richard Lee school, that are in greatest need.

I will now turn directly to the difficulties encountered by the Richard Lee primary school.

Mr Robinson: This issue is not about the devolution of the budget, which is entirely up to the Government. The point is that £9,000 will not go anywhere, as my right hon. Friend the Member for Coventry North East has said.

Mr Gibb: I understand that, but £13 million, which is the amount of capital allocated to Coventry, is a very significant sum. It is not as high as we would like it to be, or indeed as high as it has been in recent years, but it is high historically compared with spending in other Parliaments in recent times. We face a difficult budget deficit, and we want to ensure that any capital available is spent where the greatest need exists. That applies to schools such as Richard Lee primary school in Coventry. That case is a classic example of how we are trying to target the funding at the schools that need it most.

Mr Cunningham: What the Minister is actually doing is asking the local authority to use the wisdom of Solomon, when it needs just more than £40 million to properly resource its schools. He is putting the local authority in a terrible position, so it is no good blaming the local authority.

Mr Gibb: I am not blaming the local authority. What I am saying is that we took a decision that it was better to give the bulk of the funds available for capital spending to local authorities to decide how to allocate them rather than to maintain the levels of the devolved grant formula to schools in this spending review period in which we are encountering these very difficult decisions on the budget deficit. That is because local authorities, rather than the man or woman in Whitehall, are best placed to decide which schools in their area have the greatest need for capital to be spent on them, and that applies to Coventry. That is the decision that we took.

Officials at the Department have been working—

11.30 am

Sitting suspended.

Azerbaijan and the South Caucasus

[MR PHILIP HOLLOBONE *in the Chair*]

2.30 pm

Bob Blackman (Harrow East) (Con): Thank you, Mr Hollobone, for calling me to speak. This is the first time that I have served under your chairmanship and I trust that it will not be the last.

I refer Members to my entry in the Register of Members' Financial Interests.

At the outset of this debate, it is important to refer to the strategic importance of Azerbaijan in the surrounding region. We must always remember that Azerbaijan sits between Iran to the south, Russia to the north and Turkey to the west. Of course, it is also adjacent to Armenia and Georgia, which I will say more about later.

Azerbaijan is a strategically important country that has freed itself from the yoke of the Soviet Union, and it is making tremendous strides as a democratic republic. It is important that we understand and appreciate the strides that Azerbaijanis are making. It is also important that we understand the importance of Azerbaijan to the British economy. Azerbaijan is a country that is rich in oil and gas reserves. Those reserves are strategically vital not only for the region but for Britain's future economy.

I am particularly pleased that the Under-Secretary of State for Foreign and Commonwealth Affairs, the hon. Member for North East Bedfordshire (Alistair Burt) will respond to the debate today. I know that the region that Azerbaijan is a part of is one that he picked up on quickly as part of his ministerial responsibilities. I congratulate the Government on taking a strong lead in encouraging diplomatic relations with Azerbaijan and the other countries in the region.

Azerbaijan was the first secular democracy in the Islamic world, created in 1918. It gave the vote to women before women in this country or the US had the vote, which is a tremendous history. However, Azerbaijan's development was halted when it was annexed by the Soviet Union back in 1920. Of course, Azerbaijan was under the Soviet yoke for 71 years before its battle for independence began. After their second revolution and after large numbers of brave Azerbaijanis were killed by Soviet soldiers, the country was finally able to become free and to govern itself.

Azerbaijan has a variety of different arrangements with different international bodies, including the United Nations, the World Bank, the International Monetary Fund, the Council of Europe and the Parliamentary Assembly of the Council of Europe, the EU's Eastern Partnership, the Organisation for Security and Co-operation in Europe, the Organization of the Islamic Conference, Euronest, the Non-Aligned Movement and the European Bank for Reconstruction and Development. So Azerbaijan is very outward-looking; it is not an inward-looking country. We must encourage and promote that outward-looking nature, and ensure that we safeguard the future of this burgeoning democracy.

There is one major issue that is mentioned by everyone involved with Azerbaijan, which is the current situation in the occupied territories. Between 1992 and 1994, there was a war with Armenia, which led to Armenia occupying the region of Nagorno-Karabakh. The ceasefire in 1994 resulted in 17% of Azerbaijani territory being occupied by Armenia, an issue which remains a running sore today. It has also meant that 870,000 Azerbaijanis have been forcibly removed from their homes, and those people have had to be accommodated elsewhere in Azerbaijan.

The international community has taken action on that. There have been no less than five United Nations resolutions covering this issue, four in the Security Council and one in the General Assembly. All those resolutions have demanded the withdrawal of Armenian troops. However, the Armenians have refused to honour those resolutions, and they still occupy Azerbaijani territory today. That is a serious problem, because it has created 870,000 internationally displaced persons whom Azerbaijan has to accommodate. On my visit to Azerbaijan, I was able to see the new facilities that the Azerbaijani Government are developing for some of those people to live in. However, there are too few of those facilities, because those people live in dreadful conditions. Some of them live in tents and have done so for 10 years. Others live in slums or in old student accommodation, which we in this country would rightly condemn and ensure that it was removed. So progress in accommodating those people is slow, but they are due to return to their homes once the Armenian forces are removed from the occupied territories.

The current position has been negotiated over an extended period of time, but the progress of negotiations is far too slow. As part of the process, there is the Minsk group, which is co-chaired by Russia, the US and France. However, there is a debate about whether that group is impartial or is actually influenced by the Armenians. The reality is that Russia is a direct political, economic and military ally of Armenia, operating military bases within Armenia itself, so it can hardly be said to treat Azerbaijan and Armenia equally.

Under the Madrid principles, which are a proposal to resolve the conflict, there should be a phased withdrawal of Armenian forces. However, those principles have been accepted by Azerbaijan but not by Armenia, so there is a stalemate. The next meeting to discuss those principles is taking place this week. We hope that there will be progress, but so far there is little optimism, because nothing has happened. We have a concern, and we are a major investor in Azerbaijan's economy. It is my contention that we should have a much more direct, prominent and vocal role in the peace process, to defend our own economy and to promote both our national interests and the interests of the region of which Azerbaijan is part.

In Azerbaijan, there are excellent relations between different people of different backgrounds and different religions. It is an Islamic republic, but the constitution guarantees that anyone has the right to choose any faith, to adopt any religion, to express their religious views and to spread those views. As many hon. Members know, I am a strong promoter of the Jewish community, and I try to combat anti-Semitism wherever it raises its head. The Jewish community in Azerbaijan is an excellent example of Azerbaijan's different minorities.

Krasnaya Sloboda, in the region of Guba, is the only completely Jewish town outside Israel. The Bet Knesset synagogue in the town was restored by Government aid

to ensure that Jewish people in the area can celebrate their religion. Other than Israel, Azerbaijan is the only country in the world where the finance to rebuild and refurbish a synagogue has come from a national Government. Opposite that synagogue there is a leading mosque, so religions co-exist side by side in Azerbaijan. Indeed, Azerbaijan has excellent diplomatic relations with Israel, and in many ways the relationship between the two countries demonstrates the future of diplomatic relations between Islamic countries and Israel. Israel has an embassy in Baku, the capital of Azerbaijan. All communities in Azerbaijan have the opportunity to celebrate their religions and their faith, which is a shining example for other former Soviet countries as they emerge from years of dictatorship.

There is one sad fact. Relatively recently, mass graves were discovered. At the moment, the one certain fact is that large numbers of people were murdered—battered to death—but when that happened, who the people were and who was responsible is disputed. I contend that it is vital that the international community gets involved in the discussion, in analysing what happened, in excavating the graves and in dating the murders, so that an international inquiry can establish responsibility and the perpetrators can be brought to justice. That is clearly a concern for everyone. Seeing the mass graves is thought provoking, because terrible atrocities have gone on down the years.

On my recent visit, I was astonished to see a war memorial to British soldiers and sailors who sadly died at the end of the first world war. I have to confess that it was news to me that we had had any involvement with Azerbaijan at any stage during either of the world wars, but there the memorial stood, in all its glory, restored by the Azerbaijani Government. I plead with the Minister to visit that memorial and see that we need to honour those brave British individuals who gave their lives by ensuring that the memorial is brought up to a decent modern standard. Some colleagues and I were privileged to lay a wreath at the war memorial, because those brave people need to be remembered.

The key issue in relation to Azerbaijan's economy is energy supplies. The country sits on the Caspian sea, which has huge deposits of oil and gas, which are strategically important. Azerbaijan is the only country that can guarantee a gas supply through the southern corridor without going through Russia. A pipeline exists to take gas through Azerbaijan, bypassing Armenia, and then through Georgia, into Turkey and on to Europe. BP has just signed a major contract, which means that by 2015, I think, that one gas field will be able to supply twice the needs of Europe in any one year, which offers huge future potential. We have a direct and natural interest, because BP is the only external contractor and, once the process is complete, it will be the biggest gas and oil terminal in the world. BP is investing $20 billion in Azerbaijan, and one of the great things is that the Azerbaijani Government say that they are ensuring that the wealth that is created is recycled among the whole Azerbaijani people, rather than going into the hands of relatively few individuals. The great attraction is that they will regenerate their economy while ensuring that everyone benefits.

There are, of course, things on which Azerbaijan needs to make progress. There is the problem of 870,000 internationally displaced persons. Azerbaijan is still at war with its immediate neighbour, so stability is its greatest priority, and here is an opportunity for Britain and the European Union to work in partnership with the fledgling Azerbaijani Government to ensure that things improve. Azerbaijan does not have a perfect democracy, but its Parliament building is a darned sight better than the one we sit in—especially in terms of the seats that we all enjoy. Importantly, Azerbaijan has embarked on peaceful elections, the last of which was watched by 2,500 foreign observers, who clearly stated that the election was free, fair and appropriate.

There is a worry about corruption. Corruption can be a problem anywhere there is oil, gas and a burgeoning economy, but when accusations have been made, the President has taken direct action by ensuring that people who have allegedly taken bribes are dismissed from the Government straight away.

The other worry is that Russia continues to wish to extend its interests and influence in the region. It has just extended its lease on the air base in Armenia by 40 years, even though the last lease had a full 10 years to go before expiry. That demonstrates that Russia is not going to let go and still wishes to influence and control the whole element of Azerbaijan and the surrounding areas.

In conclusion, the fact is that there is a great opportunity for Britain and its economy, for the promotion of jobs and for furthering British interests in the region. Probably more importantly, there is an opportunity to encourage and promote a democracy that is relatively in its infancy and freeing itself from dictatorship to ensure that it recognises and benefits from everything that goes on. We also have the opportunity of saying to Armenia, in our diplomatic way, "If you reach a satisfactory conclusion and a proper settlement on the occupied territories, there is absolutely no reason why you can't benefit from the economic activity that will flow. If however, you continue to blockade and prevent progress, the natural result will be that you will not benefit from the burgeoning economy."

My final point is that most people do not know where Azerbaijan is. Not the greatest thing in the world as far as I am concerned, but the greatest thing as far as Azerbaijan is concerned, was winning the Eurovision song contest this year. I will not sing the song—[Hon. Members: "Oh, go on."]. Azerbaijan is looking forward to hosting the contest next year and having the opportunity to bring people in to witness it from all over Europe. It plans to build a concert hall specifically for the occasion. This really puts the country on the map, in a very positive way, which is, I think, warmly welcomed by all concerned. Of course, if we can encourage better diplomatic relations with Azerbaijan, it might give us votes come the next Eurovision song contest—[Hon. Members: "Please, no."] On a serious note, the contest has put Azerbaijan on the map, as has the expansion of oil and gas. The country has become a major strategic area of Europe and of the world, and we can invest and be directly involved in it. I trust that I have given a flavour of the debate. There is now an opportunity for other hon. Members to join in with their contributions.

2.49 pm

Mr Gerry Sutcliffe (Bradford South) (Lab): It is a great pleasure to serve under your chairmanship, Mr Hollobone. I, too, declare an interest as a

[Mr Gerry Sutcliffe]

member of the all-party group on Azerbaijan, and as someone who went on the recent visit to that country.

I congratulate the hon. Member for Harrow East (Bob Blackman) on securing this important debate, and it is good to see colleagues around the room who have a great interest in what I found to be a tremendous country. I will come back later to the fact that Azerbaijan does very well in sport, but I am grateful that the Minister, who was a good footballing colleague of mine and who knows of my love of sport, will reply to the debate. It is also good to see my right hon. Friend the Member for Warley (Mr Spellar), who will be leading for our side, in his place.

I shall follow the lead given by the hon. Member for Harrow East on what we found in Azerbaijan. He is right that, when we speak to most people about Azerbaijan, they do not know where it is. As he has said, it is strategically placed between Russia and Iran, on the Caspian sea, and it is a strategic country internationally in terms of various economic and historic events over many years. He is right that we should do everything in our power to ensure that the good links that exist between the UK and Azerbaijan continue.

When we went to Azerbaijan, people were very hospitable, and we were able to ask any questions that we wanted and to see a whole range of things. We were welcomed by the President, who I thought was very forthright. I have spoken to the Prime Ministers and Presidents of other countries, and I found his honesty refreshing when he discussed some of the problems that the country faces as well as some of the successes. There is also a great deal of optimism within the country, which might be mildly surprising considering, as the hon. Gentleman has mentioned, the issue that they face in relation to Nagorno-Karabakh.

We were fortunate—if that is the right word—to go to the front line to see first hand the problems that have arisen there. We also had the opportunity to speak to villagers who had been displaced. These were moving events in which a group of small schoolchildren sang us a song and then the villagers talked to us about the problem of not being able to go back to their homeland. We could see that the Government had a dilemma. In the capital, Baku, we visited some of the tenements—that is the only way to describe them—that the displaced people were in, and the living conditions were very poor. The dilemma for the Government was, yes, they wanted to re-house people in better housing, but those people did not want better housing in Baku; they wanted to go back to Nagorno-Karabakh.

As the representative of a Bradford constituency, I see parallels between Nagorno-Karabakh and the issue of Kashmir, where UN resolutions that have been in place for more than 40 or 50 years have never been acted on. The situation is similar in Nagorno-Karabakh. We sometimes wonder why some Muslim countries are angry at the way in which we in the west deal with UN resolutions—the issue may be more significant and complex than the picture that I am painting—but, if we consider that those resolutions have been in place for so long without any action being taken, it is possible to understand why that is the case. Indeed, the refugees and villagers told us, "You act in Libya and elsewhere in the world, but you don't act on the legitimate issue of our problems with displacement." Every contribution and every discussion and debate that we had made us aware of people's concern about Nagorno-Karabakh and the need for the issue to be resolved.

On Armenia and Azerbaijan, Armenia has a wonderful opportunity, if it could only be seen. The hon. Gentleman has discussed Azerbaijan's success with oil, gas and the pipeline. Armenia could get the same sorts of benefits, if it thought about its people and its future. We were reminded of parallels with Northern Ireland. Some expatriate Armenians are highly placed in Governments and lobbying groups across the world. They remember their homeland and are passionate about what it used to be, but the reality is that Armenia is a poor country that needs investment and support.

I hope that the discussions with the Minsk group will result in a positive outcome and that the issue of Nagorno-Karabakh can be resolved. The optimism of the Azerbaijanis was reflected in what the President and others told us. They said that the country feels the issue deeply, but that it was not going to hold them back from doing the other things that they need to do.

The UK's links with and investment into Azerbaijan have been mentioned, but the relationship can work both ways. In fact, I know a small community of Azerbaijanis at Bradford university. One of the things that we need to look at on a wider scale in relation to general Government policy is student visas. We need to make sure that we do not stop people from countries such as Azerbaijan coming to the UK to enrich and enhance our cultures.

As I have said, Azerbaijan has a rich history. It wants to get involved with the wider world, particularly the European Union, and there are plenty of opportunities. On oil and gas, it is interesting that there is not only a British Midland flight from Heathrow to Baku and then Tbilisi, but a regular flight from Aberdeen to Baku, which carries Scottish oil workers. The links are there, and the opportunities are many.

On the area in which I have a great interest, sport, we were pleased to see the Azerbaijanis' Olympic training centres. They relish and love sport. The Olympics and Paralympics will be in London next year, and the Azerbaijani team will be based in Ipswich. That will offer opportunities for cultural and sporting debates and exchanges. I have spoken to the Ministers with responsibility for those issues and to regional spokespeople, and they are keen on setting up groups of young people to get together to develop sport.

On the football front, one of the teams whose name I cannot remember is trying to get a strong team in Europe. An ex-Arsenal player, whose name also escapes me—[Hon. Members: "Tony Adams."] Thank you. Memory loss is a sign of old age. Tony Adams is the manager of Azerbaijan's most successful team and there is an ambition for that team to do well in Europe. They will be playing friendlies in the UK soon. It is an outward-looking country that wants to engage with the European Union and with us.

I was as surprised as the hon. Member for Harrow East at the relationship with the UK. It was moving to see the war memorial to the soldiers and sailors in an area in which Azerbaijanis had lost their lives during so many conflicts. It was a pleasure for us to see the

memorial and the way in which the country honours our fallen servicemen and women. I encourage the Minister to go to look at it, if he gets the opportunity. It is of great significance.

The Eurovision song contest may not be everyone's cup of tea, but when Azerbaijan won, it provided a great opportunity that it wants to grasp. About 35,000 people attended the Eurovision song contest in Germany, and the same number will attend the event in Baku next year. Work is already under way to get the appropriate venue and the appropriate hotels in place. I think that there are five five-star hotels being built and that a number of other hotels are on the way. They also want to sort out issues in relation to visas and visa restrictions, and we have been informed by the Under-Secretary of State for Culture, Olympics, Media and Sport, the hon. Member for Weston-super-Mare (John Penrose), who has responsibility for tourism, that that will be resolved shortly. It would be difficult to have a year of tourism without people being able to get into the country. They recognise that and are going to try to do something about it.

I have a plea from a big fan of the Eurovision song contest. Richard Pengelly, who is senior barperson in the Strangers Bar of the House of Commons, is an avid fan of the Eurovision song contest. He has asked me, given my involvement with Azerbaijan, whether I can make sure that he gets there next year, so I shall put that on the record on the basis that somebody who is listening may give him the opportunity to attend. He has said that he could act as a cultural adviser to Azerbaijan. It is a great opportunity for that country to have the rest of Europe visit it and see its facilities. People will be heartened to see the investment being put into the infrastructure, the roads and all the other things. They will also see the housing developments, that people are working very hard and that the investment is going right down to the people who count.

The UK Government should be proud of our relationships, and we can develop them further. Cities such as mine would benefit from visits from people from Azerbaijan in order to discuss religious freedom and tolerance. Azerbaijan had a problem with mullahs from outside preaching radicalism. It decided to deal with that, and it has done so. A mullah who does not come from or was not born in Azerbaijan cannot preach in the mosques. There are also important issues surrounding education and integration. We can learn a lot as well as give a lot to Azerbaijan, and I hope that we will do so.

I thank all those who were involved in the visit to the country. From that, I know that those who support Azerbaijan in its attempts to ensure that it opens itself up to the wider world will gather in strength. I wish the country well.

3 pm

Mr Mark Field (Cities of London and Westminster) (Con): I am lucky enough to be the chairman of the all-party group on Azerbaijan, and I was also on the trip that the previous two speakers attended in recent weeks. In addition, in recent months I have been board adviser to the European Azerbaijan Society.

We had a tremendous trip to Baku, Nagorno-Karabakh and Quba during the Whitsun recess. I congratulate my hon. Friend the Member for Harrow East (Bob Blackman) on securing the debate. Like him and the hon. Member for Bradford South (Mr Sutcliffe), I was particularly moved by being at a war memorial that faced and was yards from the Parliament building. It was a particularly important war memorial because, as those who are familiar with the history of this region will know, fighting took place in areas such as Baku during the great war. Such areas were part of the Ottoman empire at that juncture.

I very much hope that the Minister will take the opportunity when he is next in Baku to visit that memorial. Clearly, I suspect that work has been carried out by the war memorials body to keep the memorial in reasonably good shape. What struck me was that the memorial is an important part of what is called Martyrs' Alley, which is the memorial for various conflicts that have taken place in Azerbaijani and, indeed, Turkish history over recent years. In particular, there were problems during 1990 when there was a move by the then USSR, which was on its last legs, to try to put down conflicts on the streets of Baku. There was also the conflict with Armenia, which started two years later. What struck me was that, given the importance of pride and face in what one might broadly call the Muslim world, we should be intensely proud of the fact that a small corner of this sacred ground is in the hands of a British war memorial.

I reiterate both previous speakers' words. There seems to be a tremendous opportunity in relation to Azerbaijan. It is essentially a secular Muslim state. Some 94% or 95% of its inhabitants are Muslim, and the remainder are a few Jewish and some Christian inhabitants. Given Azerbaijan's strategic importance between Russia and Iran and the daily security concerns that we face in this country from difficulties in that part of the world, fostering closer links with Azerbaijan seems to be an extremely sensible way forward.

Although we had a tremendously interesting visit and we felt it was very open, it would be wrong to be ludicrously idealistic and not to recognise that Azerbaijan faces some issues. It is not a functioning democracy as we would understand the term here in the UK. However, it has made tremendous strides forward both politically and economically in recent years. That should be recognised and rewarded as far as our relationship with the country is concerned.

I became involved with Azerbaijan immediately after the previous election, when there was a move to reconstitute the all-party group. I did so partly because local Azerbaijanis who have business interests in the UK and other parts of Europe have had a big impact in trying to ensure that the country is not just seen as another oil and gas state. It would be all too easy to put the country in a box as being one of the "stans" of that region, as if such countries are somehow similar in history and outlook to other countries strong in the oil and gas area.

However, it would be wrong to understate the importance of oil and gas and of the tremendous trading links between the UK and Azerbaijan that go back some 20 years to the signing of long-term contracts by BP, which is and remains tremendously committed there. Some 4,000 or so permanent UK expats live in Azerbaijan. They are predominantly Scottish, but a significant number of people from other parts of the United Kingdom also live there. They make a good living and play an important part in developing the economy.

[Mr Mark Field]

The Azerbaijani economy has grown. There has been compound growth of 7% or 8% in recent years, partly on the back of oil and gas. However, Azerbaijan is keen to promote to the world that it is about other things. In particular, it is looking to develop its financial services expertise. Obviously, I hope that my background as a Member of Parliament for the City of London will assist in that regard. It is also looking to develop areas such as high quality agricultural produce—some significant manufacturing goes on—and the tourism industry. Baku was always regarded as the third city within the Soviet Union after Moscow and St Petersburg. It has tremendous tourism opportunities in a quasi-alpine area in the north of the country. Benefits will arise there in the coming years and I hope that the tourism trade begins to assert itself.

I very much agree with what the hon. Member for Bradford South said. There is clearly an issue with visas. It is probably fair to say that there is a two-way issue and that there is a problem at this end, too. I hope that people will begin to learn more about Azerbaijan. We can laugh about the Eurovision song contest, but it will provide a phenomenally important showcase for that country. On that particular weekend, Azerbaijan will have an opportunity to open itself up not just to the United Kingdom, but to the other countries of Europe to show what it is all about. I hope that Azerbaijan will use that opportunity to say more about some of its great beauty. As I say, Baku is a very cosmopolitan city. Obviously, it has benefited in recent years from oil and gas, but it is clear that it has a lot of architecture and history that goes back many centuries and shows what an important city it was.

It is only fair to say a few words, as other hon. Members have, about the Nagorno-Karabakh issue. That is understandably close to the heart of many political leaders. As my hon. Friend the Member for Harrow East mentioned, we were very fortunate to have a 40-minute audience with the President. As mentioned, he was very keen to talk extremely openly about all the issues that have been touched upon already in this debate, but he also wanted to stress the importance of Nagorno-Karabakh. There is an understandable feeling in what one might call the moderate Muslim world that perhaps it is all too easy to look at UN resolutions that are immediately acted upon, particularly UN resolution 1973, when other resolutions—there were four resolutions between 1992 and 1994 on the ongoing conflict between Azerbaijan and Armenia—have, to a large extent, been ignored. Lip service has been paid to trying to put those resolutions in place. I hope that the Minister will have something encouraging to say about the ongoing work that is being done not just within the UN, but as part of the bilateral relationship.

I totally agree with that the hon. Member for Bradford South said. It is in Armenia's interests for the matter to be resolved as soon as possible. That country does not have the benefit of oil and gas and its people are becoming increasingly impoverished by its being regarded as a pariah state. As I say, it is evident that significant wealth from Azerbaijan's oil and gas fields is going into building up a good life, even for those who feel themselves dispossessed in the Nagorno-Karabakh region. It would be in Armenia's interests to recognise that there are tremendous advantages to being part of an area—albeit a little-known area as far as people in the UK are concerned—that has its eye on the future.

Finally, I wish to mention student visas. On a number of occasions I have made it clear that I have some concerns about the Government's policy in that regard. We must recognise that education is a tremendous earner for this country and that our gold standard is recognised across the world—the English language has a part to play in that. We should also look to encourage the brightest and the best young people from across the world—not only Chinese and Indians, but Azerbaijanis—to spend time studying in this country. They could do two years of a postgraduate degree or part of a sandwich course, and they could, indeed, work for a year or two in this country afterwards. Such citizens from some of the less well known but fast-developing countries will be ambassadors for this country for the rest of their lives if they spend time here.

I recognise the political constraints that we are under in terms of getting our immigration numbers down, and there are, of course, great financial constraints on all our educational establishments, but it is self-defeating for this country to make coming to this country difficult for students and for highly skilled individuals from countries that are not members of the European Union or the British Commonwealth. We need a much more serious debate about that, and it behoves the coalition Government to be quite up-front about the issue. Immigration should not be about just headline figures and seeing such things as a great success going forward.

As I said, that issue is particularly important in developing countries, including not only Azerbaijan, but other south Caucasian countries, and I hope the Minister will be able to play some part in making a case on that issue. Indeed, I know he does that, and, like me, he probably believes that if Britain's place as a trading and mercantile country is to be maintained, we need to make sure that we have as much free movement as possible for some of the best and brightest labour in the world.

Thank you for allowing me to contribute to this important and interesting debate, Mr Hollobone. I hope that the Minister and the Opposition Front-Bench spokesman, the right hon. Member for Warley (Mr Spellar), will take on board some of the positive impressions that we have all gained from our brief introduction to Azerbaijan.

3.12 pm

Jim Shannon (Strangford) (DUP): I thank the hon. Member for Harrow East (Bob Blackman) for bringing this matter to Westminster Hall for debate.

As previous speakers have indicated, the United Kingdom has important economic and business ties with Azerbaijan; indeed, almost 52% of Azerbaijan's contact is with the United Kingdom and other countries. However, I want to discuss religious and racial discrimination, which I mentioned to the hon. Gentleman before the debate, and which he touched on early in his deliberations. Although incidents of discrimination have taken place over the past few years, I want to mention a couple that have taken place in the past two weeks, so they are very relevant to the debate.

The secular Government continue to control religious freedom. Racial discrimination also affects religious freedom, because the Christian population is almost entirely ethnic Armenian and Russian, while the Muslim population is largely ethnic Azeri—given my Northern Ireland accent, some of those words will probably come out in a completely different way from usual, and I am not sure how they will be translated in *Hansard*, but that is by the way. A 1992 religious law initially granted more freedoms, but it has been amended several times, and restrictions have been introduced. Interestingly, Azerbaijan's constitution clearly safeguards religious freedom, freedom of expression and human rights, but those things are not practised in reality, and that is where the problems are.

The state committee for work with religious organisations, which was formed in 2001, demands the registration of religious communities and censors religious literature. Christian groups that do not register are considered illegal and often face discrimination. In December 2007, following a police raid, five church members and three visitors were imprisoned and fined for meeting without state registration. Police officers also confiscated their books and other religious materials. On 20 June 2008, police arrested Pastor Hamid Shabanov on allegations of possessing an illegal weapon, which church members said was not true. They felt the arrest was an attempt to halt Christian activity in the area.

The state religious affairs official who led a police raid on a Baptist congregation in Sumgait during Sunday morning worship on 12 June this year explained away the lack of a warrant, saying:

"I'm the permission and the warranty".

If a country enshrines religious freedom and human rights in its constitution, it must abide by that; it cannot make up the law as it goes along or discriminate against Christians and those of different racial identities.

Mr Gregory Campbell (East Londonderry) (DUP): My hon. Friend is outlining some recent and topical instances of religious suppression in Azerbaijan. Does he agree that the best way to draw attention to the problems faced by Azerbaijanis going about their religious worship under intense pressure is sometimes through diplomatic channels and all-party group discussions and visits? In that way, we can try to get the Governments of nation states such as Azerbaijan to look again at their human rights approach.

Jim Shannon: I thank my hon. Friend for his contribution, which clearly highlights the issues. We will be asking the Minister and perhaps the all-party group to take the opportunity to raise these issues on behalf of people in Azerbaijan who are discriminated against.

On 12 June this year—the same day the Baptists were raided—Jehovah's Witnesses in Gyanja stated that they were raided because they did not have compulsory state registration. An official of the state committee for work with religious organisations defended its officials' participation in the raids, saying that they were working "in accordance with the law".

However, it is an oppressive law and it is not right. The law on religion has been amended 13 times since 1992.

As I said, police and local state committee officials raided a church in Sumgait, near the capital, Baku, on 12 June, and they raided the Jehovah's Witnesses at the same time. They were clear that they did not need the law of the land—they had permission and the warrant. Following both raids, fines are expected under the code of administrative offences for meeting for religious worship without state registration. The raids—the latest in a series on religious communities—came two days after Azerbaijan's Parliament had adopted further restrictive amendments to the religious law. The Government are continuously moving the goalposts, and I am quite concerned about that.

A spokesperson said the law enforcement officers conducted these operations in accordance with the law, but he refused to give his name. When he was asked how raiding worship services was in accordance with religious freedom commitments enshrined in Azerbaijan's constitution and the country's international human rights commitments, he put the phone down—in other words, he had made his mind up about that.

Controversial and restrictive new amendments to the religious law have gone to the President, and this will be the 13th time that it has been amended since it was adopted in 1992. The amendments, which were given preliminary approval in a matter of weeks, on 31 May, raise the number of adult founders required for a religious community from 10 to 50, introduce new controls on religious education and increase the controls that the state requires religious headquarter bodies or centres to have over all communities under their jurisdiction. The amendments apply especially to the state-controlled Caucasian Muslim board, to which all Muslim communities must belong. Although I have outlined the raids on the Baptist church and the Jehovah's Witnesses, there are also restrictions on those of a Muslim persuasion, so three religious groups are having problems in Azerbaijan.

Even before their adoption by the Parliament, the amendments have aroused concern among religious communities. In particular, those that had lodged re-registration applications in 2009, but which are still waiting for a response, fear that the new requirement for 50 adult founders will allow the state committee to reject their current applications. Potentially, churches that have been in operation for 20-plus years could have their activities restricted, and that would concern me.

In the Sumgait raid on 12 June, about 100 Baptists were at their Sunday morning worship service when about 20 police officers and men in civilian clothes broke in. The people in the church had been praying for about half an hour when the police burst in and they asked the police to wait until the end of the service before doing anything. Everyone present was told that it was up to each individual's conscience whether they gave their name, as the police demanded. The police blocked all the exits out of the church and would not let anyone through without giving a name and address so, clearly, what they had said earlier meant nothing because they already had the details. Furthermore, police filmed the premises and the people attending on mobile phones and later on cameras. They confiscated all the religious books they could find—4,645 booklets, 9,229 individual books, 152 religious textbooks and 2,470 religious invitations—to have a wee look, to see if they were acceptable under Azerbaijan's tight censorship of religious literature of all faiths.

Those raiding the Sumgait Baptist church refused to give their names, but the raid seems to have been led by state officials. Despite a number of phone calls, which

[Jim Shannon]

went unanswered or were put down, there seemed to be a refusal to help those of a Baptist persuasion who wished to worship God in their church, their right to do so being enshrined in the constitution. Article 299 includes a wide range of offences, including meeting for worship without state permission. In December 2010, sharp increases in fines were introduced for all violations of article 299. Again, that will hit those who wish to worship God in their chosen way, and I am concerned that it has not been carried out as it should be. Hopefully, the Minister will be able to indicate what he can do to help those people.

The police were told that the church has no intention of applying for state registration because it believes that it does not need it and because it regards enforced state registration as an unwarranted intrusion into its internal affairs. Officers told the church that it would be fined. The Baptist pastor believes—as I do—that he has done nothing wrong. He adhered to the law of the land and to the wishes of a congregation who wanted to worship God on a Sunday morning and who have been worshipping in that building for a long time—some 20 years.

I am conscious of the time, so I will run through my remaining points quickly. The Jehovah's Witnesses had a similar experience; 37 people were present during one raid, some of whom were taken away by the police for questioning for a number of hours and the rest given verbal warnings. Some were punished under the administrative offences code.

Earlier raids included three on Protestant churches in Sumgait over a three-day period in mid-May just past. Religious books were confiscated and two members of one congregation, a husband and wife, were each fined the equivalent of two weeks' average wages. Other raids took place in Gyanja, where the Jehovah's Witnesses had been raided, and those groups were banned from meeting for worship because they had not registered. At least one Star of the East Pentecostal church had a visit from the police and riot police to prevent worship. Even though the constitution says that such worshippers have rights, they do not. All the evidence points in a certain direction, and I am concerned about that. The state committee rejected the findings of a Council of Europe report, stating that

"it did not reflect the real situation in the country and bears a superficial character."

However, I have talked about the evidence, which says something completely different.

In conclusion, Azerbaijan is a country rich in natural resources with which Britain has a special relationship. It has a wonderful people who are admired by those who have met them. At the same time, it has repressive laws that discriminate against those who want to practise their religious beliefs and against those of a certain racial persuasion. The Minister has an opportunity today, and I ask him and the all-party group to use their influence to ensure that those who want to practise their religious beliefs can do so without fear or discrimination.

Mr Philip Hollobone (in the Chair): We have 18 minutes left until I call the winding-up speeches at 3.40 pm. I will call Karen Lumley, then Martin Horwood and Stephen Hammond.

3.24 pm

Karen Lumley (Redditch) (Con): It is a pleasure to serve under your chairmanship today, Mr Hollobone. I also thank my hon. Friend the Member for Harrow East (Bob Blackman) for securing an important debate.

I visited Azerbaijan before I came to this House, and I thoroughly enjoyed my visit, which was a major eye-opener for me. Baku is a fantastic city, which is growing month by month, and the opportunities for us in the UK are enormous. It is certainly a change from 20 years ago when my husband worked in the country as a geologist discovering oil. When I returned, it was apparent how much Azerbaijan had been transformed. What could happen in the next 20 years?

We must, vitally, get more involved in this important market. The UK is Azerbaijan's largest foreign investor, and as the country develops, so must its infrastructure, bringing an exciting array of prospects for UK investors. UK investment has had an impressive start, but we can get involved in so much more. If more British companies are to be encouraged to invest in Azerbaijan, the Government must impress on the Azerbaijanis the importance of stability and of open and transparent government. Corruption is widely reported to be a big problem. Transparency International, in its corruption perceptions index, ranks Azerbaijan 134th. Tackling the general problem of how the country is perceived is critical for Azerbaijan's development. It has a fantastic, growing economy, but that does not mean there is not considerable room for improvement or space for UK investment to expand further.

For the moment, the population appears relatively content with the regime. That is to say, there are not currently scenes of revolt, such as we have seen in other parts of Asia and north Africa, but let us remember that in the 2010 elections, Opposition rallies were forbidden. That, combined with reports of corruption and of violence in and along the borders, will not encourage new and perhaps nervous investors, especially those without experience of operating in countries with security challenges. BP was taken into Azerbaijan by the oil and gas, but financial services are not so fixed in where they can invest and so could look at other countries. We must emphasise Azerbaijan's advantages.

Openness will improve when journalists are free to report and Opposition parties to protest. Azerbaijan is part of the Council of Europe, and that the country must not continue to disregard human rights law has to be made clear. Industry is not totally separate from such issues—we must look at Azerbaijan as a whole. I hope that the Azerbaijan all-party parliamentary group, of which I am a member, will raise this country's profile as much as possible in the UK and that the Government will be more specific when outlining their objectives for their involvement in Azerbaijan. We look forward to hearing from the Minister.

Financial services, business services, engineering projects and project management are all areas that will grow with the Azerbaijani economy. We might not be able to compete with the cheap labour within the country or in neighbouring Turkey and Russia, but the UK's expertise in business and financial services could benefit the Azerbaijani economy considerably. There are huge opportunities for Britain and it is up to us—the UK Government and UK industry—to lead the way. BP

Azerbaijan comprises a large part of our financial presence and, as a company, has made a concerted effort to increase interaction between local companies and foreign investors with a scheme to introduce the two and under which they can interact and discuss how to do ventures together. We must support such schemes.

We have already heard about the UK education sector. English is used more and more in the country, especially by young people because it is seen as a language of business. UK education is increasingly looked at as offering international status and opportunity. The British Council has been encouraging cultural exchanges and we should be looking at that sort of thing on a much larger scale, with students from our country also going to Azerbaijan. We must encourage our universities to explore such programmes. It would be good to see some of our universities providing satellite centres in places such as Baku to educate the young people in their own country.

Although our economy is becoming stronger every day, we must not be complacent about our recovery. Abroad, in counties such as Azerbaijan, there is money to be made, which could benefit all our constituents. The Government are doing everything they can to encourage the entrepreneurial spirit in the UK, and must do so in UK companies looking abroad. New, expanding economies provide an exciting environment and we should take full advantage of each opportunity to help the UK to prosper.

Finally, as mentioned by my colleagues, we wish Azerbaijan every success in hosting the Eurovision song contest next year. Who knows, some of us might even be there—including Richard, from the Strangers Bar.

3.29 pm

Martin Horwood (Cheltenham) (LD): Thank you for calling me, Mr Hollobone. I will try to keep an eye on the time. I commend my hon. Friend the Member for Harrow East (Bob Blackman) for securing the debate, and for resisting the impulse to give a rendition of the Eurovision song contest's winning song. That is a mercy to all of us.

The debate is very important because although the region is ostensibly stable at the moment, it clearly has potential for a lot of volatility. As well as the conflict over Nagorno-Karabakh, there was the war only a few years ago between Russia and Georgia, there is unresolved conflict over South Ossetia and Abkhazia, and we now have other regional powers, such as Iran, taking an interest, although apparently in the unlikely role of peacemaker at the moment. That all underlines how such a potentially volatile region could deteriorate quite fast. If we have learned anything from events in the middle east and north Africa, it is that one cannot take one's eye off the ball and expect stable regions to remain stable just because they are at the moment.

Reference has been made to the conflict in Nagorno-Karabakh, and in fact it has been called the occupation of Nagorno-Karabakh. Clearly, one person's occupation is another person's liberation, and the origins of the dispute started with a regional soviet voting to attach itself to Armenia in 1988 under the USSR. It is important that while emphasising many other universal values such as human rights, the rule of law and democracy, we remember the important right to self-determination. That will clearly be a live issue in this country for the next couple of years. Should the people of Scotland, however unwisely, decide to vote for independence or a different constitutional arrangement with the United Kingdom, we would of course respect that, just as Czechoslovakia respected the right of Slovakia to separate from the Czech Republic some years ago.

Stephen Hammond (Wimbledon) (Con): My hon. Friend's point about self-determination is of course right, but if the indigenous population has been expelled, self-determination and its result will be rather different from what might otherwise be expected.

Martin Horwood: My hon. Friend makes a valid point. Perhaps the way forward is that suggested by the European Parliament in its 2008 resolution, which recognised the territorial integrity of Azerbaijan but referred specifically to rights to self-determination, whether in the form of home rule, devolution, confederation or whatever. It is crucial that popular consent is part of the process.

I agree that progress towards a peaceful resolution seems to be frustratingly slow, although it is positive that all parties now seem to have committed themselves to peaceful resolution of the dispute. I gather that the South Caucasus security and co-operation conference has now resolved that all outstanding issues in the region should be tackled by 2014, and I would be interested to hear from the Minister—his enormous portfolio now also includes that troublesome region—what pressure Her Majesty's Government will put on the Governments of Azerbaijan, Armenia and Russia to make that process a success.

I want to mention briefly two wider issues. One is the role of western foreign policy in the post-Soviet space in the world. Clearly, discussions are continuing between NATO and Azerbaijan, which is interesting. It is probably right and wise that those negotiations are concentrating not so much on Azerbaijani membership, but on building stability and ensuring that Azerbaijan is a barrier to the spread of weapons of mass destruction and other things that contribute to the stability of the region and the rest of the world.

The other issue, which other hon. Members have mentioned, is human rights. The Arab spring or awakening has underlined the importance of what President Obama called

"the false promise of stability"

sometimes enforced by repressive tactics. Azerbaijan is not Libya; it is not Syria; it is not Iran. It has many of the characteristics of an increasingly prosperous multi-party democracy, yet there serious concerns. The Organisation for Security and Co-operation in Europe described the 2010 parliamentary elections as "peaceful", but

"not sufficient to constitute meaningful progress in the democratic development of the country."

Amnesty International reports:

"Threats, harassment, and acts of violence against journalists, civil society activists and opposition activists continue with impunity, leading to an increase in self-censorship. Criminal and civil defamation laws are used to silence criticism, resulting in prison sentences and heavy fines against journalists."

If I had more time, I would highlight the cases of Jabbar Savalan, Eynulla Fatullayev, Adnan Hajizade and Emin Abdullayev. I hope that the Minister will be able to take up those cases in particular with the Azerbaijani Government.

[Martin Horwood]

If Azerbaijan is to take its place in the democratic family of nations—I agree with hon. Members who have said that it is important to have examples of Muslim countries that are emerging as stable and free democracies—it must recognise the importance of tackling the human rights issues that still exist there. I hope that the good offices of the Minister, the Conservative Friends of Azerbaijan, and the all-party Azerbaijan group will be utilised in that effort. That would be extremely positive for Azerbaijan.

3.35 pm

Stephen Hammond (Wimbledon) (Con): As befits the importance of this debate and of your chairmanship, Mr Hollobone, I have prepared 25 minutes of eloquent speech, but as only five minutes are available to me, I shall cut to the quick and not discuss issues that colleagues have already mentioned this afternoon. I also refer hon. Members to my declaration of interests.

Some hon. Members have discussed the petroboom in Baku. Clearly, there is a wide spread of economic prosperity in that country, and I want to concentrate on two issues. The first is the prospects for UK industry. Wherever we look across the globe, instead of being cautious and concerned, we in the UK should be embracing some of the opportunities. Notwithstanding some of the issues that hon. Members have raised, it seems to me that beyond the fact that BP has its biggest European plant and refinery in Baku, and that we are already the largest foreign direct investor into that country and the largest exporter in that region, this country is missing some significant interests and opportunities.

It has been said that the construction boom is being driven by the petrodollar, but the construction boom is there, and yet another concert hall for the Eurovision song contest is being built. Where UK industry is missing out, I encourage the Minister to chide UK Trade and Investment, which is not doing enough in that and other regions of the world. UK civil contracting still has a global competitive advantage, so why is it not taking this opportunity?

The infrastructure boom is driven by the needs of agriculture, industry and increasingly tourism, and some providers in the UK have international advantage and strength, but yet again some of the opportunities are not being seized. That point was made to us by the ambassador, and our commercial interest is being neglected in our relationship with Azerbaijan.

I was particularly struck by our meeting with the Tourism Minister. Many of us will remember it for all sorts of reasons, not least for the most stylish carpet I have ever walked across. None the less, one of his points was that on the back of the Eurovision song contest, Azerbaijan's historic importance, its historic attractions—Baku's importance has been attended to by a number of nations in world wars—and its natural features, the tourist industry is likely to expand. We have seen tourism in our country move slowly eastwards across the continent, and it is now moving even further eastwards from Croatia. The point that the Tourism Minister made to us was, "What is the UK going to do to grasp this opportunity? Who should we tie up with?" He was asking us to do something about it, and UK plc should grab that opportunity.

My hon. Friend the Member for Cities of London and Westminster (Mr Field) has discussed financial services. One of the most impressive people we met was the gentleman running the sovereign wealth fund, which is putting on $1 billion a month. When that fund moves from debt instruments into equities, private equity and property, we want to make sure that we are in there ensuring that our opportunity is taken. My hon. Friend has also discussed education, as I was going to, but I will not.

I want to challenge the Minister on the issue of Nagorno-Karabakh. Can we put this on the record today or not? Whatever has been said about self-determination, there are 700,000 internally displaced people—three times the number of Sri Lankan internally displaced people, which I know the Minister is acutely aware of as well. If those people were back in the Nagorno-Karabakh region and the seven surrounding satellites, self-determination would be a relevant issue and the right to it would be important. At that stage, it would be important for the UK Government to take notice. Will the Minister comment on that point? And will he comment on the outstanding UN Security Council resolutions 822, 853, 874 and 884? Does he accept that we should put pressure on Armenia to accept those resolutions? Do the UK Government believe that they should support the Azerbaijanis in the settlement of the resolutions? My five minutes are now well and truly up.

3.40 pm

Mr John Spellar (Warley) (Lab): It is a pleasure to serve under your chairmanship, Mr Hollobone. I have been in a number of debates with you, but never with you in the role of a mute, so this is a new experience.

This debate, apart from being very interesting, has shown the value of delegations of Members of Parliament. If I may say so to the Minister, that is a message that needs to be heard both by the Foreign Office and by the House authorities. Participation in such delegations enables hon. Members to expand their horizons and brings a much more well informed atmosphere to the debates in the House in their various venues.

I congratulate the hon. Member for Harrow East (Bob Blackman) on securing this debate on a country and region—the wider subject of the debate—that receives too little attention considering its crucial location, importance and, as we have heard, potential for conflict. It is also significant in terms of European energy supplies. I make no apology for highlighting that fact. When President Obama was speaking just outside this Chamber in Westminster Hall recently, he dealt head-on with the issue of the importance of energy supplies to countries when he observed of the middle east that the west squarely acknowledges that

> "yes, we have enduring interests in the region—to fight terror, sometimes with partners who may not be perfect; to protect against disruptions of the world's energy supply."

It is a perfectly proper aspect of foreign policy that we should be concerned about that.

As has been mentioned, both Britain and the EU have considerable interests in that regard. The EU countries are considerably helped by the diversity of supply, both from the existing pipelines and, potentially, from the Nabucco pipeline providing a route for gas, not only from Azerbaijan but from the Caspian region as a

whole. That gives the promise of a more balanced and diverse gas supply for western Europe and, we hope, will avoid some of the problems that Europe has experienced with interruption of supply, which has periodically caused such difficulties, particularly in the accession states. That problem will potentially be exacerbated by the recent decision of Germany to shut down its nuclear reactors, with the inevitable and immediate impact on gas demand in Europe.

Therefore, the situation that I have described is good news for those countries and for us. The hope is that as the European region gets more competitive sources of supply and more diverse sources of supply, we will also start to see more stabilisation of prices, rather than some of the spikes in prices that we are seeing and the way in which, bluntly, those are exploited by the ever-greedy utility companies to introduce substantial increases in the charges for domestic gas supplies in particular. That will be important for us all. It is therefore encouraging that the EU will be supporting the Azerbaijan Government to move the Nabucco project ahead.

In that context, it was pleasing to see the report this month that the EU Energy Commissioner had characterised Azerbaijan as "the EU's key partner" on regional energy projects, while delivering endorsements of the Nabucco project. It was also reported earlier this month that the legal framework for the pipeline had been finalised, with the support of the relevant Ministries of the transit countries: Austria, Bulgaria, Hungary, Romania and Turkey. All that is extremely welcome news.

Britain, of course, also has a significant role. I partly take issue with the hon. Member for Wimbledon (Stephen Hammond) on project management. AMEC, for example, has been a major presence in Azerbaijan for some time, operating out of Baku. Perhaps it has been there so long that he does not look on what it is doing as a recent innovation, but it has been immensely successful and is seen as a major partner by the Azerbaijanis.

Stephen Hammond: I recognise that there are 175 companies beyond BP in Azerbaijan. My point was not about those that are there already, but that there are significant opportunities, particularly in areas where we have a worldwide competitive advantage.

Mr Spellar: There is always opportunity, but we should equally recognise when people are taking advantage of that opportunity. The hon. Gentleman rightly points out that BP is a major supplier, but this is about more than being first among equals. The UK accounts for some 52% of all foreign investment in Azerbaijan. BP's stake is enormous. It will be one of the largest terminals that it will be operating on behalf of the Azerbaijanis.

Reference has rightly been made to the very significant presence in British tertiary education institutions from Azerbaijan. I have seen an estimate that some 80% of Azerbaijani students who study abroad study in the UK. That was highlighted by my hon. Friend the Member for Bradford South (Mr Sutcliffe). In the strategic context, we must remember the importance of Azerbaijan as a route for supplies and forces going into Afghanistan. That is not insignificant in terms of Britain's interest.

We must also consider the broader security situation. Nagorno-Karabakh has been mentioned. In many ways, that is a synonym for many of the difficulties faced right across the south Caucasus. We are aware of the recent history. What was said about the end of the cold war? It led to a period of less threat and less peace. Certainly the region that we are discussing experienced that. I am thinking of the two wars in Nagorno-Karabakh, with Armenia and Azerbaijan, and the considerable number of displaced persons. The hon. Member for Harrow East rightly drew attention to the UN resolutions. He also mentioned the Minsk group, which is currently the main forum for resolution of the conflict, although we have to recognise that, unfortunately, progress has been fairly limited in that context.

This debate is particularly timely, in that the meeting on Nagorno-Karabakh has been taking place in Kazan, I think, yesterday and today, with Azerbaijan, Armenia and Russia. I hope that the Minister will be able to enlighten us on that. We obviously hope that there has been progress, but it would be interesting to be updated on whether there has been any progress or developments at that meeting.

Before I yield to the Minister—I want him to have the full amount of time to deal with the many points that have been made—I want to sound a cautionary note. We should accept that in the Caucasus, progress will quite often take more time than we would hope. It will be slow—certainly slower than we would hope—and evolutionary. Russia may no longer be one of the two superpowers, but it is still, not only in its own estimation but objectively, a major and very significant power, a P5 member and a nuclear power. It is also clearly the regional power and has very clear interests in what it would regard as the near abroad. Therefore, its views, interests and perspectives have to be taken fully into account. That is the reality not only for the countries of the south Caucasus, but for those countries that are engaged there diplomatically or economically. It is therefore crucial that we have full engagement with Russia, recognising its legitimate interests but also representing ours, as well as the understandable concerns of other countries in the region. I hope that the Minister will be able to report the Government's actions in this regard.

The debate has demonstrated the considerable interest that Members of Parliament take in Azerbaijan, and they are very well informed about it. We look forward to the Minister's reply.

3.50 pm

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Alistair Burt): Like others, Mr Hollobone, I welcome you to the Chair. I congratulate my hon. Friend the Member for Harrow East (Bob Blackman) on securing this debate.

I thank the right hon. Member for Warley (Mr Spellar) for his usual well-grounded and thoughtful contribution. I shall do my best to respond to as many of the issues that have been raised this afternoon as I can. Nagorno-Karabakh was mentioned by many. The economy and investment matters were raised by my hon. Friends the Members for Redditch (Karen Lumley) and for Wimbledon (Stephen Hammond). Students were mentioned by my hon. Friend the Member for Cities of London and Westminster (Mr Field). A number of colleagues spoke about sport and Eurovision, but particularly the hon. Member for Bradford South (Mr Sutcliffe). The hon. Members for Strangford (Jim Shannon) and for Cheltenham (Martin Horwood) raised the matter of religious freedom and human rights.

[Alistair Burt]

I begin with an apology. My already exciting portfolio of north Africa, the Gulf, the middle east and south Asia, including Afghanistan, Pakistan, Iraq and Iran, now includes Azerbaijan—but only for today. I apologise for the fact that the Minister for Europe, my right hon. Friend the Member for Aylesbury (Mr Lidington), is not able to attend this debate. It is his region, however, and I shall faithfully report to him what has been said today. I hope that colleagues will excuse me if I am not able to deal with every question, but information will go back to my right hon. Friend.

We have a good bilateral relationship with Azerbaijan, which has a growing economy. We are a little worried about a slippage in transparency in recent years, but there is no doubt that a strong relationship has been built on a variety of factors, many of which I shall touch upon. I shall deal first with two of the lighter ones. The disproportionate impact of Eurovision could not be better demonstrated than by the fact that everybody in this debate has mentioned it. I share the excitement that must have been generated by it. There is no doubt that, as a focus of attention and as an opportunity, it will offer a terrific chance. We hope for its great success next year.

I should also mention the importance of sport, especially as football is the most popular game in Azerbaijan. Whatever Azerbaijan's activities on the playing field, the hon. Member for Bradford South and my hon. Friend the Member for Cities of London and Westminster, who share my devotion to Bury football club, will know that Azerbaijan's greatest contribution to football was to provide the most clear-sighted linesman in the history of World cup finals. It was Tofik Bahramov whose eyesight distinguished Geoff Hurst's goal in the 1966 World cup final—for ever an honoured gentleman in this country.

My right hon. Friend the Foreign Secretary has clearly outlined his vision for our foreign policy. Our focus on building Britain's prosperity and security provides an effective framework for today's debate. Supporting Britain's prosperity is one of the central themes of our foreign policy, and Azerbaijan is an increasingly important partner. There are shared benefits in co-operation; at a time when global economic recovery is still fragile, Azerbaijan's economy is a driver for growth for a wide range of British businesses.

British expertise and industry has helped modernise and develop many sectors in the south Caucasus, including oil and gas, the development of infrastructure and information technology. The UK is well-placed in Azerbaijan, as a number of colleagues have said. We are the largest foreign investor, with 50% of direct foreign investment. Led by BP, British companies have invested more than $23 billion in Azerbaijan. Although the energy sector is the main focus for British companies, as was emphasised this afternoon, it is far from being the only one.

Azerbaijan and the south Caucasus region as a whole have increasingly dynamic and diversified economies that offer significant opportunities for UK business in financial services, retail, infrastructure, law, tourism and construction, among others. However, we need to do more to take full advantage of the opportunities that are available. I am therefore pleased to say that the Government and the private sector have increased activity there. My right hon. Friend the Minister for Europe led a successful UK trade delegation on a visit to Baku last year; and Lord Howell, a Minister of State, spoke at the launch of the Central Asia and South Caucasus Association. I shall take back to them the fact that Members have mentioned the increasing importance of trade.

The right hon. Member for Warley was right to mention European energy security. With its natural wealth of oil and gas resources, the region will play a vital role in ensuring Europe's energy security. The transit of hydrocarbons to Europe via a southern energy corridor would give the EU a new and important source of energy. That would benefit not only the EU but the region itself, as it seeks to diversify its export routes. There are other opportunities for co-operation in the energy field. Working together on energy efficiency, creating more effective and more open markets, and addressing climate change are all areas on which we wish to engage more.

My hon. Friend the Member for Cities of London and Westminster mentioned the importance of students. It is not the Government's policy to discourage the brightest and best from coming here. There are numerical issues, which we all understand, but part of the process is to identify those whose future relationship with us will benefit not only ourselves but, importantly, the countries to which they will return. We all recognise that long-term relationships can be created, and my hon. Friend was right to raise the matter.

I want to talk particularly about Nagorno-Karabakh, as so many Members concentrated on it. The right hon. Member for Warley was right to speak of it in the general context of security in the area. I hope that colleagues will forgive me if I concentrate on that region for the moment. It is a complex matter. The conflict has left many dead and thousands of Armenians and Azerbaijani people displaced. Sadly, as colleagues reported, deaths still regularly occur along the line of contact. It is a human tragedy and a tragedy for the region. We are clear that there can be no resolution of this conflict through the use or threat of force; nor does continuation of the status quo offer an acceptable long-term prospect for the region. I assure the House on behalf of the Government that it is a conflict to which the UK and others in the international community pay close attention.

France, the United States and Russia are the co-chairs of the Minsk Group peace process, who lead on negotiating a settlement to the conflict. The UK fully supports that work. This coming weekend, the Presidents of Armenia, Azerbaijan and Russia will meet in Kazan further to discuss the Madrid basic principles document, which aims to agree a starting point for eventual peace negotiations. In that regard, I fully support the recent statement of the co-chairs that urged the parties to avoid provocative actions or statements that might undermine the negotiating process during this critical period.

The line of contact has become the front line of this protracted conflict, and people tragically continue to die along it. The Minsk co-chairs have taken a significant, albeit symbolic, step towards opening up communication by crossing the line and travelling across no man's land. They did this most recently earlier this month, as they did when they conducted a field assessment study in

October not only in Nagorno-Karabakh but in the occupied territories that surround Nagorno-Karabakh. The parties have seen this report, and the Minsk Group's assessment of the situation on the ground, but have agreed to keep the detailed contents to themselves in order to avoid heated media allegations of blame.

Does the process go far enough? Is it quick enough? These are always difficult questions, and in the circumstances everybody would like to push for more. However, the UK believes firmly that the process is making progress, albeit slowly, and it is important to back it as the most likely opportunity for peace. The peace process will need to address a number of sensitive issues. As was mentioned earlier, they include a mechanism for investigating any allegations of war crimes from both sides, a system for the return of displaced persons, and other issues. It will be no easy task, but it is right that we support Armenia and Azerbaijan in making the difficult decisions that are needed and in helping to create a conducive atmosphere to achieve peace.

I turn to the question of human rights. The hon. Member for Strangford mentioned the problems that he has discerned in that regard, and the hon. Member for Cheltenham made the connection with the Arab spring. Human rights are not the same as they used to be. It is not possible for any society to believe that these are purely internal matters in which the rest of the world is not concerned. They must address these matters on their own—they are sovereign issues—but regardless of whether it is about religious or media freedoms, the fact that the world pays interest is likely to be a fact of life. I am sure that the comments of the hon. Gentleman will have been noted. We raise these issues in our bilateral conversations, and we will continue to do so. The particular issues picked up by the hon. Gentlemen will form part of our next discussion with them.

Much more could be said; however, as the right hon. Member for Warley said, the fact that a delegation is able to go to Azerbaijan and come back well informed is of immense importance to Parliament—and to Ministers, who cannot be everywhere. The debate will be reported to my right hon. Friend the Minister for Europe, who I know cares about the area very much. I am indebted to colleagues for their advice and views, and I hope that I have answered some of their questions. I know that my right hon. Friend will pick up others in due course.

Mr Philip Hollobone (in the Chair): I congratulate the hon. Member for Harrow East (Bob Blackman) on securing the debate, and I thank all who have taken part. Their contributions were most interesting and informative, and the debate was a real credit to the House.

Hadrian's Wall

4 pm

John Stevenson (Carlisle) (Con): I am grateful for the opportunity to hold this important debate under your chairmanship, Mr Hollobone. I want to talk about Hadrian's Wall, its ownership and the future management and marketing of it.

Hadrian's Wall is of great importance to the economy not just of my constituency of Carlisle but of the north of England from Wallsend to the Solway. The future arrangements for this world heritage tourist attraction could have significant implications for the area. The beauty of Hadrian's Wall is that it combines educational and economic benefits into one attraction.

Let me focus first on the educational benefits. Our country has an important link with Roman history. The Roman occupation of Britain is very much part of our heritage. Hadrian's Wall gives schools and colleges the opportunity to educate their students in a very real way. Instead of using just textbooks to study the period, students can see the physical evidence of the Roman occupation. In addition, people visiting the area can also benefit from the various educational and visitor centres along the wall, giving them a much better insight into Roman history and culture.

We often talk about the impact that the Roman empire had on world history, but it also had an impact on the social and economic life of small communities in the north of England. The physical presence of some of our Roman heritage truly helps to bring this history to life. Many people have had the opportunity to visit Hadrian's Wall and learn about the way in which the Romans lived nearly 2,000 years ago. The best demonstration of that are the educational facilities along the wall, which will be hugely enhanced by the opening on Friday this week of the Roman Frontier Gallery at Tullie House museum and art gallery in Carlisle. This gallery will enable schools, colleges and the general public to discover more about our Roman ancestors.

There are also vital economic benefits. In the past, following the demise of the Roman empire, the physical structure of the wall provided building materials for locals to construct houses, steadings and much else. In modern times, Hadrian's Wall has become a significant tourist attraction, bringing thousands of people to the area. Those tourists may come to view the wall and its remains or to visit the different forts and steadings. Alternatively, others have come to walk or cycle the length of the wall. Indeed, my colleagues and I are hoping to walk across the wall this summer to see what it has to offer. All such visits bring much-needed investment to the area, which helps to support existing businesses as well as creating new ones. On my own trip this summer, there will be six of us who will need accommodation, food and transport, all of which adds to the economy of the area. It may be a small contribution, but if we multiply it by the many tourists who visit the area over the summer, it is a substantial boost to the local economy. I want to concentrate on how we maintain and develop the two benefits of education and economics. Before I do, let me give a bit of background on Hadrian's Wall so that we get some idea of its worth and potential.

[John Stevenson]

Work on Hadrian's Wall began in 122 AD during the reign of Emperor Hadrian. At the time, it was one of the most fortified borders in Europe, taking around 16 years to complete. The wall is more than 75 miles long from east to west and a further 75 miles down the west coast. The first 45 miles of the wall, from Newcastle to the River Irthing, was constructed of stone, and the 31 miles from the Irthing to the Solway coast was initially of turf. Along the wall, there were 16 forts. Castles were built at intervals of 1 mile with two watchtower turrets between each one. The precise reason for building the wall is not known, although it is reasonable to assume that it was to secure the northern frontier of the Roman empire. Undoubtedly, it was a major undertaking at the time. The numbers who garrisoned the wall fluctuated throughout the life of the Roman occupation but it was usually around 9,000. The impact of the wall on the local population would have been considerable. Fortunately, there are remains from the original wall, forts and steadings that have allowed academics and archaeologists to study the wall, the Roman way of life and the effect it had on the local community.

With the decline of the Roman empire, the wall was abandoned as a military outpost for the Roman army, though it is believed that the local population continued to live and farm around the wall until the 8th century after which the wall was effectively abandoned and allowed to fall into ruin. Much of the wall has disappeared, but in the 19th century, John Clayton, the town clerk of Newcastle upon Tyne, began taking an interest in preserving as much of it as possible. Indeed, he acquired some sections of the wall in an effort to stop farmers using the stones. Anyone who visits the place will find a number of steadings and houses that were clearly built from the remains of the Roman wall.

It is hard to believe that it was not until the later part of the 20th century that a real interest in Hadrian's Wall started to take hold. It hit real prominence when it was declared a world heritage site in 1987. It achieved that status because of its uniqueness as the most complex and best preserved frontier of the Roman empire. However, even then the full potential of the wall was not realised, not just as a source of education but as a major tourist attraction with the potential to give a significant boost to the local economies along the wall.

Although Hadrian's Wall was now recognised as a site of international importance, it was not managed in any meaningful way. It took until the early part of this century before an attempt to co-ordinate the management of the wall was made. That came in the form of Hadrian's Wall Heritage Ltd, which was set up in 2006 as a company limited by guarantee. It was set up following a study in 2004 that identified the fact that the heritage site was failing to achieve its potential.

This organisation has been extremely successful in turning the site around and helping to raise the profile of Hadrian's Wall and developing it as a tourist attraction. I would like publicly to acknowledge the hard work of the board, staff and volunteers who have done a terrific job, and continue to do so, in promoting Hadrian's Wall through the Hadrian's Wall company and the many other organisations which have an interest along the wall.

Why are we having this debate today? In one sense it has been an opportunity for me to bring to the attention of the House and the Minister the importance of Hadrian's Wall and its relevance to us today. Hadrian's Wall is a major tourist attraction of significant historic and economic importance. It is also a resource for the local communities along the wall, which should be exploited in a responsible way by the Hadrian's Wall Heritage company. What, therefore, are the problems? It is hard to believe that the wall and land that adjoins it have more than 125 different legal land owners. Some of those owners are private land owners, but many are public and they include councils, the National Trust, English Heritage and the Hadrian's Wall Heritage company itself. Unfortunately, the company is a very small landowner, yet it is charged with promoting and caring for the wall almost in its entirety. Would it not therefore make sense for much if not all of the ownership of the wall and relevant surrounding land to be transferred into the company's ownership? I fully accept that that cannot happen overnight, but it would appear to be sensible in the long term. It would allow the company to manage, maintain and promote the wall in a far more efficient and systematic way.

I accept that these are financially difficult times, with little public money available to help boost projects such as this one. However, notwithstanding that reality, why should the various councils or public bodies, such as the National Trust or English Heritage, that own part of the wall not act—by way of setting an example and in the interests of preserving and promoting the wall for environmental as well as economic reasons—and transfer their ownership of parts of the wall into the ownership of the Hadrian's Wall company? If they think that that is a step too far, there might be the opportunity for them to lease their interests to the company or to pass the direct management responsibility for their section of the wall to the company. Clearly, the company would have to accept the responsibilities that go with ownership or control, but it would be fairer for it to have the responsibility for preserving the wall and at the same time it would have the opportunity to generate some kind of income stream, which could then be reinvested in the preservation and promotion of the wall.

A lot of the wall is not actually in public ownership but in private ownership. Quite simply, I say to those private owners of parts of the wall that those who want to could voluntarily transfer their ownership to the company—hopefully at little cost—and those who do not want to do so could just continue with the present arrangements and retain their ownership.

What, therefore, is the purpose of this debate? First, I want to raise the Minister's awareness of the international, national and local importance of Hadrian's Wall. I also want to encourage him to visit the area. I understand that he may well be going to the north-east and may visit part of the wall, but I encourage him to visit the western end of the wall at some point in the future, in particular the new gallery at Tullie House. As I mentioned earlier, that gallery opens on Friday.

Secondly, I want to highlight the various ownership issues to the Minister. Thirdly, I ask him to support the idea of unifying the ownership of as much of the wall as possible, and to help to facilitate the Hadrian's Wall company in doing so. Having said that, I fully acknowledge and accept that that would be a long-term project.

Fourthly, I ask the Minister to recognise the importance of Hadrian's Wall within the national tourism strategy. Will he say what the Government can do to achieve that goal, which would ensure the success of the wall for the country as well as for the region?

Fifthly, I ask the Minister to help to identify sources of funding for the company. That could be funding to invest in the physical aspects of the wall, in its preservation or in the promotion of the wall as a tourist attraction, which would link in with the Government's growth and tourism strategies.

The Minister will be very aware of the huge economic benefits that flow from tourism. However, there is always a great difficulty in how we finance and market tourism as it involves trying to calculate the benefits of tourism, including how it creates jobs, economic growth and so on. I accept that that is difficult, but I genuinely believe that Hadrian's Wall is a major tourist attraction and that it has the potential to create huge economic benefits for my region.

We are starting to see a great deal of improvement, in that there are more and more visitors to the wall every year and new businesses are opening up along the wall, such as bed and breakfasts, restaurants and coffee shops. That trend is to be encouraged. However, I fear that, given the economic difficulties that we are in, funding for the marketing of the wall will be reduced and that could have a knock-on effect on the economy of the local area. If we do not promote the wall sufficiently, that will result in a decline in the area's economic activity.

Mr Matthew Offord (Hendon) (Con): My hon. Friend is making a fantastic speech. When I saw that he had secured this debate today, I wanted to come along to Westminster Hall and support him. He said that Hadrian's Wall is a UNESCO world heritage site. When I think of other world heritage sites—other fantastic places such as Petra, the pyramids at Giza, Angkor Wat and Machu Picchu—I feel that we should certainly encourage people in this country to go along and see Hadrian's Wall.

However, will my hon. Friend say a little more about the number of people who visit the Lake district, for example, and perhaps suggest how we can encourage people not only to visit the Lake district but to go a bit further north, to spread the money that they spend across the whole of the county instead of just in the southern and western parts?

John Stevenson: I am grateful to my hon. Friend for his intervention and he raises a very important point. In my part of the country, the Lake district is clearly dominant as a tourist attraction. I think that it is the second most popular tourist attraction in this country, after London, with about 16 million visitors annually. However, because of the dominance of the Lake district locally, Hadrian's Wall sometimes loses out on visitors and indeed my own constituency, the city of Carlisle, sometimes fails to receive as many visitors as it might.

This debate has raised considerable interest in my local community. That is a good sign, because it means that people in my patch are interested in promoting Hadrian's Wall. I look to the Minister today, to see how we can build on that to ensure that the wall has a very prosperous and successful future.

4.15 pm

The Parliamentary Under-Secretary of State for Culture, Olympics, Media and Sport (John Penrose): It is always a pleasure to have you in the Chair, Mr Hollobone. I was debating opposite you yesterday with someone else in the Chair, but it is good to see you back in your accustomed place, looking after us today.

I congratulate my hon. Friend the Member for Carlisle (John Stevenson) on securing the debate and putting the case so strongly. It is always good to see a constituency MP batting hard for an important local asset and industry. It is absolutely clear, as he rightly pointed out, that tourism is one of the most important industries, if not the most important, in the Lake district as a whole, including the area around Carlisle. It is a crucial part of the local economy. The area does not have just beautiful scenery, but one of the country's—indeed the world's—pre-eminent heritage assets, in the shape of the wall, running right through the middle of it. There is plenty to be proud of, raise awareness of, and shout about to attract more people to visit both Carlisle and the wall, and my hon. Friend has contributed to that by securing this debate.

My hon. Friend asked me to acknowledge and comment on the importance of the wall to tourism, and I do not think it possible to overstate that importance. The wall is a crucial part of this country's offer. One of the reasons most frequently given by foreign visitors for coming to the UK is our heritage. Heritage is an incredibly broad term, including everything from Stonehenge, which is plus or minus 4,000 years old depending on the part of the site, right the way up to modern culture such as the Glastonbury and Reading music festivals, and everything in between. There is no doubt that Britain was a very important part of the Roman empire; in fact, the city of York was effectively its administrative capital for decades. The wall is an incredibly visible and solid reminder of that period, and is an iconic example of the kinds of things that people come to Britain to see.

My hon. Friend is absolutely right: the wall is a very important site, and is part of a world heritage site. I think it was one of the first transnational world heritage sites, because it takes in not just Hadrian's wall but the Antonine wall, which runs parallel to the north, and goes across into the northern German elements of the old Roman empire. It is part of a project that is, I think, ultimately intended to include the entire borders of the old Roman empire, right the way around through to the coast of north Africa. It was one of the first elements of that project to be put up, and it is of global significance. We are incredibly lucky in this country to have something that is so well-preserved and, importantly, properly looked after to ensure that it remains preserved for not just our generation but future ones. My hon. Friend is also entirely right to say that it is an essential part of rounding out the local tourism offer, so that the area does not have just beautiful countryside and lakes—which it undoubtedly does—but an incredibly impressive heritage offer.

There is, however, the problem that my hon. Friend was right to raise. Hadrian's Wall Heritage Ltd is struggling, along with a great many other destination management organisations. That is what they are called in the jargon, Mr Hollobone, but you and I would probably call them local tourist boards of one sort or another. They are organisations that are having to make the transition

[John Penrose]

from an era when money was a great deal freer and the Government's budget was a great deal larger, through to an era when regional development agencies no longer exist and everyone has to cut their cloth to fit. I will not try your patience, Mr Hollobone, by going too far off piste by talking about the economic mismanagement that led to that situation. However, for whatever reason, we are faced with a far tighter economic and fiscal situation. Therefore, everyone is having to cut their cloth to fit. Indeed, I am sure that the various business owners, land owners and attraction owners along the whole length of the wall would all understand that it is important for someone not to spend more than they earn, otherwise pretty soon they will go bust. This country is no different. We must ensure that we are living within our means. Hadrian's Wall Heritage Ltd is faced with precisely the same challenge as many other local tourism bodies around the country: that budgets are smaller. It is therefore trying to find and plug a hole in its budget.

My hon. Friend came up with a creative and intriguing potential solution to that. It is not something I have heard before, and interestingly, it is certainly not a solution that has been suggested to me in other parts of the country. It has the merit of being entirely original and certainly very thought-provoking. His suggestion is that public sector bodies along the wall might want to hand ownership of their assets over to Hadrian's Wall Heritage Ltd. I suspect that the underlying assumption behind that idea is that enough cash will be thrown off to plug all or at least some of the gap in the organisation's funding.

I am not sure that that underlying assumption is necessarily correct, although my hon. Friend is entirely within his rights to ask me to check it, which is effectively what he has done. We have gone away and done some numbers, and I am not sure that such an approach would fill the gap as it currently stands. The organisation is going through a great many other changes.

John Stevenson: Yes, the Minister is on the right track in terms of what I am thinking. However, I am also thinking that the sole purpose of Hadrian's Wall Heritage Ltd is to maintain, preserve, look after and promote Hadrian's Wall. Some of the other organisations have other interests and will have calls on their resources from the other attractions that they may have. If the wall's assets were transferred into the Hadrian's Wall company, the focus would be solely on Hadrian's Wall.

John Penrose: I appreciate what my hon. Friend is saying; he gave a capable exposition of his idea. However, the stumbling block for me is simply this: if we consider other destination management organisations—local tourism bodies of one kind or another—he is absolutely right to say that Hadrian's Wall Heritage Ltd is unusual in that the collection of tourism assets with which it is dealing happen to be stretched out in a long, thin line that cuts through a variety of different villages, towns, steadings and local authorities.

Apart from that geographical oddity, it is entirely normal that Hadrian's Wall Heritage Ltd has to interact with a breadth and variety of different types of organisation. There are different owners—public, private and in some cases third sector—and people from the National Trust as well. Any destination management organisation must deal with a variety of local tourism companies. We could be talking about destination management organisations in York, in my constituency of Weston-super-Mare or in Bristol—it does not matter where someone is in the country; they could be in the Cotswolds or anywhere else. Such organisations have to deal with everything from local hotels to local restaurants, attraction owners and everything else in between, plus local councillors and so on. They are all faced with that precise mixture of stakeholders and interests to match up.

The interesting thing is that there is no instance of such organisations expecting to own the assets that they are helping to promote and manage. In fact, their role is subtly different. They are not quite a trade association, but they are an organisation that helps to promote a particular area. The attraction owners, whether they are private, public or third sector, are key members of that organisation. They come in a variety of different legal wrappers—partnerships, companies limited by guarantee or whatever—but in each case, the various different stakeholders are key members of that organisation and if it is well run, they are the people who dictate terms and set the agenda for what the organisation is trying to do.

It is therefore crucial that although the organisation does not have to own the assets that it is working with, it must have an extremely close and effective relationship with the people whom it is seeking to represent. I am talking about a different kind of relationship, which is a bit more flexible. I would suggest anyway—my hon. Friend was right to point this out—that going down the route of trying to transfer ownership is not necessary, because many other examples of a membership model are being pursued successfully throughout the rest of the country. He was also right to say that it would be an extremely long and slow process.

In the case of private sector owners—from what I can see, some 90% of the wall is in private ownership of one kind or another—I suspect that, persuasive, effective and passionate as my hon. Friend is, he would have to go some in order to persuade most of them to give over voluntarily property that may have been in their family for generations. They may have purchased it recently, but either way, it is private property. I am a huge fan of the Government's philanthropy agenda, but I suspect that that would be philanthropy on a different scale and that, if my hon. Friend managed to do it, he would go down in history as one of the greatest philanthropic persuaders this country has ever seen.

I understand where my hon. Friend is coming from and why he is making that suggestion. What I would suggest in return is that I think there is an alternative way, which may be a little quicker and simpler, of achieving the goals that he and I both share, and that is to make sure that we have some kind of membership-related approach, whatever kind of legal wrapper it may come in. If we can get to that position—I understand that that is where Hadrian's Wall Heritage Ltd is trying to move—the company will be able to do precisely the kinds of things that my hon. Friend is talking about and attempt to market and promote the entire wall from one coast to the other, and put across and sell the huge benefits that he has rightly and passionately outlined in his speech. That is precisely what needs to be done and, I think, what everybody wants to see happen.

The huge advantage that Hadrian's Wall Heritage Ltd has is that, after many years of trying, it is managing to stitch together an incredibly disparate range of people, simply because of this geographical oddity. The asset, associated companies, attractions and issues that it is trying to deal with stretch from one coast of the country to another. I do not know how many different local authority areas it goes through, but it is a very large number, and it has proven extremely difficult to co-ordinate it in the past. It has started to do it, but as my hon. Friend rightly points out, it has to make this transition.

My hon. Friend has asked about other kinds of funding sources. It will be partly up to local tourism companies and local attraction owners, be they public, private or third sector, to say whether it is in their commercial interest to be part of a collective marketing scheme. I am not suggesting that this should be a piece of corporate philanthropy, but that it should be a natural part of everybody's corporate marketing plan to say, "If we contribute to a collective marketing plan for Hadrian's Wall as a whole, it will help my business and my neighbour's business as well." This is, therefore, a piece of self-interest as well as collective action, and I think it will be tremendously positive.

It is also worth saying that local authorities may conclude, as is happening in many other parts of the country, that tourism is such an important part of the local economy—my hon. Friend rightly pointed out that it is very important in Carlisle and Cumbria as a whole—that they want to contribute in some way to some of these collective marketing operations through council tax payers' money. That is happening, as I have said, in many other parts of the country. It depends on the importance of tourism in the local economy, but as my hon. Friend has pointed out, that is a very easy point to make in his part of the world, because it is such a vital part of local job creation. I encourage him to speak to his local council and fellow MPs in the area, to see whether or not they feel that the local authority's contribution reflects the importance of this crucial part of the economy to local jobs and employment.

I think that we are speaking a similar language in terms of what we want to achieve and that everybody agrees about the importance of Hadrian's Wall to the nation's heritage, the world's heritage and the local tourism industry. I think that we have slightly different recipes for how the issue might be addressed, but a great deal more can be done and I suspect that my hon. Friend and I will look to work with the local authority and local businesses to ensure that that happens.

Mr Philip Hollobone (in the Chair): I congratulate and thank the hon. Members for Carlisle (John Stevenson) and for Hendon (Mr Offord) and the Minister for their participation in a most interesting and informative debate.

Dangerous Driving Offences (Sentences)

4.30 pm

Karl Turner (Kingston upon Hull East) (Lab): I start by saying that it is a pleasure to serve under your chairmanship, Mr Hollobone, although to be perfectly honest I am not entirely sure yet whether it is, given that this is the first time I have had such an opportunity. I am grateful to be able to debate this issue.

Dangerous driving is a very serious offence, and the maximum sentence available to courts is nowhere near long enough, considering the impact on victims. I welcome the hon. Member for Broxtowe (Anna Soubry) to the debate. She is a member of the Bar and a very experienced barrister, who I think spent the majority of her practice defending criminals. However, considering her seniority at the Bar, it was probably a long time ago that she defended someone for dangerous driving.

This debate follows my introduction of a ten-minute rule Bill in the House on 14 May. The Second Reading is on 9 September, and I am happy that many right hon. and hon. Members from all parts of the House have come to me to say that they support my proposals.

There is a massive disparity in the law. The offence of dangerous driving is worth a maximum of two years' imprisonment on conviction. The courts have the responsibility of discounting that sentence for an early guilty plea, and I agree that they should have that discretion. I am told that the average sentence is about 11 to 13 months. Sometimes, the injury caused to the victim is truly horrendous.

Mark Tami (Alyn and Deeside) (Lab): I put in a petition on this subject regarding a young constituent of mine, Danny Evans, who was tragically killed. In the end, the driver pleaded guilty to a charge of careless driving, which I understand the police go for in many cases because it is easier to get a conviction. Danny lost his life and the driver got only 100 hours' community service. The Government responded by telling me that they had no plans to change the law.

Karl Turner: I am very grateful for that intervention, and I am sure that the Minister has taken note of my hon. Friend's comments. I hope that today's debate will help the Government to rethink the policy that relates to this offence.

As I was saying, there is a large disparity in the law. Most of the time the victims suffer horrendous injuries, and the experience of being a victim is truly tragic in every conceivable way. The offence of death by dangerous driving carries, I think, a maximum 14-year sentence.

Mr Mark Spencer (Sherwood) (Con): I congratulate the hon. Gentleman not only on securing this debate but on the other work that he is doing in this place to push this issue. Does he recognise the association between the unwillingness of people who commit this type of offence to secure insurance for their vehicles and the impact on the victims?

Karl Turner: I agree entirely with the hon. Gentleman's remarks. It is true that people who tend to commit this type of offence are often not insured, and that says something about the standard of their driving. I am

[Karl Turner]

keen to explain that my proposal is not to lock up everyone for poor driving—careless driving is very different from dangerous driving. In my experience, dangerous drivers have very little regard for themselves and other road users, and often do not bother to take out insurance.

Mark Pawsey (Rugby) (Con): I congratulate the hon. Gentleman on securing this debate. I want to refer him to the case of a constituent of mine who came into my constituency office last Friday to show me some absolutely horrendous photographs of a car that had gone straight out at a junction and into somebody's wall, before demolishing my constituent's car and sending bricks flying into their living room. Fortunately, it happened at an hour when the people in the house had retired to bed, so nobody was harmed. The driver was found to be driving under the influence of excess alcohol. The community order that was given to him was for 18 months for driving under the influence of excess alcohol, and he was disqualified from driving. However, for dangerous driving he received a community order for 18 months with costs of £80, and again he was disqualified from driving. My constituent's mother wrote to me. I wonder whether the hon. Gentleman agrees with her, when she asks:

"What kind of message are we giving to deliberately drunken drivers if we let them get away with such piffling sentences?"

Karl Turner: I agree entirely with those remarks, which are absolutely right.

For me, this issue is about redressing the balance for victims of these horrendous offences. The standard of driving required for dangerous driving is that the driver needs to drive far below the standard of an ordinary competent driver. I am not talking about pulling out of a driveway, failing to look right and having an accident. I am talking about getting into a car and driving like an absolute lunatic—very often, that is the case—including driving around roundabouts the wrong way or even over roundabouts. We have seen the CCTV footage of such driving on numerous occasions. The standard of driving is absolutely horrendous in every possible way.

I suggest that the maximum sentence for dangerous driving should be seven years, rather than what was suggested in the previous Government by a colleague of mine—I think that there was talk of increasing the maximum sentence from two years to five years. The offence of causing death by careless driving has a maximum sentence of five years. I am sure that the families of the victims of that offence would feel dreadful about that sentence. I am sure that the families of victims are absolutely outraged at what has been described to me as such a "paltry" sentence. But the culpability for that offence, in my view, is much less than for dangerous driving per se. I want to emphasise that point.

Members of all parties in the House will have constituents who have raised this issue with them; I suspect that the issue has been raised with them on more than one occasion. I have a constituent, Katie Harper. She was the victim of dangerous driving. Unfortunately, for whatever reason—I make no criticism of the police and the Crown Prosecution Service—the offender was not brought to justice. He was charged with dangerous driving but the case was dropped. When I spoke to Katie's father, he said that that was an absolute travesty and that that driver should have gone to prison for a long, long time. So I put the question to him, "How long do people think he would have got if he had been convicted?" He said, "Nine years?" I said, "No." He said, "Ten years?" I said, "No." He said, "Twelve years?" I said, "Absolutely not." His daughter had been studying English at the university of Hull, but she is no longer studying English and she has been told that she may never walk properly again. Her father was absolutely horrified to learn that, in my opinion, the sentence for the driver—if he had gone to prison at all—would have been something like nine months, if he had no previous convictions.

Gareth Johnson (Dartford) (Con): I congratulate the hon. Gentleman on identifying this anomaly. I used to specialise in road traffic law, and this is not the only anomaly that exists within current road traffic legislation. I wonder whether he is aware that if, for example, a new driver gets more than six penalty points, they have to retake their test, but if they are disqualified from driving they do not have to retake their test. Also, if someone commits the offence of failing to stop after an accident in which they have killed someone, the maximum sentence available at the moment is six months' imprisonment. Is he aware of those anomalies, in addition to the one he has so creditably identified?

Karl Turner: I agree with the hon. Gentleman. I mitigated a case before a magistrate when I was representing a defendant, who was effectively a probationary driver, for a driving offence. I suggested to the bench that, instead of throwing the book at him, he should be banned for a short period, so that he did not have to start from scratch, taking his test and so on.

I am assisted to some extent by some recent publicity. *The Sun* ran a story last Saturday about the victim of a driving offence, who was tragically paralysed. I have had the opportunity to speak with her father, Dr Robert Carver. The offence was different—careless driving—but the victim's injuries were dreadful. I am sure that the family feel outraged, but her father has asked me to make it clear that he makes no criticism of the district judge, Judge Stobart, who passed sentence in that case, saying that the judge was working within the constraints of the law.

I mention that case for two reasons. It is tragic for the victim—absolutely dreadful—but, for whatever reason, the offender was charged with careless driving, not dangerous driving. The sentence of 150 days in such circumstances was appropriate. However, an offence of dangerous driving, which is much worse in my view, must require a much harsher sentence.

Anna Soubry (Broxtowe) (Con): I congratulate the hon. Gentleman on securing this debate and on his efforts to reform the law. He clearly has considerable support from all parties, and we wish him absolute success.

The two-year sentence means that judges cannot reflect the serious consequences that often flow from someone who has committed the offence of dangerous driving, notably if causing injury. For what it is worth, I remember prosecuting a similar case in Derbyshire.

Someone had suffered permanent damage to the legs, but the judge's hands were tied in the sentence he passed. We really need reform in this area, do we not?

Karl Turner: Absolutely. I agree entirely with the hon. Lady, and welcome her remarks, which are right.

Before the election, I was defending a case of dangerous driving before the Crown Court—I was a pupil barrister in my local chambers, the Wilberforce chambers, which I mention because I hope for extra support from my head of chambers. I was enthusiastic, preparing the mitigation the night before, because I was excited to be appearing before a Crown Court judge—I had spent some years before that working for a firm of solicitors. I remember standing up with all that enthusiasm, beginning the mitigation and then seeing the expression on the judge's face. I had seen the CCTV, because it was played in court, but the judge was looking at me and saying, "Stop there, please, because the maximum sentence is two years. He pleaded, with good advice, in the magistrates court, so I must reduce the sentence to 16 months as a starting point. I then have to reduce it further because it is not the worst case of dangerous driving that I have judged."

I decided to stand up and have another go but, with the clear expression on the judge's face, I gave in pretty swiftly. The maximum sentence was indeed 16 months in such circumstances, and the offender received 11 months. When I went down to see him in the cell, I did the usual thing and told him how absolutely brilliant I was, but then I began thinking about the seriousness of the case. His driving had been truly horrendous. The offender had smashed into police cars to evade detection by the police. He was risking not only his own life but the lives of everyone on that road. This incident happened in broad daylight. He drove past a school at 70 miles per hour. The serious nature of that made me understand why the judge was looking at me as though I was the lunatic rather than the defendant.

Susan Elan Jones (Clwyd South) (Lab): I am concerned about the driving that causes death but is not classified as dangerous. Does my hon. Friend agree that the law needs serious revision? There was a case in my constituency in March 2009 when nine-year-old Robert Gaunt died of multiple injurjes after being hit by a car while crossing the road in Overton. The driver of that car was unlicensed, uninsured and failed to stop. He did not report the incident, and he even tried to cover up the crime by having his car repainted and re-sprayed. He was handed a sentence right at the top of what was legally possible—a grand total of 22 months. Does my hon. Friend not agree that that was wrong?

Karl Turner: I agree entirely with my hon. Friend's points. All Members will be able to raise similar cases. The hon. Member for Dartford (Gareth Johnson) was right in his comments. I know that he was an expert in road traffic cases before his election to this House, and perhaps he still is.

The offence of aggravated vehicle taking is another area that needs to be addressed. It currently carries a maximum sentence of two years. However, I should not digress, because it will cause some confusion not only to hon. Members in the Chamber but to my constituents.

My argument for increasing the sentence is to provide judges with discretion. I have spoken to senior judges and to my own Crown court judge, his honour Judge Mettyear, who said that an increase would be welcomed by every judge in the land. I trust judges. Sometimes I am not very happy with them, especially if I have had a bad result for a client, or if I have been prosecuting and I disagree with their judgment. None the less, I trust them, and they should have the discretion to redress the balance in these cases. The victims are truly shocked. They and their family have had the trauma of this horrendous incident, and then they see that justice has not been done. I hope that the Minister will take on board the points that I have made. I tabled early-day motion 1969 today, which I encourage all right hon. and hon. Members to sign.

In closing, let me make it clear that I am not looking to lock up people for poor driving. Sometimes people drive badly. My wife tells me that occasionally my driving is not very good. I hope that people do not think that I want to send people to prison. There are 30 million drivers out there, some of whom drive poorly, but this is not about that. This is about dangerous driving, which is an horrendous offence. I hope that the Government have listened carefully to the arguments that I have submitted today.

4.49 pm

The Parliamentary Under-Secretary of State for Justice (Mr Crispin Blunt): It is extremely pleasurable to serve under your chairmanship, Mr Hollobone, particularly as it means that you are in the Chair and not behind me on the Back Benches. I congratulate the hon. Member for Kingston upon Hull East (Karl Turner) on securing the debate and on his tenacity in bringing this issue to the attention of Parliament. I congratulate him on whipping in, if I may put it that way, other hon. Members' support with the notice he gave of his debate and on the generous way in which he gave them some time and some of my time. It is entirely his debate and it is all his time to give up to interventions. The hon. Gentleman made it clear in that message that he was going to end before 15 minutes of the debate was left, so I may be slightly over-prepared. However, I will attempt to get through the key messages I want to get across in responding to the debate.

As the hon. Gentleman made clear, the subject of dangerous driving is extremely serious, with potentially very grave consequences for innocent victims and their families. The Government are currently considering recent representations on the subject made by His Honour Judge Everett of Bolton Crown court following a particularly serious local case. They are also considering representations made by the hon. Member for Bolton North East (Mr Crausby), my right hon. Friend the Member for Sutton Coldfield (Mr Mitchell) and the points raised by the hon. Member for Kingston upon Hull East not only in this debate, but in the speech he gave to his ten-minute rule Bill.

Road traffic cases present particular difficulties for the courts because it is not always the worst transgression by a driver that has the most tragic consequences. Sometimes the consequences of a collision may be entirely disproportionate to the culpability of the offender. A relatively minor misdemeanour by a driver may have very tragic consequences, whereas thoroughly reckless

[Mr Crispin Blunt]

behaviour on the road may fortuitously result in little, if any, harm. The law therefore seeks to punish those who cause death or injury on the road in a way that is appropriate to the degree of blameworthiness of the driver.

Hon. Members will be aware that a range of offences relate to bad driving. Ultimately, it is for the prosecuting authorities to decide upon the appropriate charge in each individual case. The charges brought against an individual following a road traffic incident are dependent upon the Crown Prosecution Service's assessment of the quality of the defendant's driving both preceding and at the time of the impact. When considering the appropriate charge, it is the driving behaviour that is the deciding factor. There are charging standards agreed with the police for prosecuting road traffic offences.

Our current law provides a framework of offences to deal with bad driving at every level. Fatality holds a special place in that framework, which is why, where a death is caused by bad driving, particularly robust penalties are available. Where drivers cause death by dangerous driving or by careless driving while under the influence of alcohol or drugs, judges are able to sentence them to a maximum of 14 years in prison. Other measures include an unlimited fine and a minimum two-year driving disqualification. Where death is caused and there is sufficient evidence of gross negligence, drivers can be charged with the offence of manslaughter, which carries a maximum penalty of life imprisonment.

Following the 2005 review of road traffic offences, since 2008 two new offences have been available to prosecutors: causing death by careless driving and causing death where a driver is unlicensed, disqualified or uninsured. The maximum penalties for those are five years and two years respectively. Those offences attract a minimum disqualification period of one year, and can be punished by an unlimited fine. As the hon. Gentleman made clear, dangerous driving has a maximum penalty of two years custody. Careless driving, by comparison, has a maximum penalty of a fine.

As regards dangerous driving, within the maximum penalty set out in legislation, judges and magistrates have discretion to sentence based on the details of the individual case and the circumstances of the offender, taking into account sentencing guidelines. Moreover, the courts are obliged to endorse a driver's licence and impose at least a 12-month driving disqualification, together with an extended re-test. Of course, if deemed necessary and proportionate to the seriousness of the offence, there is no limit to the length of driving ban that a court can impose. The court may also impose a fine.

The magistrates courts' sentencing guidelines provide some guidance on dangerous driving. The most serious examples of the offence—such as prolonged bad driving involving deliberate disregard for the safety of others; incidents involving excessive speed or showing off, especially in built up areas, by a disqualified driver; and driving in such a fashion while being pursued by police—would be referred to the Crown court. Serious injuries are taken into account within the dangerous driving offence and, at the most severe end of that scale, we would expect judges to sentence close to or at the maximum penalty of two years custody.

I now want to set out some of the wider context for the debate. Generally, Britain has a good road safety record, but we cannot afford to be complacent. Deaths and serious injuries on the roads are a tragedy for all those who are affected. It is of course to be welcomed that road fatalities and casualties have continued to fall, but every such case is one too many. I will give the background with figures.

Since 1994, road casualties have been falling against a backdrop of increasing traffic and population. In 2009, there were a total of 222,146 reported casualties of all severities, 4% lower than in 2008; there were 2,222 deaths, 12% lower than in 2008; 24,690 were seriously injured, down 5%; and 195,234 were slightly injured, down 4%. The number of fatalities fell for almost all types of road user, with a fall of 16% for car occupants, 13% for pedestrians, 10% for pedal cyclists and 4% for motorcyclists.

If we compare not just one year, but the average trend over 15 years between 1994-98 and 2009, the number killed was 38% lower, and the number of those killed or seriously injured was 44% lower. Welcomingly, the number of children killed or seriously injured was 61%. Car occupants, pedestrians and motorcyclists accounted for the vast majority of deaths at 48%, 23% and 21% respectively in 2009, when pedestrian fatalities were 50% below the 1994-98 average and car occupant fatalities were 40% below the average.

We want to ensure that Britain remains a world leader in road safety, and to continue the downward trend in road casualties. We are determined to crack down on the antisocial and dangerous driving that still leads to far too many fatalities and serious injuries on our roads. It is with that aim that last month colleagues in the Department for Transport published a new strategic framework for road safety. Its focus is on supporting road users who have weak driving skills or display a lapse of judgment to improve their driving through a greater range of educational courses to help to deliver safer skills and attitudes, while focusing enforcement resources on those who deliberately decide to undertake antisocial and dangerous driving behaviour, and that covers all careless and dangerous driving offences. This is the Government's twin approach to improving road safety.

The new strategic framework for road safety sets out the Government's plans. Among other measures, they are: to require offenders to pass a test before they regain their licence after a serious disqualification; to make greater use of powers to seize vehicles to keep the most dangerous drivers off the road; to improve enforcement against drink and drug driving as announced in the response to the North report in March; to increase the use of police-approved educational courses that can be offered in place of fixed penalty notices to encourage safer driving behaviour; to launch a new post-test qualification for new drivers, including an assessment process, and to continue to improve the driving and motorcycling training processes. The framework, in harmony with the coalition's commitment to localism, also aims to give greater clarity to local authorities and road safety professionals, and to free up local authorities to assess and to act on their own priorities to improve road safety.

Returning to sentencing, I want to make it clear that the courts take dangerous driving seriously. The 2010 figures show that around 3,200 offenders were sentenced,

of whom about 1,100 were given immediate custodial sentences. The average custodial sentence length has increased consistently over recent years from 7.7 months in 2000 to 9.7 months in 2010. In his speech on his ten-minute rule Bill, the hon. Gentleman argued that the courts could not sufficiently punish instances of dangerous driving when very serious harm is caused. He then argued, as he did today, that the maximum penalty of two years for this offence does not give the courts enough scope, and that it should be raised to seven years. He will recall that I was on the Front Bench and that I sat and listened to his speech. I have, of course, given thought to the issues that he raised.

Maximum penalties are not necessarily the only way of addressing issues of appropriate punishment within the criminal justice system. As will be clear from what I have said, there is a complex legacy of maximum penalties relating to traffic offences, and we should not regard making changes to them as the answer to every issue. My hon. Friend the Member for Dartford (Gareth Johnson) said that there are other penalties that are apparently logically inconsistent. The challenge of ensuring a completely consistent range of offences and penalties against a backdrop of ever-changing social problems and priorities will be well understood by the hon. Member for Kingston upon Hull East, who knows that the Law Commission has given that some thought. The alternative legislative answer to a major one-off overhaul of our criminal law to deliver the coherence that he seeks would be to legislate on a case-by-case basis to address identifiable gaps. That approach would not necessarily improve the overall coherence of our system

The Government have said that they do not want to pursue a pattern of constantly tinkering with legislation if we can possibly avoid it, so we must consider other possible solutions if they are available.

5 pm

Sitting adjourned without Question put (Standing Order No. 10(11)).

Westminster Hall

Thursday 23 June 2011

[MRS ANNE MAIN *in the Chair*]

BACKBENCH BUSINESS

Private Finance Initiative

Motion made, and Question proposed, That the sitting be now adjourned.—*(Stephen Crabb)*

2.30 pm

Jesse Norman (Hereford and South Herefordshire) (Con): I am grateful for the opportunity to discuss the important issue of the private finance initiative under your chairmanship, Mrs Main. I thank the Minister, the Backbench Business Committee, which allowed us to hold this debate, and my many colleagues in the Chamber today.

Since its inception in the early 1990s, the private finance initiative has resulted in more than £200 billion of public debt, the cost of which will hang over the British taxpayer for decades. It has created great private fortunes and fundamentally shaped the nature of our public services. It has generated huge public outrage, as we will hear in this debate. It has raised profound issues of fairness between this generation and the next and it has affected virtually every constituency in the land and the lives of millions of people.

For reasons that I will explain, the extraordinary fact is that until now there has never been a full three-hour debate on the PFI in this House. There has never been a comprehensive assessment by the Government of the cost and benefits of the PFI or a successful attempt to collect all the relevant data about the PFI into one place. None the less, the topic of this debate could hardly be more relevant. We need to ask three questions. How did we get here? How can we make savings from the PFI for the taxpayer? How can we design a better system for the future?

Philip Davies (Shipley) (Con): I am grateful to my hon. Friend for bringing this debate to the House. One thing I have stumbled across is that the Prison Service does not own a computer because of the PFI. It rents them all at the cost of £160 a month, which most people would think was a ludicrous state of affairs. To prevent such a thing happening again, does he not agree that the people who negotiate the contracts within Government should be surcharged if the National Audit Office or some other similar body judges that the contract that they entered into was negligent to the taxpayer?

Jesse Norman: That is an extremely interesting suggestion. I am not sure how the details would work, but I will make specific proposals for improvement to public procurement later on in my speech. I thank my hon. Friend for his intervention.

Like many colleagues, I first understood the impact of the private finance initiative through my local hospital. Starting in 1999, Hereford hospital was one of the earliest PFI projects. It was built and is currently owned and managed under a 30-year contract through a special purpose company, which is three-quarters owned by Semperian, a large PFI firm based in the City of London, and one-quarter owned by the French industrial services giant, Sodexo. Non-clinical services are contracted out to Sodexo, WS Atkins and to others.

Car parking charges at the hospital have been the source of huge local anger because they penalise patients at a very vulnerable time in their lives. They particularly hit frequent users such as those visiting in-patients and those suffering from cancer. They are socially regressive, falling relatively harder on the poor than on the rich. As I investigated further, I found that that was only the tip of the iceberg. The reason why the charges were so high was down to the PFI itself, because car parking was contracted out not once but twice—first to Sodexo and then to CP Plus, and each had its own mark-up.

Joseph Johnson (Orpington) (Con): Is my hon. Friend aware that fewer than a quarter of England's 168 NHS hospital trusts have significant PFI hospitals within them, but that those trusts account for almost two-thirds of A and E closures or proposed closures? I know from my own observation of the South London Healthcare NHS Trust how extreme the operational constraints are that face managers who have PFI hospitals within their trusts and how those hospitals force them to take decisions on operational grounds that might not be in the best interests of patients.

Jesse Norman: It seems to be true that many decisions were made from a desire to fit the financial cloth to the pocket rather than from the actual clinical needs of the patients. It is certainly true that the squeeze that these inflation-adjusted costs exert on hospitals is heavily responsible for the closure of A and E units.

Let me return now to the situation at Hereford hospital. Later PFI contracts have contained financial safeguards for the NHS, including automatic efficiency savings of 3% a year and the right for a hospital to put services out to public tender periodically. However, the Hereford contract contains neither of those safeguards. There are no automatic efficiency savings, and the contract cannot be retendered until 2029. The hospital trust is doing a valiant job, but it has little influence, legal scope or access to underlying costs which might help it to negotiate changes to the contract. Worse still, no mechanism exists by which the hospital can group together with other PFI hospitals to exercise collective influence over the PFI contractors. By contrast, Semperian has 106 PFI contracts. The imbalance in power is obvious, yet the NHS seems to have done nothing to remedy that.

For almost a year now, I have been campaigning for a voluntary rebate for taxpayers on the PFI of £500 million to £1 billion. Those are large numbers, but that goal is not unrealistic.

Sir Peter Bottomley (Worthing West) (Con): I hope that my hon. Friend does not think that I am sitting on the other side of the Chamber because I do not support his proposal; I do support it. May I ask that those who read his words as well as those who listen to them pay some attention to the old Ryrie rules, which were supposed to limit Ministers using private finance when it was not appropriate? May I also ask my hon. Friend if he would direct the Chamber's attention to the design, build,

[Sir Peter Bottomley]

finance and operate Dartford crossing, which was a proper use of the private sector? There was a limit to the amount of time that the project could be charged and it had an income stream, so there was no powerful debt either.

Jesse Norman: I shall be talking about the early history of the PFI shortly. As my hon. Friend implies, the Ryrie rules were an important part of the fiscal stringency that surrounded that project. What the issue of the Dartford crossing brings out is that PFI is often successful on these economic infrastructure projects and less effective on social infrastructure projects.

Michael Fallon (Sevenoaks) (Con): While my hon. Friend is on the subject of a voluntary rebate, is he aware of the research from the university of Adelaide showing that the average profit made when PFI equity on hospital projects is sold on was more than 66%. Is it not the case that we should be looking at something more than voluntary?

Jesse Norman: At this point, I want to keep the rebate voluntary because we are making good progress, but many Members feel that something more stringent would be appropriate. In the assessment of the profits on these equity stakes, I would caution that in some cases those equity stakes have been built up over a considerable period and one should not necessarily look at just the headline number if it is the result of a 10 or 15-year investment.

I have spoken about the campaign that we have run so far. An important feature of the rebate campaign is that at least part of any savings would remain with the public service involved. The result, therefore, would be a win not merely for the taxpayer but for local communities, which could potentially benefit from many millions of pounds in savings over the next two decades.

Let me make it clear that I am not for one moment suggesting that existing PFI contracts should be torn up, but contracts are routinely renegotiated in the private sector. The rebate would be a voluntary one, and not a haircut imposed by Government. There is a valid precedent in the code of conduct that was signed in 2002, by which the contractors agreed to share windfall refinancing gains with the taxpayer. It may be that that code of conduct needs to be further extended to the secondary market trading of equities.

What I did not expect was the level of support that I and colleagues have received from key players in the PFI industry itself. They know that something is wrong. They are aware of public concern, and they want to participate in the next generation of economic infrastructure. Having started as a solo mission, the campaign has become a cross-party movement of more than 70 Members of Parliament. We have sat down with many large PFI companies and talked in detail about the scope for savings.

Parliamentary concern about the costs of the PFI has resulted in an inquiry by the Treasury Committee and, to their huge credit, the Government are taking the idea of a rebate very seriously indeed. Ministers at every level have made clear their desire to see savings. The Cabinet Office has been looking closely at the PFI in its quest for greater efficiency across the public sector; the Ministry of Defence has announced that it is reopening three major contracts as part of its own renegotiation strategy; and the Treasury has opened discussions with the PFI industry about a new code of conduct and it has recently concluded a "deep dive" investigation of the PFI contract at the Queen's hospital in Romford. That is the first time in 15 years that a Government have taken a forensic look at a specific PFI contract, and it sends out a clear signal of intent to dozens of other PFI projects. So we are making progress. That is the context for this debate—the first Parliamentary debate on the PFI—and I hope that colleagues from all parties will make their support loud and clear for these actions for better public services and real savings for the taxpayer.

However, to understand the present we must understand the past. How did we get to such a sorry state of affairs with the PFI? The history is surprising and damning by turns. It can be divided into three phrases: experiment; ramp-up; and standstill. The PFI was introduced in 1992 from Australia by the Major Government, which was interested in how private capital and expertise could be used to support the public services. Labour Members often deride the Conservatives for introducing the PFI, but the facts tell a very different story. The Major Government could not make the PFI work. They insisted on judging each deal on its merits, having inherited a structure from the Ryrie rules, and the merits were sometimes very thin indeed. By 1996, barely £6 billion worth of PFIs had been approved and no PFI hospitals had been approved, let alone built.

Meanwhile, Labour was split. Old Labourites denounced the PFI in traditional terms as "creeping privatisation", but it is often forgotten that the new Labour position was the exact opposite of that. New Labour thought that the PFI was a good thing and that the problem was that the Tories had not gone ahead with it fast enough. In a speech in Parliament on 28 November 1995, Tony Blair rammed that point home repeatedly. His position was perfectly clear:

> "The PFI is right in principle. We have supported it, and in many ways we have been advocating it."

At that point, John Prescott, who is now Lord Prescott, helpfully intervened with, "We initiated it." Blair continued:

> "It should not be manipulated to cook the books of public finance."—[*Official Report*, 28 November 1995; Vol. 267, c. 1077.]

On that point at least, the future Prime Minister and his Chancellor, the right hon. Member for Kirkcaldy and Cowdenbeath (Mr Brown), were agreed, since the right hon. Gentleman also remarked in the early 1990s that

> "PFI is a cynical distortion of the public accounts."

How are the mighty fallen, and in what disgrace. We are accustomed to make fun of Lord Prescott—rightly so—but at that point he spoke truer than he knew. In many ways, Labour was in fact the real originator of the PFI in its current form. In 1997, the new Chancellor, the right hon. Member for Kirkcaldy and Cowdenbeath, and his then adviser, the right hon. Member for Morley and Outwood (Ed Balls), were tied down by the promise that Labour had made to stick to Conservative spending plans for two years. They had committed to keep public sector net debt below 40% of GDP, according to their sustainable investment rule, but they were desperate to leave a legacy by building a huge amount of public infrastructure. They quickly spotted that PFI projects offered a way out of that quandary, because PFI liabilities could be treated as off-balance sheet and so they would

never appear formally within the net debt numbers. Of course, as we now know, they later fudged the sustainable investment rule by redefining the economic cycle and then the rule was blown apart as the financial crisis took hold.

After the 1997 election, the new Paymaster General, the hon. Member for Coventry North West (Mr Robinson), summarily fired Alastair Ross Goobey, the chair of the PFI panel and a man with an impeccable record of protecting shareholder value, and ramped up the PFI dramatically. Over time, an unholy alliance developed between the Labour Government and the PFI companies. PFI became the "only game in town", as more and more projects were pushed in its direction by Government Departments that were desperate for capital spend but prevented by central Government from looking at alternatives.

That ramp-up was aided by the introduction of PFI credits, which allowed Departments to avoid running local authority PFI spend through their own budgets, thus evading responsibility for them; it was also aided by the use of high official project discount rates, which artificially privileged the PFI over other forms of procurement; and it was also aided by the unwillingness of both the Blair and Brown Governments to permit debate on the issue, conduct any overall analysis of the PFI's cost-effectiveness or gather the full data on primary and secondary transactions, which would have allowed proper transparency and proper public accountability. Frankly, that was disgraceful behaviour.

Fast forward to today and what do we find? More than 800 PFI projects are now in place, covering every imaginable form of public infrastructure from hospitals and schools to roads and military hardware. Nearly £70 billion—not £6 billion, as was the case in 1997—of capital commitments have been made, with a total liability to the taxpayer of well over £200 billion. And—irony of ironies—new accountancy rules are in place that require PFI debt to appear in the national accounts after all. The Balls-Brown attempt to fix the books has proven to be a failure, and a costly failure to boot.

It is important to say that many PFI projects have been completed on time and within budget. There is a mixed picture. Contractors such as Jarvis have gone bust when projects failed, or taken huge financial hits. Also, conventional procurement itself has not always covered itself in glory, as demonstrated by the Eurofighter, Wembley stadium and British Library projects.

In response, it is easy to highlight the many PFI projects that have been horrendously overpriced. They range from huge deals, such as the Airtanker contract, which is now estimated to cost £1.5 billion too much, and the M25 widening, which is now estimated to cost £1 billion too much, to tiny but telling details about smaller schemes, such as the kennels at the Defence Animal Centre in Melton Mowbray, which cost more per night than rooms at the London Hilton.

An even more telling criticism emerges if we look at the overall record on the PFI. We now know that there is no general evidence that the PFI is cost-effective, or that the PFI improves the quality of buildings. Average annual maintenance costs are higher in PFI hospitals than in non-PFI hospitals. The most detailed study of PFI hospitals demonstrates that there is a large element of excess return to both debt and equity holders. Indeed, for equity holders the financial returns have been on occasion up to six times higher than the risk would justify.

There have been important secondary effects. The ramp-up of PFI projects helped to create an artificial boom in construction, which pushed up costs and over-extended the construction industry. Within the NHS, it has resulted in a huge and inflexibly designed Maginot line of hospitals, each one on inflation-adjusted contracts lasting decades, at a time when health care is moving towards more flexible models that combine specialist institutions with health and social care nearer to the home.

Paul Uppal (Wolverhampton South West) (Con): First and foremost, I congratulate my hon. Friend on securing such an important debate. It is a testament to his tenacity, research and expertise in this field that this debate has been attended by so many Members. I concur with his view that the PFI picture is mixed—

Mrs Anne Main (in the Chair): Order. I remind the hon. Gentleman that interventions must be brief.

Paul Uppal: I will attempt to be brief. Does my hon. Friend concur with my view that, although the picture is mixed, the fundamental issue is that the PFIs are often short-term solutions to the long-term problems that we face in government? That is illustrated exactly by the issue with Southern Cross, which has often used sale and leaseback to finance its own businesses.

Jesse Norman: I thank my hon. Friend for that intervention. I absolutely share his view that there is an interaction between inflation-adjusted costs and budgets, which of necessity are less able to rise, and that that interaction creates tremendous tension within these institutions. In many ways, Southern Cross is rather similar to the PFI, as the Chairman of the Health Committee, my right hon. Friend the Member for Charnwood (Mr Dorrell), reminded me this morning. The PFI costs for hospitals that I have been describing are not under the hospitals' control, so the effect of escalating payments will be to suck up free cash flow within hospital trusts, to reduce flexibility and to impede innovation, just when those things are most needed.

We are in an unhappy mess, which is the true legacy of Messrs Brown and Balls. We shall better see the financial extent of that mess in July, when the Office for Budget Responsibility reports on the whole of Government accounts. However, the key point is that, although PFI was expensive before 2008, since 2008 it has become exorbitant. As a result of the financial crisis, PFI credit margins over gilts have risen from an average of around 0.75% to between 2.5% and 3%. Specific projects have even worse financial profiles. For example, the outline business case for the £244 million Royal Liverpool and Broadgreen University hospital projects a weighted return to investors of 8.58%. That is more than double the rate on long-term Government gilts, which is 4%. The extra cost is such that there is now a strong case for a one-year moratorium on that project, as on others, to allow proper consideration of alternatives, and I encourage the Government to consider that suggestion closely.

I shall sum up. A new settlement is needed on the PFI, and I offer three recommendations. The first is that the Government should take steps to improve their

[Jesse Norman]

database on PFI deals, and their collection of new data. The quality and quantity of PFI data are surprisingly bad. On primary deals, that is due to inconsistencies in collection, and on secondary market deals it results from a hands-off methodology, which regards trades in PFI debt and equity as purely private transactions, outside the scope of government. All aspects of data collection should be reviewed and improved.

My second recommendation is that the Government should undertake a major consultation soon on the best means to procure and finance new infrastructure. This country badly needs new infrastructure, at a likely cost of hundreds of billions of pounds over the next few decades, and the private sector has a vital role to play. To finance that development, we need alternatives to the PFI, and several economic models are available. These include regulated asset base models developed from the utilities market, property-based models, strategic infrastructure partnerships and tax increment financing, as well as a reconsideration of conventional procurement methods. I have recently advocated the idea of a national asset trust fund as well, in a publication of my own. The consultation should also focus on how procurement is done. Should different models be used for different sectors? How can public sector institutions be made into better clients?

Thirdly, and finally, the Government should continue their current drive towards a taxpayer rebate and a new code of conduct on the PFI, if possible with every PFI company involved. Many have already engaged with the Treasury, but some—particularly some large banks, accountancy firms and legal advisers—have yet to do so. I have written to the head of every major PFI firm to put the question directly to them, and I plan to keep the House informed of their participation. The code of conduct would in due course lead to a matrix of all PFI transactions, which would show savings agreed with the private sector to ensure that they were fairly shared. That will require implementation over some months, so that the savings are genuinely realised. The Treasury could also set up a small team to advise individual hospitals and other public services on how to benefit most from the rebate process, with the team's costs being met out of the savings generated. One thing, however, is vital. Most of any rebate should of course go back to the Treasury, and on to the taxpayer, but a portion should remain with the affected local public service, so that local people can be absolutely certain that their school, or hospital, has benefited.

I very much hope that all colleagues present—and there are many—will support these recommendations, and will join me in pressing the Government to ensure that savings are made and local people feel the benefit.

2.52 pm

Mr Richard Bacon (South Norfolk) (Con): I join other hon. Members in congratulating my hon. Friend the Member for Hereford and South Herefordshire (Jesse Norman) on his tremendous campaign. It has been a marvellous example of leadership, which is built on his expertise, and we are all in his debt.

I have been watching the private finance initiative from my position on the Public Accounts Committee for many years. I always had a sneaky suspicion about it, without being able to put my finger on what that was, until I met an investment banker at a private event in 2003. He was a securitisation expert and had been involved in many PFI projects. He said: "I like the PFI. It's a good source of income and is good for the business, but as a taxpayer it really pisses me off." That rather woke me up. This was not a trade unionist complaining about costs being cut by worsening the terms and conditions of his members; it was a City fat cat getting fatter on the proceeds.

As a member of the Public Accounts Committee, I used to get invited to conferences on the PFI, when it was in its earlier heyday under new Labour. At those events, I met a group of people whom one can only really describe as theologians for the PFI. Rather like some Marxists, or even some Roman Catholics, there was no question to which they would not have an answer. It was a sort of self-containing system, at the root of which was the idea that the PFI was a competitive bidding process and that there was no possibility of its not being all sorted out and being in the best possible interests of clients—the public authorities involved. After all, it was a competitive, open-market process in which anyone could bid, and certain things would already be in the price. It was almost as if they were talking about the market for foreign exchange, or another perfect market. We know, of course, that because of the huge costs involved in bidding for a large project, the PFI has far more of the characteristics of an oligopoly. The Royal Institute of British Architects estimated, many years ago, that the cost of bidding for a PFI hospital was more than £11 million—probably significantly higher now. All those costs end up getting passed on to the client.

The other thing that these theologians would suggest was that it would not be possible for anything to go wrong, because it would not be possible to have an ill-informed or inexperienced client. There would be no question of there not being the right experience on the client side, or the right capacity or resources to manage a project after a contract had been signed. It was as if all must be for the best in the best of all possible worlds, because it could not be any other way. I continued, however, to be suspicious, and I continued to go to the conferences, becoming ruder and ruder until, I am pleased to say, they stopped inviting me. Customers paid £1,000 to attend and all I got out of it was a slap in the face with a wet haddock and a one-way ticket to Great Yarmouth, so I am glad that I am no longer invited.

I must congratulate the National Audit Office on something that recently opened my eyes. The NAO has produced more than 60 reports on the PFI in the past decade, and I have been pleading with it for years to do more synthesis. We have had analysis after analysis after analysis, and project after project, and in the office's recent report, published in late April, there is more synthesis of some PFI issues. I had a light-bulb moment when I read on page 7 of the report, in a section about the skills, capacity and experience used in negotiating

"high margins on the changes in asset usage which are likely to occur over a long contract."

I realised that the providers know full well that it is not possible to write a contract that is flexible enough to last for 25 to 30 years, and so they do two things. One is that they insure themselves by tying down every conceivable

cost that might arise—every conceivable risk with its attached price. That process is enormously expensive, and it is reflected in the figure of £11 million that the Royal Institute of British Architects came up with. Although it is true, as my hon. Friend the Member for Hereford and South Herefordshire has said, that in rare instances people have lost a packet on projects, such as Jarvis, the National Physical Laboratory and the Joint Services Command and Staff College in Shrivenham—Laing had to sell its construction business after that—the contractors have a lot of people involved, and they do it well, insuring themselves on the downside pretty effectively, to ensure that they make money whatever happens.

The other light-bulb moment in my reading of the NAO report was when I came to:

"as major contractors seek to develop their income from the project".

I thought to myself, "Hang on a minute. How do you develop your income from the contract? Okay, you might index the contract to protect yourself from inflation, but basically you have a contract and you provide services. It is predictable, and that is why you know what you'll get going forward." No. They know full well when they sign up that it is not possible for the public authority, particularly those in education and health, to write a contract that is flexible enough to last for 25 to 35 years. They ensure that all their risks are covered and then develop their income from the contract over time, as changes occur. One can also see a sudden shift. Just as the flagship Norfolk and Norwich hospital in my constituency was finished, the mood music suddenly changed towards much more primary, locally based care.

The contractors also do fancy financial engineering. The Norfolk and Norwich hospital was perhaps the locus classicus of that. The contractors added about £100 million in extra debt to the contract at the time of refinancing, thus accelerating their return from the project. The NAO produced a report specifically on that hospital, which stated that not only was the repayment period for the hospital extended from 34 years to 39 years—it is hard to see how that was in the interests of taxpayers—but the rate of return for the investors was accelerated from 18.9% to more than 60%, more than tripling it. If they can get all their money out that quickly, it means that it is not nearly as important, and there is not nearly the same incentive, to carry on managing the contract in the same way as before.

My hon. Friend the Member for Hereford and South Herefordshire made another important point when he said that we should not kid ourselves that it has all been plain sailing in the conventional procurement world. He has mentioned the British Library. One might also mention the Scottish Parliament and the Jubilee line extension. I was told that the cost overrun for the windows of Portcullis House—which, again, was a conventional procurement that the Public Accounts Committee looked at when it first opened years ago—was so huge that it would have been cheaper to have clad the exterior of Portcullis House with BMW 7 series cars. We should not be under any illusion that the conventional method has worked as well as it should.

The attempt to find a way to get projects delivered on budget, on time had a certain merit. My hon. Friend was absolutely right to point out that the hon. Member for Coventry North West (Mr Robinson) took this and ran with it. I talked to Lord Lamont, the former Chancellor of the Exchequer, at a dinner a couple of years ago. He said that he had asked the hon. Member for Coventry North West before the 1997 election, "How on earth are you going to finance all these grand promises in your manifesto?" He replied, "Oh, it's simple—we'll take your idea of the PFI and run with it." Lord Lamont said, "But the rules won't let you," to which the hon. Member for Coventry North West replied, "Oh, we'll ignore your stupid rules." He was very candid about it, in fairness to him.

One of the things that I have regretted about the past few years of the PFI is that, in areas such as health and education, where it would have been fairly easy to do this, the Government did not insist on developing, at the same time, identical or nearly identical clusters and baskets of projects, so that we would then have had a proper way of comparing, over a period of years—three, five, seven and 12 years out—what had actually proved to be greater value for money.

Mr Mark Spencer (Sherwood) (Con): Is my hon. Friend also aware that the issue extends to the emergency services? Nottinghamshire police find themselves in a situation whereby their vehicle fleet is PFI-ed, and it costs hundreds of pounds just to repair a puncture.

Mr Bacon: Yes, and of course, we cannot blame the private sector for protecting its downside and ensuring that it makes money rather than loses it. One of the most extraordinary things about all this is the naivety of many of the people in the civil service who have negotiated these projects over the years. They do not seem to understand that the private sector players are profit maximisers. If they have a chance to make money, they will, and if they have a chance to make more money, they will. A certain lack of commercial nous and capacity on the part of the public sector has coloured all this.

Turning to the proposals of my hon. Friend the Member for Hereford and South Herefordshire on steps to improve data, one of the things that have shocked me throughout is the difficulty in getting a view from 100,000 feet of what is going on. I have spent years on the PAC trying to get answers out of the Treasury and other authorities about what is going on, and only very recently has anything started to emerge that looks like a coherent picture. My hon. Friend is absolutely right that we need to think about a variety of different approaches to financing infrastructure. We need to make the PFI compete for business, if we are to use it at all in the future.

There is a paradox in relation to future proposals. The NAO report refers to the fact that there is a pipeline of £200 billion-worth of transport and energy infrastructure projects, and it is precisely for those sorts of enormous, long-term projects that a PFI-type structure might have more attractions to it. However, we have to be able to break down the different components. There is often absolutely no need to ascribe to the entire 35-year period of a project the risks that, in truth, only apply for the first few years, yet that is what many PFI lawyers have been able to get away with in many cases.

My hon. Friend's campaign for a rebate is fascinating and has certainly caught the attention of the PFI industry. He has led the way on this. It is a remarkable testament to the fact that people in the industry know that things have been going wrong that so many of them have been

[Mr Bacon]

prepared to co-operate. Interestingly, at the PAC hearing on the NAO report the other day, one of the witnesses, Graham Beazley-Long, from Innisfree, was asked whether it would be reasonable for equity gains to be shared with the taxpayer. He was perfectly prepared to discuss the matter. He said that the Treasury and Infrastructure UK

"would have a view on whether that pushed up the costs of capital".

In other words, it was all just a negotiation and a certain return would be demanded by investors, and if the taxpayer wanted to pay that up in advance, they could get it back again. There is probably an element of truth in that, but my sense over the years is that the PFI industry, out of which a large number of people have made a great deal of money, has not been made to compete hard enough. There are a number of ways in which they could do that. We should have some conventional clusters that give us, as taxpayers, the ability to compare over the long term, and we should be much more innovative, as my hon. Friend has suggested—I hope that we hear more about his proposal for a national asset trust fund—in securing alternative methods for infrastructure finance, so that the PFI industry knows that it is not the only game in town.

3.5 pm

Stella Creasy (Walthamstow) (Lab/Co-op): I rise to speak as another member of the Public Accounts Committee, which lays claim to having had a number of debates about the PFI, as has the Treasury Committee. I congratulate the hon. Member for Hereford and South Herefordshire (Jesse Norman) on securing this interesting and important debate about the PFI, which has been a key part of investment in this country for more than a decade, and how we make the way in which we invest in our infrastructure as a country work. I have a lot of sympathy with his concerns about whether the contracts have been done to the best of their availability and what we can do to improve them. There have been a number of debates and efforts to improve them, and I welcome the fact that he is saying that there is mixed picture on the PFI in terms of where it has delivered and that perhaps we can learn from where it has not delivered.

I want to set out some of my concerns about the hon. Gentleman's proposals for the future. What really matters, given that a record 61 projects are currently being negotiated under the PFI, is how we can learn from what has happened. That has certainly been one of our key messages on the PAC, and I am sure that my fellow Committee members agree that we need to look at what we can learn and where we can make progress. One of the things that has surprised us on the PAC, as the hon. Member for South Norfolk (Mr Bacon) has mentioned, is the way in which negotiations on the PFI have taken place and the revelation from one of the major PFI companies that it has not been talking to the Government about the possibility of a rebate, which is an issue that the hon. Member for Hereford and South Herefordshire has raised, or about where contracts might be renegotiated.

Mr Metter from the industry used the colourful phrase that he would not ask his investors to take a haircut, by which he meant that he did not feel that it was possible to look at a voluntary scheme. I would be interested to hear more from the hon. Gentleman about his negotiations with other contractors and whether he thinks there is more interest in some kind of voluntary scheme.

We all recognise that it is difficult to ask the private sector to renegotiate a contract that it has signed up to in good faith. That therefore calls into question some of the ways in which we might deal with some of the problems with PFI, particularly the way in which the initial decision to move to PFI was made, which is something that I want to address. We must also consider what it would mean if those contracts were renegotiated. I hope that the hon. Gentleman agrees that there is a real concern that, if any contract is renegotiated, especially if capital parts of a project have been completed, it is services that will actually get renegotiated. Many of us are concerned that the renegotiation of services could mean fewer services, particularly in public institutions such as hospitals. Renegotiating services could have a negative impact on many of our constituents.

More fundamentally, on the hon. Gentleman's concerns about PFI, I hope that I can convince him that, rather than pursue a voluntary rebate—as I have said, it has transpired from our discussions with the industry that that is not what the Treasury has been doing and that the industry is not aware of such conversations—we should look at the tax status of these companies. I am sorry that he was not able to sit through the second half of our hearing, where we heard some frankly shocking evidence from Treasury officials about their approach to the situation. The issue is of particular importance to the PFI, because when a decision to go to the PFI is made, one of the value-for-money constructs is an assessment of the amount of tax that will be returned to the Exchequer through working with a private company in the UK over the course of the contract. It is set out clearly in the Green Book that the Government make an assessment not of the specific company's tax take, but of the general tax take that can be expected from working with the private sector in the UK in order to build a project.

Mr Bacon: Was it not richly ironic that Revenue and Customs, of all bodies, outsourced its entire estate for all HMRC offices across the country to a PFI company that then took them offshore and based them in a tax haven in Bermuda?

Stella Creasy: One of the genuine delights about serving on the Public Accounts Committee with the hon. Gentleman is that he has such a wealth of knowledge and anecdotes that clearly illustrate the challenges that we are dealing with. He took part in the Committee's session, so he will know that I have grave concerns that moving assets overseas to offshore tax havens has substantial consequences for our assessment of the value for money of PFIs. When the decision to go for a PFI project is taken, an assessment is made of the tax that we will get in return, but there is widespread evidence that many companies then move their assets overseas to offshore tax havens. In fact, the Treasury Committee took evidence showing that 91 PFI projects were owned by secondary market infrastructure funds, so we are losing money. One of the best examples of that problem is a body set up by HSBC. The HSBC Infrastructure Company Ltd, which manages a number of hospitals in this country,

has made £38 million in profit from 33 PFI schemes, but it has paid just £100,000 in tax in the UK in the past six months.

Dr Thérèse Coffey (Suffolk Coastal) (Con): Just to clarify, is the hon. Lady suggesting that, as part of the negotiation of a PFI contract for, say, an NHS hospital, a calculation is done on the basis of what corporation tax would be paid? Were NHS trusts doing that? I am a bit surprised to hear that.

Stella Creasy: No, let me be clear. The Treasury uses the Green Book to assess whether a PFI is an appropriate model. An assessment is made specifically of the Exchequer's tax take over the life of the contract. It is precisely because that is part of the value-for-money assessment that I have great concerns about the fact that we are not getting the tax we expected, which would make the PFI a reasonable model to use.

It is therefore fair to ask what we can do. If the Government are proceeding with the PFI—that is an interesting issue for Government Back Benchers who are concerned about this issue—what action are they taking to learn from the way in which previous contracts were negotiated? One thing that is clear to those of us on the PAC is that there is a better understanding of the skills needed to negotiate these contracts. The hon. Member for South Norfolk was clear about the skills needed in the public sector to negotiate with the private sector and to improve the way in which contracts are negotiated. We must also appreciate that we in the public sector have tried to renegotiate contracts after the fact by asking for increased provision in our hospitals, for example, or by looking at different services. That, of course, has consequences for the response from the private sector.

The fundamental question as regards continuing with the PFI—the Government certainly seem content to do so—is what action Ministers are taking on tax and tax havens. The hon. Member for Hereford and South Herefordshire is right that we need better data on tax assessments, and those of us on the PAC were certainly unable to get information about assessments of the tax that various PFI projects were expected to generate when they were commissioned and about what would happen next. What concerned us was that, although Treasury officials accepted that an initial assessment would be made, they were clear that no assessment would be made further down the line of whether that initial assessment had been reasonable.

Indeed, there has been no learning about the way in which tax is assessed in decisions to go for the PFI, even though that could be used in future contracts. Specifically, officials were clear that there is no commitment from the Government to look at the tax status of funds or even to explore what action might be taken, for example, to require a company bidding for a PFI contract to show in its books that it has been operating in the UK for the past five years, so that we can be confident that the bulk of its work is done in this country and therefore that we would get the tax back. We would then have a reasonable expectation that the Treasury would recoup the general sum that was part of the calculation. This is not a new concern or a new idea; in fact, a previous Labour Member tabled a private Member's Bill on precisely this point, but it did not receive support from the then Opposition, and I hope that that will change if we can all agree that we want to improve the way in which the PFI operates, if it continues to be taken forward.

The hon. Member for Hereford and South Herefordshire has said that the PFI might be a better model for some types of infrastructure projects than others, but the list of the 61 projects that the Treasury is developing includes a wide range of projects, including hospitals, schools, fire buildings, roads and police stations, so this is a live issue. We could be making progress on challenging the costs to the Exchequer and the value for money of projects, but there is no commitment from the Treasury to look at these issues.

Those are the main concerns that I wanted to put on the record about the hon. Gentleman's campaign. First, were we to push for a rebate, it would be difficult to get the private sector to renegotiate, although I wish him well in looking for haircuts from people such as David Metter. Secondly, there might be very real consequences for the renegotiation of the cost of the services that are delivered, although I am sure that they would be unintended consequences as far as the hon. Gentleman is concerned.

Thirdly, it is a real concern that we may leave untouched the tax status of these companies and the money that the Exchequer might lose, but which was part of the original decision to go for a PFI project. In putting as much pressure as possible on the Government to talk to companies—the briefing says Ministers have, but the reality revealed in the PAC is that they have not—I hope the hon. Gentleman will also put pressure on them to look at companies' tax status. I hope he will put pressure on them to look at how we can close the present loophole, so that we can be sure that where an assessment is made of the money that will be returned to the Exchequer over 30 years or whatever term is chosen for the 61 projects, the Exchequer will actually recoup that money. We all agree that value for money should be at the top of the agenda, and we should be thinking about the best way to get the infrastructure buildings that our country will need in the future. If so, how do we make sure, not only when the contract is committed to but in the years ahead, that we are securing that value for money?

I congratulate the hon. Member for Hereford and South Herefordshire on securing the debate, and I urge him to think about his target. I look forward to hearing what he has to say later.

Several hon. Members *rose—*

Mrs Anne Main (in the Chair): Order. Before I call the next speaker, I remind hon. Members that a lot of people want to participate in the debate. I hope everybody will be called, and I am allowing for interventions, but I ask hon. Members to bear that in mind.

3.16 pm

Andrea Leadsom (South Northamptonshire) (Con): The PFI is one of those incredibly important, but unutterably dull subjects, that make an awful lot of people's eyes glaze over. It is rather astonishing that the hon. Member for Walthamstow (Stella Creasy) is the only person, other than the shadow Minister, who is representing the Labour party here. I do not know whether that is because Labour Members are embarrassed about their hand in the mass of PFI projects that have

[Andrea Leadsom]

cost the taxpayer so dearly, but it is interesting that only the hon. Lady and the shadow Minister are here from the Opposition, while so many Government Members are present.

I am a bit of a stuck record on this issue, but we have a complete lack of competition in the PFI world. Like others, I congratulate my hon. Friend the Member for Hereford and South Herefordshire (Jesse Norman) on being so diligent and tenacious in putting forward the taxpayer's interests in the PFI debate. He and I have met a number of PFI providers together, and it was apparent that there was complete denial of the fact that there was anything resembling a lack of competition or that there might have been oligopolistic profits.

In his campaign, my hon. Friend has been careful to suggest a voluntary rebate—there is no compulsion. The hon. Member for Walthamstow would need to think carefully about trying retrospectively to change taxation rules or doing anything that smacked of changing the game for existing PFI deals, notwithstanding the need to ensure that we get better value for the taxpayer in deals going forward.

In my home county of Northamptonshire, we have what is believed to be the biggest schools PFI project in Europe, which incorporates 74 schools. At the time that the project was entered into, it really was the only game in town. However, it is incredibly important, albeit rather dull, to understand why PFI has been such a contentious subject and why it has resulted in unintended consequences, such as charges of £1,000 to change a power point.

The important thing to understand, which many taxpayers do not really understand, is why PFI contracts are so inflexible and expensive, and I want to take a moment to explain that very simply. PFI may involve a local education authority deciding to build a new school. The LEA will invite one of what turns out to be a fairly small group of builders to bid for the project. The building firm will go to a group of banks, which will look at what they can fund over perhaps 25 years. The banks will come back to the builder with a specific contract for delivery of the school and offer funding for the project, with the expectation that the LEA will start repaying the debt incurred in building the school only once the school is delivered and inhabited by children. Effectively, a special purpose company has been set up to build the school. The bank funds it, the building company organises it and the LEA takes it over on day one and starts repaying the debt. Inevitably, without a specific debt on the general obligations of the local education authority or on the UK, the beauty of the project was that it did not consolidate into our national debt picture. Of course, bearing in mind the dreadful mess of our economic situation left by the previous Government, there is no chance that we could now begin to consider only normal, conventional procurement. The potential for making loans against such projects, secured on the project itself, must remain—so we must get much cleverer about it.

Dr Julian Huppert (Cambridge) (LD): Can the hon. Lady perhaps help with something that I have never understood about Labour's obsession with the PFI? In general the Government can get lower rates for borrowing than private companies can, or than are available elsewhere, so what is the advantage in not just proceeding by Government borrowing at the cheaper rate?

Andrea Leadsom: I was coming to exactly that point. The point is that funding the project through a special purpose vehicle means that it is not consolidated into the national debt picture. In other words, it is an off-balance sheet form of financing. Therefore, for a Government who want to spend a lot of money on capital projects without blowing up their national debt picture, it is the perfect opportunity.

Stephen Barclay (North East Cambridgeshire) (Con): Further to the point made by the hon. Member for Cambridge (Dr Huppert), is it not a central claim made by the industry that part of the advantage is the management of construction risk? One of the issues, however, which my hon. Friend the Member for Hereford and South Herefordshire referred to, is the bundling of contracts. The construction risk and the design are bundled with the management service charge, and that drives some of the complexity, which drives some of the cost.

Andrea Leadsom: I think that my hon. Friends are reading my speech, because that was to be my next point. They have obviously been given advance notice. That is exactly the point: the builder, in theory, takes the risk on a project such as building a school, and the LEA only ever starts to repay the debt when the school is built and everything is in place. Theoretically, the builder takes the project risk. However, as my hon. Friend the Member for North East Cambridgeshire (Stephen Barclay) says, in reality there is bundling, and because there are sometimes unique risks to a project, often those revert to the LEA. The perceived advantages from the fact that the builder takes the project risk are therefore not always as clear cut as they might appear. In the end the major advantage has been that of not consolidating the debt on the national balance sheet.

George Eustice (Camborne and Redruth) (Con): On that point, is my hon. Friend aware that, as well as being poor value for money for the taxpayer, PFI contracts have caused problems with the restructuring of certain elements of the public sector? For instance, several schools that have become academies have had all sorts of problems with their PFI contracts, causing tensions between them and the local authority. Sometimes those problems have been a block to a school's moving to academy status.

Andrea Leadsom: Again, my hon. Friend takes me to my next point: the other side of the equation is the very apparent disadvantages of PFI, the primary and key one being the lack of flexibility. The reason for it is that often a special purpose vehicle sets up the project, and therefore the project is inexorably linked to its financing. For example, you may build a school and decide you want an extra classroom or two. A PFI school in the constituency of a member of the Treasury Committee built its hockey pitch 2 feet too short for internationals, so it tried to extend it by 2 feet, but therein lay a can of worms. It was impossible to do it other than at exorbitant cost, because the contract and its financing are inextricably tied together within the special purpose company. What

happens, and the reason hon. Members have spoken of money being made out of the contract as it proceeds, is precisely that if you want to change the spec—which of course you do—

Mrs Anne Main (in the Chair): Order. The hon. Lady has on occasion referred to my wanting to do many things. I do not want to do any of them, but I am listening with interest.

Andrea Leadsom: I am sure that, privately, you might be interested Mrs Main, but thank you for keeping me in order.

What you—[HON. MEMBERS: "One!"]—or rather not you, Mrs Main, but an LEA wanting to build a school, would need would be to have the entire specification for the school for the subsequent 25 years up front. That is clearly impossible, and the banks make their money by charging enormous arrangement fees and ongoing charges as schools change their requirements. That is how the money continues to come in from those projects.

David Mowat (Warrington South) (Con): The point that I believe is at issue is procurement failure. To take the example of the hockey pitch, if it is built 2 feet too short, that is a procurement failure. It is not necessarily a specification issue—there are such words as "fit for purpose". The real issue with all the stuff we are talking about is that the public sector is incapable of procuring projects of such complexity. That is what happens, and that is why so much money is made in change requests. It is not principally to do with financing.

Andrea Leadsom: My hon. Friend makes a good point, and many of the problems arising from PFI have happened because the private sector saw the public sector coming. There have been all sorts of issues with poor public procurement, and where two PCTs in neighbouring counties have both commissioned a hospital, one has not learned the lessons of the other. Everyone comes at the thing afresh, and they all have the same problems and run into the same weaknesses. Nevertheless, there is an inherent lack of flexibility built into the projects, which cannot be overcome. It is therefore incredibly important to consider that the PFI on its own, even if it were the cheapest option, and even though it does not at the moment have an impact on our national debt picture, has an inherent weakness in its structure.

The other massive weakness in the structure, which has been exacerbated since the financial crisis, is the cost. As my hon. Friend the Member for Hereford and South Herefordshire said, the reality now, with Government gilts at about 3% to 4% long term, is that direct Government procurement would be much cheaper than a bank trying to fund a project itself over five to 25 years and make a profit, where the net cost to the taxpayer ends up at 8% or 9%. There is an enormous difference between the costs of direct procurement and PFI procurement. That is exacerbated by the financial crisis, and makes things almost unaffordable. We must begin to look at alternatives.

I want to float an idea that I have been trying to put to Ministers—and will be doing in the near future. That is the possibility that the green investment bank could provide some necessary competition to the PFI market. As I said earlier, there is a serious lack of competition. The Treasury Committee heard from PFI providers that often they bid only for perhaps one in three deals. Since there are only six or seven major PFI providers, that means there are probably only two, or at most three, serious bidders for any deal; that suggests an enormous lack of competition.

However, we are now thinking about the green investment bank—a brand new idea for this country, whose time has come. That bank will be looking to fund many of the low-carbon, high-tech and potentially economic infrastructure projects of the future, such as offshore wind farms—I shall not talk about railways, but others might; hon. Members will appreciate my personal sensitivity there. Offshore wind farms, roads and all the rest require long-term financing. That is a big challenge, and the green investment bank could address it.

Lorely Burt (Solihull) (LD): I totally agree with the hon. Lady about the green investment bank. Does she think that that could prove to be a model for types of investment other than green infrastructure—things more along the lines of some of the PFI issues that are causing a problem at the moment?

Andrea Leadsom: Yes, I think that that is right. The green investment bank will have the specific remit of promoting green investments, and that is right and proper; but alternatives could be talked about.

What I propose is specific: it is that the green investment bank should be a bank in its own right. It should be listed on the London stock exchange and the Government should have perhaps a 10% shareholding in it. The UK high street banks should have the offer to purchase up to a 15% shareholding each, and the final 15% to 20% shareholding should be offered at a highly discounted rate to the British taxpayer. We would therefore have a bank with an undoubted triple A credit rating that would be able to fund itself extraordinarily cheaply—somewhere between Government gilts and triple A bank finance—and access the international capital markets, including very long-term funding.

That would kill many birds with one stone because there would be instant competition in the PFI market, which is something we desperately need, and an instant and huge threatening competition to the UK banking sector, about which we on the Treasury Committee are extremely worried. With its green remit, there would also potentially be a big competitor in the small and medium-sized enterprise market, about which I think all colleagues are concerned. I strongly ask my hon. Friend the Minister to consider the prospect that the green investment bank could provide a realistic alternative to PFI.

Several hon. Members *rose—*

Mrs Anne Main (in the Chair): Order. As I have said, a lot of people want to catch my eye. If right hon. and hon. Members can confine their speeches to 10 minutes or under, they will all have a chance to speak.

3.30 pm

Lorely Burt (Solihull) (LD): I congratulate not only the hon. Member for Hereford and South Herefordshire (Jesse Norman), but everyone who has spoken today. We are having an absolutely first-class debate with some very innovative thinking.

[Lorely Burt]

When the PFI was first introduced, I was deeply concerned about it in the west midlands, which is where I am from. I felt that clever companies were running rings around the inexperienced procurers of a lot of our public services. I was worried about it then and I am still worried about it, because everything I have feared has come to fruition. Today, £67 billion-worth of PFI contracts have been signed, and the total payment has been £210 billion, which says it all. In the NHS, the BBC found that £11.3 billion of investment in hospitals will have a total lifetime cost of £65 billion. The average NHS PFI profit is a return of 66%. If we compare that with the 2.8% figure for major construction companies, there is a shocking contrast.

A number of speakers have talked about PFI being the only game in town, the lack of access to capital finance and the need for off-balance-sheet funding. The problems have been very apparent. There are long, inflexible arrangements that are often unresponsive to change. Again, I shall give a health-related example. Hospitals currently do not have the money to keep pumping into these inflexible contracts. Hospitals change their functions and have a need for physical alterations, but PFI contracts are not responsive enough to help. Of course, there are also policy changes. We now have a situation whereby we are trying to conduct as much care as possible within the community. It is very interesting to speculate about what that will mean for the PFI. At the moment, we are facing the spectre of closing beds and sacking staff to balance the books and satisfy the contracts that were drawn up with inexperience a long, long time ago.

The distribution of risk concerns me greatly. Who really takes the risk if something goes badly wrong? Given the statistics that I have quoted, it must be difficult to fail with such profits built in. There is also the issue of the trading of contracts. Once a company has acquired a contract, it goes out into the market and, as the hon. Member for Hereford and South Herefordshire has said, there is sub-contracting and different people take their profit and a cut. The European services strategy unit found that the Treasury's poor monitoring of the trading of PFI debt was giving companies a licence to print money. It is a very concerning and problematic picture.

What are the Government doing about the issue? Since we have been in government, we have forced Departments to bear the revenue cost of PFI contracts—I bet that has made one or two people think again about further investment. We are also reopening three major contracts as part of a renegotiation strategy and—I hope that this will be a warning to many PFI holders—as mentioned, we are doing a deep-dive investigation into Queen's hospital, Romford. That will be the first forensic look at the operation of a PFI in 15 years.

We have talked about solutions. The hon. Member for Hereford and South Herefordshire has campaigned brilliantly on the idea of trying to obtain a rebate, and a voluntary code was agreed in 2002 under the previous Government. After several PFI providers made windfalls in refinancing deals, it was negotiated that 30% of gains from existing projects should be returned to the taxpayer. I understand that today that figure is 50%. We need a proper rebate and a proper code of conduct. I am also attracted to the idea of a national asset trust fund and the possible extension of a Government bank, such as the green investment bank, to use the Government's natural low-borrowing ability to obtain cheaper funding.

I have been very brief, Mrs Main. This gravy train has got to dry up. There is an issue with many, although not all, PFI companies. That point has been made. Some contracts have been well conducted, professionally done and are good value for money. However, a lot of PFI companies have taken advantage and have bled our public services dry. It is time to release the tourniquet before the patient who feeds it bleeds to death.

3.37 pm

Mr Marcus Jones (Nuneaton) (Con): Thank you, Mrs Main, for allowing me to speak in an extremely important debate. I congratulate my hon. Friend the Member for Hereford and South Herefordshire (Jesse Norman) and others on the Backbench Business Committee on securing this vital debate. It is a crucial issue that is of great interest to my constituents, and I shall focus on that constituency interest.

Hon. Members have given a very technical analysis of PFI, its failings and what we should possibly do about such arrangements. However, in very practical and tangible terms, I want to speak for my constituents and explain why this rebate for the PFI would be extremely beneficial to them. If I may put that into context, I will be talking about the huge PFI scheme at the University Hospitals Coventry and Warwickshire NHS Trust.

Let me give hon. Members the background. A large tertiary hospital on the edge of Coventry was built under the previous Government's PFI regime. The hospital replaced the then Walsgrave hospital, where I was born in the early 1970s. The new incarnation of the Walsgrave, as we know it locally, is undoubtedly a great hospital. When I say that, I do not just mean great as in good, although it is an extremely good hospital, but great in terms of size, because it has 1,250 beds and 27 operating theatres. The hospital is a large fish in a small pond in terms of the Coventry and Warwickshire health economy.

Since the hospital started to operate in 2001, the cost of the PFI contract has been substantial, with more than 14% of the University Hospitals Coventry and Warwickshire NHS Trust budget now consumed by the PFI contract and the obligations under it. The main problem with the PFI contract is that the costs are pretty much fixed. Regardless of patient numbers, under the contract the trust must still pay over a long period for the buildings, repairs, cleaning and provision of support services. Should demand fall or patients decide to go to another hospital in the Coventry and Warwickshire health economy, inevitably those fixed costs remain and must be borne by the hospital.

Mark Pawsey (Rugby) (Con): My neighbour and colleague is making a strong case about the impact of the UHCW in the health economy of Warwickshire, but my interest is my local hospital of St Cross in Rugby, which is part of the same trust. One of our big concerns is that, with such a large proportion of the health economy going into the PFI hospital, in times of budget pressure such as now, the bias will always be towards the PFI contract, which must be fulfilled and

maintained, but that might be to the detriment of other hospitals locally and, in particular, those in the same trust.

Mr Jones: My hon. Friend, whose constituency neighbours mine, has hit the nail on the head.

In our situation, regardless of demand or whether the Coventry and Warwickshire PFI hospital wants to close a ward or to stop the activity associated with closing a ward, such as the cleaning or maintenance, the fixed costs must still be met. That is most detrimental, and it is a drain on the Warwickshire health economy.

Another concern relates to the primary care trust and the strategic health authority. That context is changing, but some of the people involved in those organisations were instrumental in the creation of the PFI hospital and, whatever happens, I suspect that they would not want to see the hospital—this landmark development in Coventry—fail. The concern is because, ever since the hospital was built—before the mortar between the bricks or the paint was dry—the local PCT, NHS Warwickshire, has been trying to reconfigure services. We immediately had an acute services review, which threatened services at my local district general hospital, the George Eliot, and to a greater extent at Rugby's St Cross, as my hon. Friend the Member for Rugby has said. NHS Warwickshire paired St Cross up with the Coventry and Warwickshire trust which, really, subsumed it. Services were drained away from Rugby to the new PFI hospital in Coventry, regardless of whether people in Rugby wanted the choice of going to St Cross. If we do not get a grip on the situation soon, I fear that the same might happen in my constituency at the George Eliot.

That brings me to the crux of the argument made by my hon. Friend the Member for Hereford and South Herefordshire. I echo his concern about such huge beasts of projects, which are so expensive and we hear stories about, such as the £300 for changing a light bulb. They are real, tangible problems, and our constituents cannot understand why the previous Government signed the taxpayer up to such ridiculous commitments. Although the previous Government took on those contracts, I appreciate that the new Government cannot simply tear them up. Some difficulties might arise from how the contract was framed, in particular on the capital commitments. The companies that originally constructed and financed the hospitals have sold the debt on, and it might have been sold on again, so we would now find it difficult to pin down those people and to get some form of rebate.

Stella Creasy: I am interested in what the hon. Gentleman is saying. We have all talked about the difficulty of renegotiating the existing contracts, but 61 PFI projects are currently in train for which contracts have not yet been signed. Is the logic of what he and perhaps other Government Back-Bench MPs are saying that they want the Government to stop the negotiations and to look at another format? I do not understand. If there are so many concerns about PFI as a model—it never seems to work and is always too expensive—is the sum total that it should not happen at all?

Mr Jones: I am not necessarily saying that PFI should not happen at all, but that contracts should be negotiated in the correct fashion to minimise the taxpayer's exposure to situations such as those we have seen. Contracts must be right when ensuring that organisations are a suitable size, for example, to fit into the local health economy. With hindsight, we might question whether the PFI hospital at Coventry was too large for the wider Coventry and Warwickshire health economy.

The general point is that we must get the issue right in future. I accept the hon. Lady's comments, but I am confident that Ministers are ensuring that any contract negotiations will be made properly, so that we do not over-commit the Government, as was done previously.

Jesse Norman: Does my hon. Friend share my view that there is a world of difference between Building Schools for the Future, a form of PFI that the Government could and did cancel, or specific projects which were inherited but which they were uncomfortable with, such as Hartlepool hospital, which they have also stopped, at least for the time being, and the vast preponderance of the 61 projects inherited from the previous Government? The toxic inheritance from the previous Government was an enormous sausage machine, with huge embedded costs, which we have had to deal with despite a difficult economic situation. There is something grossly wrong in comparing £200 billion of spending under the previous Government with the need to get the situation under control. Does he share my view?

Mr Jones: I share my hon. Friend's view, which he has expressed powerfully. We must also consider a point made by my hon. Friend the Member for South Northamptonshire (Andrea Leadsom) that, thanks to the Labour party, the country is now so indebted that, to put in any new infrastructure, we have to look seriously at schemes such as the PFI, because without them the country simply does not have the money to finance any projects.

Stella Creasy: Will the hon. Gentleman give way?

Mr Jones: I will not give way, because I am mindful that other Members wish to speak.

In conclusion, my hon. Friend the Member for Hereford and South Herefordshire has done an excellent job in bringing the PFI to the fore. I sincerely hope that the Government and the Minister will look at the issue closely and carefully to see whether we can get some form of rebate from the providers of PFI projects—in particular, over the terms of the service contracts—not only because of the financial situation but to ensure that the quality of services such as cleaning and maintenance are preserved, but at a lower cost.

I hope that the Minister shows the same vigour and enthusiasm as my hon. Friend the Member for Hereford and South Herefordshire. If she takes the matter forward, which I am confident that she will, hopefully we will see a great day for the British taxpayer and for people in constituencies such as mine, who are suffering the cost of the frivolity of the previous Government, which is now affecting the Warwickshire health economy.

3.48 pm

Mr Robin Walker (Worcester) (Con): I congratulate my hon. Friend the Member for Hereford and South Herefordshire (Jesse Norman) on securing this debate. Herford and Worcester have a long history of fruitful

[Mr Robin Walker]

co-operation, and I hope that the debate will show that we can work together to deliver better value for our constituents and our country.

As we have heard, PFI has become a dirty word—almost a term of abuse—but it was not always so. Both Conservative and Labour Governments saw the benefits of working with private finance and, from the 1990s onwards, the opportunity to deliver better public service by using it. Rightly, many hon. Members have challenged the essence of the scheme, and I accept that it should be reviewed and that we should look at competition, as my hon. Friend the Member for South Norfolk (Mr Bacon) has suggested. However, Members should remember that some PFIs allowed valuable new public buildings to be delivered, which would not otherwise have been possible. That was often used to justify the scheme, even after some of the initial value-for-money problems became clear. That was certainly the case with the Worcestershire Royal hospital in my constituency, and I want to focus on matters close to home, in the same way that my hon. Friend the Member for Nuneaton (Mr Jones) did. Most of my comments today will be about that particular PFI.

Over time, it has become clear that value for money was not sufficiently protected, particularly in early PFIs, such as our hospital in Worcester. When the Labour Government came to power in 1997, they were determined to embark on a massive programme of public building, but with a commitment to remain within the spending plans of the previous Conservative Chancellor. The PFI provided a valuable get-out from that Catch-22 situation, because it allowed the Labour Government to borrow against the future—build today and pay tomorrow. That was not in itself a problem, as long as future costs were taken into account and rigorously controlled. Sadly, the political imperative overrode financial good sense, and projects were signed off without the rigorous checks that should have been made.

In the case of Worcestershire Royal hospital, I can state categorically that the decision to approve the structure of the PFI was political, that it was taken by a Labour Government and that it would not have been approved by a Conservative Government. The reason why I know that is peculiar. I happened to be working as a volunteer driver for my right hon. Friend the Member for Charnwood (Mr Dorrell), who was then Secretary of State for Health, during the 1997 general election campaign. We were both from Worcestershire originally, and we were both well aware of the clamour in the city for a new hospital, so the topic came up naturally during our travels around the country. I asked my right hon. Friend why he would not sign off the hospital that everyone wanted. He explained that, although it was absolutely right that the city should have a new hospital, the contract that had been put forward for it was too expensive and inflexible, and did not build in the extra capacity that the hospital would need over the next 30 years. He said that when the Conservatives were re-elected he would renegotiate that contract and ensure that we had a hospital to be proud of. Alas, that was not to be.

With the advent of a new Government impatient to get spending, the contract was signed off unchanged and the Worcestershire Royal hospital, a fine building in many ways, where a lot of fantastic work is done, lived up to the concerns of my right hon. Friend. The reply to my recent parliamentary question to the Department of Health in February on the costs of the PFI confirmed that over the life of its 30-year contract the Worcestershire Royal hospital will cost approximately 10 times the capital cost of the project—£852 million over 30 years, compared with its £82 million capital cost.

Hon. Members may point out that it is not reasonable to compare directly the capital figure of a project with the total cost of the PFI contract, because account must be taken of the cost of capital, the service elements, and the fact that a PFI project is maintained as new throughout its lifetime. However, it is reasonable to benchmark such figures against other, and especially more recent, hospital PFIs. In recent hospital PFIs, the lifetime costs have been more like four times the capital cost, which shows the vast gulf in value between early hospital deals, such as that at Worcestershire Royal hospital, and more recent PFIs.

Hon. Members do not have to accept my word for the poor value of that PFI. In 2006, Patricia Hewitt, who was then the right hon. Member for Leicester, West and Secretary of State for Health in the Labour Government, told the Select Committee on Health that the financing of the Worcestershire Royal had been "a disaster", and that it had been much more expensive than other PFIs.

We have a problem not with cost alone but with capacity, and they are similar to those raised by my hon. Friend the Member for Nuneaton. The hospital in Worcester has to serve as both the acute hospital for the county and the community hospital for Worcester. It is now, and has been for some time operating at close to full capacity, and as more services have been centred there, it has become a headache for the management of our acute trust. With the opportunity to have more cancer services centred on the Royal, which my constituents warmly welcome and support, comes the challenge of deciding which services must go elsewhere in the county as a result of the capacity limits.

As my hon. Friend the Member for Hereford and South Herefordshire has pointed out so eloquently in this debate and others, one of the knock-on effects of poorly negotiated PFIs has been to raise the price of hospital parking, which is certainly true in Worcester. In fact, in the early life of the PFI, land that had originally been set aside for parking had to be sold to help the trust to meet the costs of paying for it. That has added to the difficulties of parking. The costs are of understandable concern to patients and visitors, and there is a knock-on effect of people parking in nearby residential estates to avoid those costs.

Jesse Norman: My hon. Friend's powerful speech suggests that his hospital, the total cost of which is 10 times its capital cost versus an average of four times, leaves six times £80 million, or just under £500 million of excess cost, in that contract. Is that an appropriate calculation?

Mr Walker: That is an appropriate point to raise, and a strong argument for the sort of rebate that my hon. Friend has been advocating.

It is regrettable for all those who are affected by high charges for parking or by cars cluttering their streets as a result that the previous Government did not take

more time to negotiate, to think more about the long-term consequences of their hurried decisions and to get a better deal for taxpayers before signing off that PFI.

However, we are here not simply to point the finger of blame but to deliver solutions. I believe that there are solutions to these problems, which is why I have passionately supported my hon. Friend's campaign for a significant PFI rebate. We need not let past mistakes for ever damn the idea of the PFI, but we should learn from them and ensure that we deliver better value for money, better planning and a stronger position for taxpayers in future.

I support my hon. Friend's contention that a 0.5% rebate nationally would deliver enormous benefits for taxpayers and, in the case of the Worcestershire Royal hospital, it would deliver millions of pounds that are desperately needed in our local health economy. I also support the urgent measures that our Government are already taking to bring PFI companies to the table and to ensure that better value is delivered for taxpayers. I am delighted for that reason that the Worcestershire Royal hospital is one of those being reviewed by McKinsey, and I urge it to examine closely the details of the current agreements and to search for areas where value can be unlocked. In Worcestershire, as elsewhere, many of us believe that the long-term costs of the PFI are placing serious strain on the finances of our acute trust. Consequentially, they are a significant barrier to the vital short-term goal of achieving foundation trust status, not to mention the essential long-term aim of delivering the best possible care for everyone in Worcestershire, free at the point of need.

There is good news on that front, which shows that the light that my hon. Friend has shone on the PFI, and the determination of this coalition Government to deliver value for money, are already bearing fruit. I understand that the Worcestershire Acute NHS Trust is already finding significant savings that can be delivered from the soft services parts of their contract. As part of the trust's strategy to deliver greater efficiency from its PFI provider, commercial discussions are currently under way with ISS to benchmark the provision of soft services every five years. ISS provides services such as cleaning, catering, portering, security and laundry to the Worcestershire Royal hospital site, and it has indicated that it is prepared to work with the trust to deliver savings over the next five years in line with national efficiency assumptions of 4% a year. That would be delivered while offering a guarantee that there will be no impact on quality. I understand that the trust's board is due to consider a formal offer within the next month, and I welcome that.

The trust is also due to commence negotiations with Siemens on the managed medical equipment deal, which is due to have a benchmarking review in 2012, in line with its 10-year anniversary. Those negotiations are entirely welcome and show that some private companies are already engaged in seeing how better value for money can be achieved for taxpayers. However, I am worried that, as yet, there has been no indication of similar negotiations with the main PFI contractor, Catalyst, a special-purpose vehicle. I take this opportunity to urge it to come to the table and, recognising the exceptionally good deal that it has had at the Worcestershire Royal hospital, to begin talking about how some of the value from that deal could be rebated to taxpayers and the local NHS.

The main shareholders in Catalyst when it was set up were Bovis Lend Lease and the British Linen bank. The latter, via HBOS and the ill-conceived merger that the previous Government forced through, has become part of the Lloyds banking group, in which UK taxpayers now have a significant stake. Surely such banks, publicly bailed out as they have been, should be doing everything in their power to ensure that they are giving good value to the public and the NHS? That should be the case whether or not they hope to win more business from the Government, but I have recently discovered that that same consortium has hopes of winning the contract to deliver a new radiotherapy unit for the Worcestershire Royal hospital.

That radiotherapy unit will be a vital addition to the suite of services that Worcester is able to offer to cancer patients, and I have been campaigning for that for many years. I welcomed the decision of our trust first to approve it and then to locate it in Worcester at the heart of our county. I have been asked whether I am worried that Catalyst is in the running to deliver it. I do not see it as a matter for concern so much as a golden opportunity. I hope that Catalyst can show in its bid for the radiotherapy unit that it is determined to offer taxpayers value for money and to share the benefits of the original PFI contract for the Worcestershire Royal hospital. It must have many advantages in terms of cost and synergies with its existing contracts, so I am sure that it will be as determined as I am that those advantages are shared fairly with taxpayers. I will be only too happy to support my acute trust in its negotiations with Catalyst to make sure the bid offers the excellent value for money that it should.

In particular, I am hopeful that the benefits of this project will be not only financial but will provide the opportunity to address the long-term parking problems at the hospital. I urge it to consider the need for a multi-storey car park at the Worcestershire Royal, and the golden opportunity to deliver that alongside the provision of a new radiotherapy unit. Indeed, more broadly, the Government should recognise that, as we strive to deliver value for money in all our public services, we must take a more aggressive approach in our purchasing and commissioning, negotiating hard to ensure that taxpayers receive good value. I was happy to hear of the hundreds of millions already saved by the Cabinet Office through negotiation with major suppliers, and I hope that the Minister can assure us that that approach will in future be taken to the PFI.

I congratulate my hon. Friend the Member for Hereford and South Herefordshire again on his campaign and exhort the Minister to take on board the many excellent points that have been made in this debate. Not only do we have a responsibility not to repeat the mistakes of the past but we have an opportunity to put things right for the future.

3.59 pm

Anne Marie Morris (Newton Abbot) (Con): I will endeavour to make my contribution brief. This has been a very valuable and worthwhile debate on a number of issues. We need to consider the PFI as quite a complex challenge. Although my hon. Friend the Minister is here to help us with some of the financial issues, it is a challenge not just for her but for her Cabinet colleagues, because it is not just the finances that need to be reviewed. There are issues of complexity that we need to

[Anne Marie Morris]

deal with in trying to find a way forward. Those issues are not just about the way in which the contracts are currently structured. There is also an issue about cultural change, because much of what has happened has changed the way in which decisions are made and outcomes are delivered for patients in hospitals and children in schools. That is why, although I support the argument for a rebate, it is only part of the solution. It deals with the existing, financial challenge, but it does not deal with other issues. It is right that we should be looking for a different way to do things, but it is a very complicated challenge.

The PFI was always well intentioned as a concept. It was to deliver quality and it was to deliver projects on time and on budget. In many ways, it achieved that. We have 700 schools, hospitals, prisons and other infrastructure projects that would not exist or would not be in the pipeline but for this initiative. We have £67 billion-worth of expenditure signed off.

The problems fall into at least four categories. First, the risk was overestimated, in part because of the public sector's inability to deal with a very complex negotiation, as has been said. The consequence was that the taxpayer was lumbered with a very large part of the bill. As has been said, the amount of £210 billion is outstanding. By contrast, the investor is doing extraordinarily well. A number of figures have been cited, and I will add to that list. An EU think-tank tells me that 154 schemes are delivering a 50% return. That is huge. Clearly, therefore, one matter that we must consider is how we simplify not only future contracts, but the existing ones. I believe that we must consider renegotiating not just a chunk of money, but some of the terms.

Mark Pawsey: Does my hon. Friend agree that a justification for a rebate arises from the effect of the spending review on those Departments whose budgets have been reduced? If the PFI element remains fixed within the budget, by definition the non-PFI element has to reduce by a greater proportion, so budgets that may have been reduced by 2% could end up being reduced by 4%. It is entirely appropriate that those who are making the sums of money that we have heard about should bear their share of the burden of getting our country's finances into order.

Anne Marie Morris: I agree. My argument is that that is part of the problem, rather than the totality of the problem. My second request is that we find a way of delivering transparency and better management of the contracts. One hospital was charged £333 to change a light bulb. I dare say that that changes the hospital's decision about whether it will change many light bulbs. One school was charged £300 just to install an electrical socket. How many times will the school install a socket on that basis? One Army official was charged £103 for a 1-inch Land Rover screw that actually cost just over £2. That is not the right way of doing things.

David Mowat: The three examples that my hon. Friend has cited are powerful, but they represent procurement failures by the public sector procurement people involved and structural failures in the nature of the contract, because the contract did not have to specify, for example, exactly how light bulbs would be maintained. We have examples of multiple procurement failures. PFI is being used as a proxy for that. Those procurement failures can happen with any technique or contract.

Anne Marie Morris: My hon. Friend makes a valid point, which is why the issue is far more complicated than a rebate.

The risk is overestimated. Projects are not monitored, partly because there is no transparency. As has been said, the size of the debt has been hidden because it is off balance sheet. If we looked at the real national debt figure, then rather than £910 billion, we would probably be looking at £1.12 trillion.

I can perhaps best illustrate the distortion in the way in which public services are used by explaining what is happening in my constituency. There is a wonderful new build hospital in Newton Abbot. It was the winner of the 2007 *HealthInvestor* PFI deal of the year award. But what has happened? In that hospital, we are finding considerable underuse of facilities. Beds and consulting rooms are not being used as they might be. Why? The reason, as I understand it from individuals who have come to me to raise this concern, is that it is just too expensive to use those facilities rather than the cheaper facilities in neighbouring hospitals. I am pleased to say that the primary care trust has taken the matter up and is considering how better use of the facilities at Newton Abbot hospital can be made. However, it is an example of how behaviour can be changed.

The challenge, therefore, is not only to get the cost down. Reference has been made to what the Government are already doing. I am pleased that we have a PFI hit squad, which has already taken £4 billion out of the project list. I am minded to look very favourably on the concept of a rebate, but as I said, a rebate will not be enough. There are two aspects to trying to sort out the financial mess. One is the issue of maintenance. Clearly, there are ways of reducing maintenance costs under the contracts, and whatever saving comes out of any renegotiation needs to be shared with the taxpayer and the local community. The second aspect is the payback rates. We have heard many examples of the payback rates in this context being well above the payback rates for similar risks in the market. Those two issues need to be considered.

To return to where I started, one issue that we need to consider is the impact on what happens in other parts of Government. We need to consider our health care reforms, because many of the PFI contracts are currently held by the primary care trusts. Those PCTs will cease to exist in the not-too-distant future. As and when we see their demise, what will happen to those contracts? Is that an opportunity or a threat? That is a serious issue, which my right hon. Friend the Secretary of State for Health will need to consider in conjunction with the Treasury. We have heard about the examples of schools and the challenges for some of negotiating academy status because of existing PFI contracts. To conclude, this is a complex issue. It is not something that the Treasury can deal with alone. Some joined-up thinking needs to be applied to it across a number of Departments.

4.7 pm

Neil Carmichael (Stroud) (Con): It is a great pleasure to be operating under your chairmanship, Mrs Main. It is a great thing that my hon. Friend the Member for

Hereford and South Herefordshire (Jesse Norman) has done in securing this very important debate, because he has raised a number of issues that have been challenged or discussed and, often, supported in useful ways.

The idea of securing a rebate is a good one. I know that the Treasury, in the form of Lord Sassoon, the Commercial Secretary to the Treasury, is busily doing just that—he is attempting to negotiate a rebate. I am not sure how well the negotiation is going, but it is clearly under way. So the concept of making savings, with of course the proviso that standards and services are not threatened, is well established. My hon. Friend the Member for Hereford and South Herefordshire is absolutely right to push this issue further up the agenda. I salute that.

There is a question about off-balance sheet expenditure. It is right that that issue should be carefully considered. In the context of the green investment bank, we have already done that. The funding for that is now measured to about £3 billion. When our deficit is going down, that bank will be able to raise more capital. There is the same sort of issue, although obviously better controlled by the present Government than the previous one, in connection with the PFI.

I want you to cast your mind back to the time before PFIs got started in this country. Can you remember those schools that were designed poorly, built badly and maintained with no attention to longevity? I have buildings in my constituency that could have been much better designed and of much better quality. Indeed, a building that was literally knocked up in 1956—frankly, it was a disgrace—was recently knocked down. It was put up by a local authority as a technical college, and I could see when I first arrived in Stroud that it should have been knocked down years before. We must remember that PFI schemes have improved the quality of buildings, and in many cases that has improved the quality of services.

Mr Bacon: If my hon. Friend were to visit St Thomas Aquinas grammar school and Wellington college in Belfast, he might disagree. Wellington college was built under the PFI, and halfway through negotiations on what should have been a quality building the contractors suddenly said, "Sorry, these are off. Here is your L-shaped school." St Thomas Aquinas school was procured conventionally. The schools were the same size, the same capital was available for both, and they had the same number of pupils and were of the same socio-economic background, but St Thomas Aquinas school ended up a much better quality school. I have spent a lot of time in both schools and have seen the difference for myself.

Neil Carmichael: I thank my hon. Friend for making a good point; I shall answer it later in some detail.

I turn next to the history of the PFI. It goes back much further than 1992. The United States has been using PFI schemes for decades because it wanted private money to be used to provide public utilities, roads and so on. The PFI has a history in the US, in many parts of Europe and in most regions of the world. We have plenty of experience of it. There is much activity in that sector that we can draw upon in order to improve the way in which it works. That is the key point.

PFI schemes have recently become far too complicated. As was pointed out earlier, in many of the original schemes things were simply designed, built and then maintained. More recently, however, we have been throwing in services and all sorts of extras. As a result, the process has become complicated; indeed, many of us have used that word today. That is largely because we have confused the original concept of the PFI by adding on services and so on. There is nothing wrong with that, but it brings me to the fact that we must get the procurement systems right. To do that, we must specify much more clearly what is wanted. Local authorities have to learn to do that, as must the health service; it is a question of commissioning. My hon. Friend, who represents a beautiful Cornish seat—it is in Cornwall, is it not?

Anne Marie Morris: It is in Devon.

Neil Carmichael: Devon: it gets better! My hon. Friend made that point rather well. It certainly needs to be considered, as specifying and procurement are critical.

We also need to understand value for money. Most PFI schemes under the previous Government did not seem to do so. The next big task is to define value for money. That will be helped if we get the data right and if we understand the systems in each project. Many people talk about the difficulties of PFI schemes in hospitals. I am not surprised, given that many hospitals cannot even tell you the cost of an operation. We need more data. If we have much more information about what is happening, it will inform the debate about value for money.

Another big problem is the lack of accountability in the decision-making process. I said that it is important to specify and procure properly, but if we do not hold those who do the specifying or procuring properly to account we will have only ourselves to blame. We need systems to ensure that specifications are clear and all-inclusive and produce the right procurement. We then need to ensure the right attitude to procurement, a point made by my hon. Friend the Member for Warrington South (David Mowat).

Steve Baker (Wycombe) (Con): I hope that my hon. Friend will forgive me telling a small anecdote. I remember being told a story by one of the famous bomber command air officers. When talking about procurement, he said, "The thing to do is not to make a small mistake, because if you do they can pursue you for it. The thing to do is to make an enormous mistake." Is that not part of the problem? Enormous mistakes are being made, and we cannot possibly hold individual officials or politicians to account for such giant sums.

Neil Carmichael: I thank my hon. Friend for that. I do not like any mistakes; I do not like small ones, but I especially dislike big ones. We need a system that allows fewer of both, but particularly large ones.

David Mowat: It is about accountability and procurement. Much of what has been said this afternoon is about procurement failures rather than the failure of the PFI technique. I do not agree that people cannot be held to account for big procurement errors. Many organisations succeed in holding others to account, but the Government do not. I would be interested to know whether people in

[David Mowat]

any of the procuring organisations involved in these awful contracts have been held to account—how many jobs have been lost and how many promotions have been missed—but my guess is not many on either count.

Neil Carmichael: I think that you are absolutely right if you agree with me that we need more accountability in the procurement and specification systems.

Mrs Anne Main (in the Chair): Order. I do not disagree with the hon. Gentleman. He is making an interesting speech, but I keep hearing "you." I do not want to disrupt the flow, but I am aware that it happens sometimes.

Neil Carmichael: Thank you for being so understanding, Mrs Main. This is such a complex subject that you have to marshal your thoughts clearly.

The discussion of procurement leads me to the next big issue—the competitiveness of the tendering process. One of the difficulties is that there are not often enough bidders. That is not surprising, because the bidding costs are sometimes far too high. We therefore need to think about the competitive process and the bidding issue together. I believe that the answer is to make the contractual arrangements and the contracts simpler and more adaptable. You cannot alter a system as complicated as this by looking at one part of it and making some changes, because that will have consequences further down the line, but I think that bidding costs are indeed too high, largely because contracts are too rigid and too few organisations are looking into that as a mechanism.

One or two Members have mentioned income streams. That is a really good point. Most schemes with strong income streams have worked rather well. Those with no proper measure of income or service have not worked so well. We need to divide the concept of the private finance initiative into those schemes with strong and reliable income streams and those mainly to do with service and operation. The difficulty is that we apply the strict definition of the private finance initiative to virtually everything, when we have a much more flexible phrase—public-private partnership. That is what we should be thinking about, so that we do not get ourselves tied up in knots.

Mr Bacon: I have tried to resist intervening on my hon. Friend to ask him whether he realises that he is talking unutterable rubbish. First, if you have more specifying, you are obviously going to increase the costs hugely. As for public-private partnerships, I would encourage him to look at the London Underground PPP, where the finance costs were £500 million higher because of the complexity of the scheme, and because the Chancellor of the day detested Ken Livingstone, the professional fees added another £500 million. You—one, Mrs Main—must be careful to distinguish between the different facets. My hon. Friend said that clinical operations cost more in some hospitals than others. Of course he is right, but that has absolutely nothing to do with the PFI.

Neil Carmichael: Thank you very much. *[Laughter.]* You know, it is always great when someone makes a point in opposition that proves the point that is being made. If you keep changing the specifications, you will increase the complexity, making it harder for those who are procuring to understand, and the bidding process just goes awry. The real problem is that various organisations have not specified clearly enough and have not stuck to the specifications as first announced. Therefore, there have been far too many changes, sometimes as late as just before contract signing. That is what I am getting at. It is totally unacceptable. It wastes huge amounts of money—millions of pounds—and it puts off other bidders because, of course, they think to themselves, "Where are we in this? It's a movable feast." That is not what we want. We need to bolt it down, and that is why I emphasised the importance of specification. It is a really important point, and my hon. Friend has just proved it. If you keep changing the specification, you will always end up having a problem with a contract of any description. That is where I stand on that issue.

Finally, I want to mention the ridiculous business about light bulbs, car parking at hospitals and so on—the sort of things that we must get away from. That is really important. It is what the Treasury and indeed any organisation involved in such a situation should be moving away from. It is not acceptable; it causes a huge number of problems. It is nonsense to argue that an income stream for a hospital will be the car park for the patients who turn up to it. That needs to be stated. We need to get a grip on what the hospital is actually for and apply the logic of the contract to that. That is the answer to the second point made by my hon. Friend.

In summary, PFI has a role to play, but we must be imaginative about making sure that it works better. If we are going to be spending more than £200 billion on our infrastructure alone in the next decade or so, we will have to appeal more effectively to the private sector to dip into its pocket. Properly modified, PFI can do that. That does not mean that we should not be looking at rebates, and it does not mean that we should not be concerned about what is on or off the balance sheet and so on. It does mean that we must apply value for money on the scheme and ensure that it works for those who need it.

Mrs Anne Main (in the Chair): Before Dr Thérèse Coffey makes her very eloquent speech, I am sure she will bear in mind that I have had very little to do with PFI schemes, and I would appreciate it if she were mindful of that.

4.24 pm

Dr Thérèse Coffey (Suffolk Coastal) (Con): Thank you, Mrs Main. I appreciate your candour in admitting that you have had very little to do with PFI.

I thank my hon. Friend the Member for Hereford and South Herefordshire (Jesse Norman) for securing the debate. I commend his initiative and his ongoing campaign. I am not sure whether he has been nominated, but he is certainly my Back Bencher of the year for the work that he has done on PFI. It is a great scandal, Mrs Main, that this debate is being held in Westminster Hall. It is always good to debate PFI, but I feel that something of such importance—an emerging scandal

that people are only just waking up to—should have been debated in the Chamber, with the full prominence that would be given there.

I was also concerned to hear earlier that evaluation of PFI projects is not being undertaken by the Treasury. Will the Minister tell us whether that can be reversed? Before I talk about some of the challenges of PFI, I want to assure people that I am not fundamentally opposed to PFI in principle; my concern is the legacy. We have heard many stories about that. The legacy has been a disaster and has tarnished the name of PFI, which could have been a force for good. It is a classic case of off-balance sheet financing. Not only will our generation pay for it, but future generations will continue to pay for that, as well as all the other debt accumulated by the previous, profligate Government.

On early memories and anecdotes that hon. Members were relating, I will not go on about light bulbs costing God knows what. However, I remember the first meeting of the all-party group on rural services when we heard from the deputy chief fire officer of a particular authority. His very last comment was, "For God's sake, never allow me to sign another PFI contract again, because I didn't have a clue what I was doing. In hindsight, I recognise that I made a huge problem for my fire authority. Because of that, I shouldn't be here." But he then went on to use the usual defence: "I didn't know what I was doing. My accountant said it was fine, so I just signed the contract." He was embarrassed, and it was good of him to say that, but that story is not unique. I am sure other hon. Members have heard such stories.

Indeed, we all received a briefing from the NHS Confederation: a wringing-their-hands exercise about "It was early in the '90s; we didn't know what we were doing; we've learned the practices now." I wonder whether they have. I sent a message back to the confederation to ask what advice it gave to its member hospitals and trusts. It said, "It wasn't our role to do so. It was the role of the Treasury and the Department of Health." So I feel that a lot of buck-passing is going on. I know that that is in the past, but we are living with the costs today and will do so in future.

I logged on to the Partnerships UK database to see what PFI projects were awarded to Suffolk. There were only four listed, which surprised me, because I know of at least two others. The most recent PFI contract is a 30-year contract to be shared with Norfolk, and it is for six new police investigation centres, as they are called. Basically, they will be the new police cells. This contract dwarfs all the others: the East Anglia courts; the Wattisham married quarters; the hospital trust's Garrett Anderson treatment and critical care centre in Ipswich; and indeed the fire and rescue service serviced accommodation PFI project.

We are spending £61.3 million on six centres that will be the new places where people are detained. I challenged that before I was elected. I was told that we had to have the new centres because of the recommendations of the National Policing Improvement Agency. The cost over 30 years for the contract, including the servicing, is £294 million. The budget goes from about £6.7 million spread across the two authorities to more than £11 million. My hon. Friend the Member for Rugby (Mark Pawsey) alluded to that. In the days of decreasing budgets, when we are trying to tighten our belts, we face the enormous cost of a brand-new building, which, frankly, is going to be used by prisoners. I am sure many people in Suffolk will be disappointed to hear that we will probably be losing front-line police officers to pay for what I see as a rather gold-plated building.

I genuinely hope that other savings will be found. I hope that we will improve our detection rates so extraordinarily that we will make the savings. I hope that people will not feel that they have got the bobby in the car driving people hundreds of miles back and forth between the detention centres, homes and courts instead of having the bobby on the beat. I hope that we will not be regretting this in the next few years.

Other projects have caught my eye. Apparently, the M1-A1 link road is a shadow toll road. As part of the PFI contract, the Government pay a fee—a toll—to the company. The numbers of journeys are more than double what was originally estimated, so the Government are happily paying through the nose for that. To be fair, as has already been suggested, I do not believe that we should condemn the private sector for how it has made significant amounts of money. Much of the fault lies with us as clients. People should look themselves in the mirror when they recognise the profits that they make from PFI. I have a wealthy constituent who stopped speaking to his brother because he was so ashamed of how much money he was knowingly making out of some of the contracts. He recognised that he did not have a sophisticated client.

Just a few weeks ago, the Government released their construction strategy in which they recognised that 80% of the challenges have been within internal processes. Change orders, which were mentioned earlier, classically add so much to the cost of a project, as does the lack of sophisticated negotiating. The Government are trying to change that, which is to be welcomed. The last piece will be for the construction team, along with financing, to come together and ensure that we have a simpler, focused contract that is flexible and appropriate for future needs.

As for the way ahead, I wish my hon. Friend the Member for Hereford and South Herefordshire would name and shame those institutions that have thus far not consented to voluntary repayments. I would also like to hear the results of Lord Sassoon's review on the renegotiation of contracts, which was initiated in February.

I am delighted to hear that PFI is no longer the default place in which to look for capital; there are other sources available. Unlike under the previous Administration, it is not the only game in town. I am glad to see that we have a more balanced potential source of capital funding for the future. I shall conclude, because I recognise that others wish to speak. PFI will be one of the greatest scandals, so I congratulate my hon. Friend on bringing it to the attention of the House. Let us keep up the volume to ensure that this scandal is not repeated.

Mrs Anne Main (In the Chair): We have four hon. Members still hoping to catch my eye and there are 30 minutes left before the wind-ups. I will now call Mr Mark Garnier, who I hope will be mindful of his colleagues.

4.31 pm

Mark Garnier (Wyre Forest) (Con): It is a great pleasure to speak under one's chairmanship, Mrs Main. *[Laughter.]* I also add my name to the chorus of congratulations for my near neighbour and hon. Friend the Member for Hereford and South Herefordshire (Jesse Norman), who has not only secured this debate but worked so hard on the thorny issue of the PFI. His work includes his PFI rebate campaign, which I have enthusiastically signed up to. He has also managed to secure a Treasury Committee investigation into the future of PFI. It is good to see that four members of the Select Committee have come along this afternoon.

The PFI does not directly affect my constituency—there is only a magistrates court there under a PFI contract. However, it indirectly affects my constituents because they are served by the Worcestershire Royal hospital. Famously, Kidderminster hospital was downscaled to help pay for it. When my constituents hear that we have overspent on those contracts to the tune of half a billion pounds, they will be rightly even more furious than they were when the Government wound down Kidderminster hospital.

The PFI is something that we all love to hate. It has come to signify the inability of the public sector to write proper contracts and it is a symbol of trying to hide capital investments on the country's balance sheet. However, is that a fair summary of what is a reasonably legitimate way of financing part of the supply side of the economy? I have certainly argued in the past that the public sector will always negotiate bad contracts for the simple reason that there is an asymmetry in negotiating skills. I am certainly not here to criticise the knowledge of public sector employees in terms of how to go about writing a contract. However, when it comes to a contract between the public sector and the private sector, we have, on one side of the table, a well-read and well-intentioned civil servant who is doing his best and possibly looking forward to his retirement, while on the other side we have a hardened businessman who is motivated by profit and return on equity and quite probably incentivised by direct equity in his business and a bonus for concessions won. A civil servant will certainly be very well educated in negotiating, but the hardened PFI negotiator from the private sector will have the concept of return on equity, risk evaluation and profitability etched into his DNA. There is no doubt that there is plenty of money to be made out of PFI for the astute negotiator.

Dexter Whitfield, director of the European services strategy unit, in his submission to the recent Treasury Committee investigation, highlighted the profitability of PFI equity sales—that is where a PFI contract is sold and the profit made is in addition to the profit that is gained on an ongoing basis. He pointed out that although there is little readily available information on PFI sales, the ESSU database holds 63 transactions covering 154 PFI projects, and he has looked at how much they have made. Average equity profit has been 50.6% on the 63 transactions. What is interesting is how they fare by sector. Health has been given a profit of 66%, housing 80% and leisure 86%. However, the truly eye-watering winner by miles goes to the defence sector, which has been giving PFI providers a whopping 134% profit on their equity sales. The Treasury Committee inquiry was lucky enough to have a representative from the PFI industry, one of the directors of Balfour Beatty, and he was surprisingly evasive in his reply to my questions, implying that that profit may have included the annual premium returns and therefore was not a fair judgment. But my interpretation is that PFI providers that have sold their investments have already made an annual return on the projects—that is perfectly reasonable, given the way that the projects are structured—but that the sale profit is in addition to that annual return.

What does that mean in terms of the contracts that have been negotiated? It seems that the valuation of risk, which is a key part of a contract, has been miscalculated in favour of the provider and it is that premium, in favour of the provider, that gives the opportunity for the sizeable equity sale profit. Indeed, the fact that there is someone out there to buy the equity stake with their own measure of risk and expectation of return means that there is still more to be made by the subsequent buyer, implying even further mispricing of risk.

That is the point. PFI projects do two things: first, they provide a so-called off-balance sheet way of financing a vital piece of investment; and secondly, they devolve the risk element of any project to the private sector. But the private sector will evaluate that risk and charge for it, and the evidence put forward by Mr Whitfield suggests that the PFI provider is making a great deal of that opportunity.

David Mowat: I have been listening very closely this afternoon to the points that have been made about the super-profits, the 180% margins and all the rest of it. I have also tried to hear the names of the companies that are making those profits and the only two that I have heard are Balfour Beatty and Bovis. My understanding is that neither of those organisations has a particularly high return on capital employed. So I am a little bit mystified as to where the money is going and I genuinely would like somebody to help me with that point.

Mark Garnier: I thank my hon. Friend for that intervention—what a perfect opportunity for me to do so. These are the profits of equity sales by the companies concerned: 41% for Carillion; 59.1% for John Laing; 53.9% for Interserve; 78% for Lend Lease Corporation, so well done to that company; 42.9% for Costain Group; 20% for Serco Group, which was perhaps not the best investment for someone's money; 71% for Balfour Beatty; and 59% for Kajima Partnership.

David Mowat: What are those numbers?

Mark Garnier: Those are the equity sale profits. So those companies are PFI providers who have then sold their contracts, and those figures are the profits they have made. Just to be fair, the figure was 56.3% for Kier Group. Those are pretty sizeable returns.

Jesse Norman: It is very important to distinguish two things. One is the internal rate of return, or IRR, of an investment, which is the annual amount by which it gets upgraded; the second is the value that a provider gets when it sells a share. We do not know the answer to this question, but those values are perhaps what they are in part because of the period of time that they have been held. If someone held a share in the London stock market for 10 years, they would see a certain uplift in its

value. I do not know what the number is, but it might be 20%, 30% or 40%. It is that kind of thing. The contrast is with the returns that were being made, for example, with the Norfolk and Norwich university hospital, where the refinancing, which loaded up the hospital with £100 million of additional debt, realised an IRR—an annual upgrade in the return to the investors—of 60%. So what my hon. Friend is talking about might be, in fact, a 7% or 8% return each year. We just do not know, and that in itself is a great embarrassment for the previous Government, because we do not have the numbers.

Mark Garnier: My hon. Friend makes an incredibly important point. I suspect that what these numbers are telling us is that the annual returns are being treated rather like the dividends on an equity investment in the stock market and these capital returns—the sales of equities—are the capital return that the company gets. So they are already getting their annual rate of return and this money is in addition to what they would expect to receive if they ran the contract to the end. But we need to clarify that, because these are incredibly important points.

The Government are committed to the PFI and, as we have already heard, they have 61 new projects being procured as of earlier this year, with a value of £7 billion. That is not necessarily a bad thing because money is being invested into the supply side of the economy, and we need that investment to support our expectations of economic growth and to sort out the financial mess that the coalition Government have inherited. The PFI allows that investment to happen without any immediate impact on measures of public sector capital expenditure or borrowing. However, the efficiency case for the PFI rests on the model's ability to allocate risk more effectively than regular procurement. To date, there seems to be no empirical evidence to support any claims that the higher price of PFI finance has offset any reduction in costs.

The efficiency case looks even more fallacious in the light of falling interest rates, as we heard earlier in the debate. The Government can borrow directly at around 3.3% and yet the IRR on a PFI contract is now 4% higher than that. That is a significant risk premium to be paid by the Government, especially when the PFI investor frequently offloads risks on to subcontractors. We have heard that before. Given that we have very low interest rates and can issue gilts on a 25-year basis, should that not be one way to look at financing some of the supply side of the economy?

Coming away from the financial side, I am not sure that some of the users of PFI facilities are always that happy. Wyre Forest was one of the areas that suffered under the cancellation of the Building Schools for the Future programme. I am continuing to work hard to get rebuilding finance for up to 11 of my local schools. We are waiting for the James review on that.

Wyre Forest secondary schools were to be built under PFI contracts. In private chats that I had with various head teachers and governors, they were concerned that a PFI contract would tie their hands financially, limiting their ability to determine their budgets and, therefore, investment in teaching and teachers. We all want new schools, but at what cost to education? PFI has a place in the future in terms of funding investment, but it has to be done at the right price. A lot more work needs to be done on ensuring that we get the end product at the right price. That is why I am incredibly grateful to my hon. Friend the Member for Hereford and South Herefordshire, for taking the initiative to question this important area so closely, and to work so hard for the future of PFI.

4.41 pm

Steve Baker (Wycombe) (Con): It is a pleasure to serve under your chairmanship, Mrs Main, and I will try not to attribute too many of the flaws in PFI to you.

Mrs Anne Main (in the Chair): I would be grateful.

Steve Baker: I, too, would like to congratulate my hon. Friend the Member for Hereford and South Herefordshire (Jesse Norman) on securing the debate, and to pay tribute to his leadership, his courage and his intellect. As I listened to the debate, I noticed a strange thing: Conservatives verging on sounding like anti-capitalists.

Lorely Burt: Never!

Steve Baker: And indeed Liberals seem to have spoken as anti-liberals. I am perplexed by that. I would like to develop one point: how PFI fits into the nature of our society. I am reminded of something that Churchill said, which I think speaks to the third way. He said:

> "Some people regard private enterprise as a predatory tiger to be shot. Others look on it as a cow they can milk."

I will come back to how he finished the quote at the end. It strikes me that the third way seems to have turned private enterprise into a vampire squid to be suckered on to the faces of people on normal and low incomes.

I am pleased that my hon. Friend wishes to respect contract. Given that the world contains imperfect self-interested people, and given that we have imperfect knowledge of the world, it is important that we are secure in the institutions that we create and in which we operate. Therefore, I am delighted that my hon. Friend emphasised the need to respect contract and to seek voluntary renegotiation. I was particularly impressed that my hon. Friend the Member for Suffolk Coastal (Dr Coffey) hinted at the need for a moral basis on which to operate in capitalism and society. It is necessary that people do not simply blame procurement processes—much as they are an institutional factor—but look to themselves to behave decently.

There are many questions that we could discuss: who provides, who pays, where risk lies. However, I would just like to develop one point made by my hon. Friend the Member for South Norfolk (Mr Bacon), who said that fat cats are getting fatter at public expense. I believe that is broadly his remark. That reminded me of an old picture of the ancien régime in France, where the bureaucrats and princelings were riding on the backs of the poor. From what we have heard from Members of all parties, it seems that today we have a regime where the state and the clients of the state ride on the backs of everybody else.

It is strange that so much money is being funnelled to firms whose commercial risks are being underwritten by the power to tax. Far from protecting the poor, the state now seems to be an institution for protecting the

[Steve Baker]

rich from the risks they take with their own investments. I am a capitalist, and I believe that capitalism requires entrepreneurs and investors to bear their own risks. Somehow, through all this mire and mess that we find ourselves in, we need to recover the principles of a free society and a vision of a capitalism that works, and works for everybody.

The state has become an enormous player in society. It spends about half of national income, and we have ended up with far too many investors and companies looking to the state for its decisions. Where will it spend? What will it spend that money on? Whose risks will it underwrite? And so on and so on. It really is no good. If we wish to call this a free society—one in which people make their own way and flourish—we really do have to end the notion of the state as a giant player in society. My right hon. Friend the Prime Minister, at different times, has declared that the era of big government is over. I think that he is absolutely right, and I am delighted that that is the thrust of the Government's direction of travel.

I think that the British public have a fantastic sense of fair play—that is one reason why *Private Eye* sells so well. I would like to share with the Government the final line of Churchill's quote:

"Not enough people see it"—

capitalism—

"as a healthy horse, pulling a sturdy wagon".

I congratulate the Government on bringing forward their paper, "Making Savings in Operational PFI Contracts", but I urge them to go further, to try to recover that sense of fair play and regenerate those institutions of a free and fair society which support capitalism and support human flourishing, but above all, pass that *Private Eye* test.

4.46 pm

Stephen Barclay (North East Cambridgeshire) (Con): I am conscious that my hon. Friend the Member for Warrington South (David Mowat) wants to speak, so I shall try to limit my speech to half the time remaining.

In this debate and as a member of the Public Accounts Committee, I have heard about many of the things that have gone wrong in PFI, but I want to focus not on the past but on the future. I shall do so by discussing three areas: first, contract design, because 61 PFIs are being planned; secondly, contract management, because there is a big disparity between private sector and public sector expertise, and I do not get a sense that it is being addressed, so it will continue to lead to poor value for money; and thirdly, if time allows I would like to touch on the secondary market, in particular the greater role that insurers and pension funds could play in certain elements of PFI and the regulatory task force that the Treasury has set up. It will be interesting to see how that will interplay and report back to the House.

First, on contract design, my hon. Friend the Member for South Northamptonshire (Andrea Leadsom) mentioned bundling. We had rather disturbing evidence from a Treasury official at the PAC last week, who suggested that bundling remained necessary because without it the design and construction would not take on board maintenance costs in future. I suggest that they can be decoupled. It is possible to design and put out to tender in such a way that the construction risk is assumed through the PFI if required, by buying in management expertise from the private sector. However, the tail, where there is certainty of revenue, which is particularly attractive to other forms of finance companies, can be decoupled. That will also avoid some of the complexity of contracts, which is where the opaque pricing structures often lie and the legal costs come in. I would welcome clarity on the extent to which the 61 pending PFIs will be bundled.

Mr Bacon: What is interesting is that the Treasury sounded more reluctant to see unbundling than David Metter of Innisfree, who gave examples of projects in Canada where unbundling appears to work perfectly well.

Stephen Barclay: My hon. Friend is absolutely right. It is helpful for the Minister to look at that example as a benchmark.

Secondly, although I am conscious of time, I want to cover the public sector comparator. Hon. Members have touched on the fact that it has often been flawed, because the PFI was a way of taking deals off the balance sheet and it was the only show in town, but there have been other imperatives. There was a regulatory imperative—not to mention, with a lot of marginal seats in the north-west, a political imperative—to go ahead with the Manchester incinerator, even though it was, at 350 base points, over and above the 300 threshold that the Treasury had at the time. Likewise, there was a defence imperative to go ahead with the air tanker contract, which was appalling value. The existing fleet was falling apart and there was no fall-back position, so there was a defence need for that contract to go ahead. It would be interesting to get from the Minister a sense of the extent to which guidance has changed to guard against some of those risks, and how we as a House get visibility of whether a viable fall-back position has been developed for some of those 61 contracts.

Thirdly, specifically on defence, the response in the Treasury minute of December 2010 is a little ambiguous. It says:

"The Government does not agree with the Committee's conclusion...on the applicability of PFI to Defence, but agrees with the Committee's recommendation."

It will be interesting to see how guidance on defence PFIs will be refined.

I welcome the appointment of David Pitchford in connection with the major projects defence review. That will be useful in addressing some of the problems we see with these contracts, such as their long-term nature and the increased costs.

Stella Creasy *rose—*

Stephen Barclay: I will give way, but I wish to allow time for my hon. Friend the Member for Warrington South to speak.

Stella Creasy: Briefly, does my colleague on the Public Accounts Committee share my concern that Mr Pitchford has said that he was not looking at PFI as part of his work in the Major Projects Authority? That seems to have been an oversight.

Stephen Barclay: I was just coming on to that exact point. Clarity would be welcome as to what falls under his remit.

Turning to management, my hon. Friend the Member for Warrington South made a point about disparities. One disparity is that, to take as an example Innisfree, that firm has consolidated 24 hospital PFIs with one provider, while 36% of hospitals have fewer than one full-time equivalent person managing PFI contracts, and 12% have no one managing them at all. There is disparity in how contracts are being negotiated and managed, and even a good contract will be ineffective and poor value for money if it is not effectively managed.

In the Treasury minute it says that the Romford pilot, which health officials set great store by, will "hopefully" provide data that trusts can use, but there is no scope to enforce that and no requirement for an increase in the amount of data being asked for. Again, we hear that there is a potential solution, but that solution is not enforceable, the amount of data required will not be increased and there is no transparency in the expertise at the centre. The Department of Health has only four people providing PFI expertise, and the Public Accounts Committee will hopefully get a note from Treasury officials clarifying that.

Finally, in the secondary market there is a problem with regulatory arbitrage, with different treatment of insurers and banks in their access to the market. It is important that the Treasury arm that deals with regulation is joined up with the arm that deals with finance. On the refinancing taskforce, the acknowledgment that life insurance and pension funds are important alternative sources of finance is not clear in the February 2011 minute. It also states that

"the refinancing task force will act on this recommendation".

That is very welcome, but how will it do it, and by what date? How will the House get scrutiny of that?

Perhaps the Minister can touch on these areas in her closing remarks. I commend my hon. Friend the Member for Hereford and South Herefordshire (Jesse Norman) for the work that he has done in this campaign and for the formidable way in which he has taken it forward.

4.53 pm

David Mowat (Warrington South) (Con): I thank my hon. Friend the Member for North East Cambridgeshire (Stephen Barclay) for shortening his speech to let me in—I hope it was worth it. Along with other hon. Members, I commend the hon. Member for Hereford and South Herefordshire (Jesse Norman) for his important initiative.

It seems to me that the PFI is a procurement technique that has been used over the past decade or so—perhaps for longer. Like any technique, it can be used wisely or poorly. There are certain instances, when a project has certain characteristics, when it is probably a good technique to use—for example, when there is a significant construction phase that is difficult. The private sector is able to do that, and we want to transfer the risk. I heard about the Edinburgh tram system on the radio this morning. That system is an appalling failure, and I do not think that it is a PFI project. PFI is a technique that also works when trying to minimise life-cycle costs, because there are some advantages in looking at the overall operability of a scheme as well as its construction.

The technique works best when the procurement contract is written in such a way that, over its period, it properly aligns the profits of the contractor with the interests of the client, and that is where contracts have gone wrong so frequently. It is a technique that also works best when the market is reasonably deep, so that value for money is achievable, and some of the points about how weak the market is are right. The PFI technique also works when there is reasonable certainty as to the nature of the contract that is needed, which is to say that multiple changes will not be made over a 20 or 30-year period. Again, one issue is that, in certain instances, we have been locked into hospital contracts, which, as health care changes come through, we are unable to alter.

Those reasons are why the PFI technique may be valid. There are instances, however, where we should not use PFI, and the overall reason why it has been a bad thing is that it has the characteristic of off-balance-sheet finance. It is a way of constructing a load of activity and projects without putting it on the public debt. I am sorry to say that—without being too political—the previous Government built many schools and hospitals in that way, and, frankly, those schools and hospitals will be paid for over a long time. That is a poor thing.

PFI also does not work if there are asymmetric negotiating skills, and we have heard much about that this afternoon. Unfortunately, that is the case in the example that my hon. Friend the Member for Wyre Forest (Mark Garnier) gave about the contractor's interest and expertise. All that is true. It strikes me that the issue is also one of accountability. In an earlier intervention, I made the point that I see no accountability in public sector procurement, which is disappointing.

The consequence of all that is that we get the multiple messes that have been mentioned. I was interested in the example that was given by my hon. Friend the Member for Nuneaton (Mr Jones) of a hospital that is under pressure because work has had to be transferred to a PFI hospital, because exactly the same thing is happening to Warrington hospital due to a large PFI hospital being built just up the road and needing patients to satisfy the contract. That is an example of terrible failure.

I am delighted that the review of contracts is going on, but I want to raise several points that I do not fully understand. We have to be careful about opening up contracts that have been entered into in good faith, and we must be careful about bandying about profit figures. In my previous life, I had some contracts where I made a lot of profit, and I had some where I made so much loss that it could not be counted. It is only reasonable that all such activity is looked at in the round, so we must be careful. Regarding the list of organisations that was read out earlier, I reiterate that, as far as I am aware, none of those companies is making excessive profits in terms of return on capital employed or share price. We need to think through what is happening between the extraordinary profits that everyone is talking about and the fact that those publicly quoted organisations do not seem to making them.

It is worth trying to get some of the money back in the same way that the Cabinet Office has been doing for large consultancy and IT projects. However, what carrot are we giving to such people, who in many instances entered into contracts in good faith? From their point

[David Mowat]

of view, they have carried out the contracts to the best of their ability. In the case of the Cabinet Office initiative, the bribe being used is the threat of not getting further contracts unless they play this game. That is a valid thing, and the directors, who have a fiduciary responsibility to their shareholders, can go back to their boards and say that they have a choice to make: they can either knock some money off or do no more work for the Government. That is their choice. In our discussions in this area, we must enable ourselves to create that choice for such organisations. I am not sure that characterising them all as money-grabbing private sector rogues is necessarily the way forward. I have heard a bit of that this afternoon.

I shall sit down now but, before I do, I again congratulate my hon. Friend the Member for Hereford and South Herefordshire (Jesse Norman) on initiating the debate. The issue is very important and could have significant impacts on all our communities.

5 pm

Kerry McCarthy (Bristol East) (Lab): I, too, congratulate the hon. Member for Hereford and South Herefordshire (Jesse Norman) on securing the debate. It has been a very interesting two-and-a-half hours so far, and I am sure that it will have been a very interesting three hours by the end of the debate. There has been an unusually high turnout for a Thursday afternoon debate, for which we are normally on a one-line Whip. During the afternoon, I gather that we have moved from a one-line Whip to a three-line Whip and back again to a one-line Whip, so hon. Members are free to go at 5.30 pm, if they really want to.

The hon. Member for Hereford and South Herefordshire is right—or he at least makes a valid point for discussion—about a number of issues. He is right in saying that there has not been enough debate and scrutiny about the PFI issue in that past. That is partly because, as the debate has reflected, it often comes down to the devil being in the detail of individual contracts. It is hard to extrapolate from that general point whether the PFI is a bad thing or a good thing, or whether there are particular flaws in some of the contractual processes. I will come on to that in a moment, because it is a valid issue to thrash out.

The hon. Gentleman is also right in saying that not enough data are available on PFI schemes. I shall touch on some of the difficulties with the PFI. As I have said—I do not think he used this phrase—the devil is in the detail. We have heard some micro-detail about issues such as car parking, and the hon. Member for South Northamptonshire (Andrea Leadsom) discussed a hockey pitch that was slightly too short and the difficulty in rectifying that situation. The hon. Member for Newton Abbot (Anne Marie Morris) touched on some local issues. The hon. Member for South Norfolk (Mr Bacon) and others mentioned the naivety of the civil servants who negotiated the deals and that perhaps a lack of commercial nous meant that they did not realise the private sector would seek to maximise profits over the contractual term. Other hon. Members then developed that point, and the hon. Member for Warrington South (David Mowat) talked about multiple procurement failures.

There was then a bit of a debate between the hon. Member for Stroud (Neil Carmichael) and the hon. Member for South Norfolk, who made an intervention, about specifications in contracts. I am talking about this as someone who was once involved in negotiating PFI contracts when I worked for a City law firm at a very junior level—although I was pretty much photocopying the documents and proofreading, rather than doing the heavy duty negotiations. There is an issue about whether the process should be about over-specifying everything in advance—crossing the t's and dotting the i's—so that those involved do not get into complicated negotiations throughout the term of the contract. That is a laborious process. Perhaps there is some way of creating a PFI contract that is flexible enough not to get into such situations.

Let me give an example of a school in my constituency. An issue arose when new keys were needed for the room where the sports equipment was kept. Because that was not in the contract, the school was not allowed to get its own keys copied and had to get the contractor to copy the keys. It became a huge thing with huge costs attached, which is obviously ridiculous. However, it would also be ridiculous to have a contract—having photocopied them, I know how huge they are—that specified who was to get the keys copied, if another bunch of keys were needed. Those are certainly valid points, and I do not have the answers on how we can resolve that.

The wider point is whether such a situation is specific to the negotiation of PFI contracts or whether it is an issue with public procurement contracts generally. The hon. Member for Wyre Forest (Mark Garnier) mentioned the asymmetry in negotiating skills between civil servants in the public sector or people in local government and hard-headed business people. That is an issue, but it also occurs in other public procurement realms as well as in relation to PFI schemes. The hon. Member for Wycombe (Steve Baker) developed that into a philosophical discussion on the role of the private sector. Whether the conversation that we are having this afternoon is going down slightly too anti-capitalist a route for him is something that we could explore at greater length on another day.

In the limited time that I have left, I want to focus on a few questions for the Minister, who will respond in a moment. The Government have confirmed that they remain committed to the PFI model that was used by the Labour party. In their technical update last year, they said that they remain committed to public-private partnerships, including those delivered by the PFI, and that such arrangements will continue to play an important part in delivering Britain's infrastructure.

As we have heard, PFI schemes are still expanding at a significant rate. In March, 61 new PFIs were procured with a total capital value of £6.9 billion, which represents an expansion of more than 10% in the total capital currently committed under PFI. The Government's support is somewhat surprising given the criticisms that have been aired. Liberal Democrat Members were scathing about the PFI model before the general election. The Deputy Prime Minister described it as

> "a bit of dodgy accounting—a way in which the Government can pretend they're not borrowing when they are, and we'll all be picking up the tab in 30 years."

The Liberal Democrats called for a UK infrastructure bank that would reduce the cost of long-term funding compared with the PFI.

Before the election, the then shadow Chancellor said:

"The government's use of PFI has become totally discredited...Labour's PFI model is flawed and must be replaced."

In 2009, he said that

"we are working on reforms to the discredited PFI model that are transparently accounted for and genuinely shift risk to the private sector."

As I have said, a significant number of PFI projects are in the pipeline, so the work is still continuing. Will the Minister explain where the Government are on reviewing the PFI model? Have any changes been made to the PFI model since the Government were elected last year? Are further issues under consideration? Have the Government managed to save any money from the PFI?

In a document published in January, the Treasury said:

"Value for money is a cornerstone of PFI and the key rationale for its use."

But the *Financial Times* reported earlier this year that the Government are struggling to find PFI savings. I appreciate that the pilot project involving the Queen's hospital, Romford was launched in February to identify where savings could be made. Will the Minister tell us what savings have been found to date? I gather that that hospital was chosen because it is representative of a typical PFI project, so should we presume that the savings that are identified by the Romford project could be used as an example to make similar savings from other projects?

The Government must also decide whether the PFI is right in every case. Much has been said about Labour's use of the PFI when it was in government, but, unfortunately, I do not have time to go into that. Although the PFI played a major role in delivering the Building Schools for the Future programme, it is a good example of where Labour used the PFI where it would deliver savings to the taxpayer, but used conventional procurement where appropriate. Of the BSF capital allocated up to 2011, 41% was provided through the PFI, with the rest coming from conventional public funding. In the NHS, 118 new hospitals would not have been built without the PFI—88 were provided through the PFI, and 30 were provided through conventional procurement. What principles are the Government working to in assessing the viability of PFI projects? In how many cases have the Government decided to use a non-PFI approach, because the PFI is not seen as value for money?

As my hon. Friend the Member for Walthamstow (Stella Creasy) pointed out in the Public Accounts Committee today, 33 deals, which generated £38 million in profit last year, paid only £100,000 in tax. Treasury officials have confirmed that the tax consequence of the deal was part of the initial assessment of the contract, but subsequent changes, such as moving offshore, were not. Will the Minister confirm that she is looking into that issue? What steps will be taken in future PFI deals to prevent tax avoidance?

Finally, the PFI model allowed enormous investment to take place under the previous Government. It simply would not have been possible on that scale without the PFI, but we accept that the PFI should only be used responsibly and where it delivers the best value for money for the taxpayer. I accept that the issue deserves greater scrutiny, and I look forward to hearing what the Minister has to say about how the Government can take that forward.

5.10 pm

The Economic Secretary to the Treasury (Justine Greening): I pay tribute to my hon. Friend the Member for Hereford and South Herefordshire (Jesse Norman) for securing this debate. The topic is incredibly important, and he has done a brilliant job of raising it high up the agenda and rightly so.

We have heard from many Members today, but not from as many Opposition Members as we might have expected. Many Members feel that the PFI has, in their experience and their constituencies, let them down. Nevertheless, one of the qualities of today's debate was the balance demonstrated by hon. Members. Not all PFI contracts have been bad. Many have delivered good contracts. There have been bad ones for the taxpayer and bad ones for the private sector. The one that is particularly close to my heart, as my hon. Friend the Member for South Norfolk (Mr Bacon) has mentioned, is the public-private partnership for the London underground. Investment in my stretch of the underground was significantly delayed, because of its bad structure and the ultimate failure of both of the private companies that participated in it due to the losses that they were making as a result of their poor contracting. The topic is important.

My observation as an incoming Treasury Minister was that the background to the issue was all part and parcel of a much broader lack of financial management shown by the previous Government across government. I might address that later, if I have time, but I intend to leave a couple of minutes at the end to my hon. Friend the Member for Hereford and South Herefordshire to have a final say.

As my hon. Friend the Member for Wycombe (Steve Baker) and a number of other colleagues have pointed out, the main attraction for the previous Government in turbo-charging the PFI process was the fact that they were able to spend not only taxpayers' money that was being earned at the time, but taxpayers' money that had not even been earned and that would be earned at some point in the future. The main appeal of PFI for them was that it was off balance sheet. It was also unfortunate that it came at a time when that Government thought that they had abolished boom and bust and were saying that we all lived in the land of milk and honey. The general ethos that was applied to the public sector was to spend, spend, spend, get on with things, and be less worried about whether it was good value and just get on with the job at hand. My hon. Friend the Member for Worcester (Mr Walker) pointed out how that impacted upon his local hospital.

We have some problems. I will discuss what the Treasury is doing to try to sort some of them out, but we seem to have three main issues. One is a lack of accountability, which is an inherent risk in these contracts, mainly because of their longevity and the fact that the people who set them up will not be there to manage them or be accountable for them throughout their duration. There is also an issue of transparency, and I will talk later about what we are doing in that regard. Underpinning

[Justine Greening]

all that is the need for value for money and for having contracts in place that deliver on behalf of taxpayers in the way in which they are meant to. My hon. Friend the Member for Warrington South (David Mowat) put it very well: PFI can work, but the challenge is making sure that, in structuring our contracts, we end up with a win-win situation for the private sector contractor, for the public sector and for taxpayers. We can do that, but the challenge that we saw over the past decade is that it just did not happen often enough.

The shadow Minister asked about the number of contracts that we have signed off. No PFI contracts have been approved yet by the new Government, and we have put in place much more stringent processes to ensure that any contracts that go ahead have a much better prospect of being good value for money.

My hon. Friend the Member for Nuneaton (Mr Jones) asked whether the Government are looking closely to see how we can ensure that we get value for money. We are doing that—he is absolutely right to say that we should do it—and we are doing it across the board.

Many hon. Members discussed transparency, which I will discuss shortly. My observation is that one of the reasons why we are debating the PFI is that, ironically, there is perhaps more transparency in the PFI in some respects than there is across the rest of Government spend. One of the projects that I am leading on behalf of the Treasury is to introduce common chartered accounts. Any hon. Member who has been in business will find it fantastical to learn that the Government do not have common chartered accounts, but that is indeed the case. Once that system is in place, once we are able to upgrade the combined online information system database and once we can drive central Government further in terms of the transparency agenda, we will go through a similar process of lifting up the stone on central Government spend as we have done in relation to PFI contracts. Transparency is absolutely critical in that regard.

I want to outline where there is room for improvement. We are all aware that we face tough economic conditions and that we must ensure that we get value for money. The Government have already taken a number of steps to address many of the concerns about the use of PFI in funding public infrastructure, concerns that have been expressed in this important debate. I will go on to talk briefly about what we are doing in relation to existing contracts, but first I will talk about what we are doing to ensure that we can achieve good value for the taxpayer for new projects.

With new projects, value for money is, of course, the primary driver for the choice of procurement route. We are very clear that private finance should be used only when it can be demonstrated that it offers better value for money than a publicly financed alternative. As I have said, my hon. Friend the Member for Worcester made a powerful case in relation to that. We have already taken measures to strengthen the value for money assessment of new projects.

As the hon. Member for Solihull (Lorely Burt) pointed out, we abolished PFI credits in the 2010 spending review. Previously, funding for local government projects was ring-fenced. That had become a genuine cause for concern, because what it actually meant was that Government Departments and local authorities could use the PFI as a means to increase their budgets, with the potential for diverting funds away from more beneficial areas—areas that could have offered taxpayers better value for money. Now, the economic case for PFI projects must be compared by Departments and local authorities on a like-for-like basis with the other calls that they have on their budgets.

I have huge respect for my hon. Friend the Member for South Norfolk. His experience on the Public Accounts Committee goes back many, many years. As he pointed out, too often there has been insufficient competition and an insufficient ability for firms to compete. I actually felt that he was violently agreeing with my hon. Friend the Member for Stroud (Neil Carmichael) on the point about specifying contracts. The key is to specify contracts smartly, in other words tying down the details that need to be tied down in areas where we have certainty, as my hon. Friend the Member for Warrington South pointed out, but leaving flexibility in other areas—the right areas.

I remember that that issue arose when I was serving on the Work and Pensions Committee when I first came into this House, which I very much enjoyed. We looked at the EDS contract in relation to the Department for Work and Pensions. That point—the importance of flexibility—was one of the key things that came out of that process. I am sure that EDS will not mind my putting this on the record, but one of the challenges that it faced was that it was dealing with a Government who wanted to specify absolutely everything and therefore the cost of the contract absolutely ballooned. In fact, what was needed for that system was to retain an element of flexibility for future demands as they evolved. The key to success in all these contracts is people understanding not only what needs to be tied down in terms of the contract but, critically, where flexibility must be left.

We have issued new guidance, which the shadow Minister, the hon. Member for Bristol East (Kerry McCarthy), asked about, to strengthen the approvals for PFI projects. As of 1 April this year, any centrally funded projects that are outside a Department's delegated authority have to go through a rigorous three-stage scrutiny and approval process with the Treasury. To put that in context, previously the Treasury only reviewed PFI projects when they were at the outline business case stage. After that, it was only the risky ones that were further reviewed. We now have a three-stage scrutiny process, which means that projects are subject to far more scrutiny as they are being developed. In addition, the largest and most risky projects in Government will be subject to a review by the Major Projects Authority, which has just been established by the Minister for the Cabinet Office.

We have also published guidance to help public sector bodies identify savings in their PFI contracts. I will come on to the Romford case study in a second and provide hon. Members with an update. All the measures that I have outlined should mean that we are better placed to ensure that only those projects that offer the best value for money to taxpayers can go ahead, which is absolutely right.

As for operational savings, clearly we have a number of PFI projects that are in place and operating right now. Therefore, it is about looking at not only new projects but the existing stock of PFI projects. As many

hon. Members are aware, we have taken a strong interest in the pilot savings project that is currently under way at the Queen's hospital in Romford. As my hon. Friend the Member for Hereford and South Herefordshire said in a recent newspaper article, we have taken a deep dive to get under the skin of the project to see where we can save money. He raised the idea of a rebate. Although we want to drive savings, it is a challenge to do that with contracts that are already in place, as the hon. Member for Walthamstow (Stella Creasy) pointed out. Nevertheless, we want to try to save money.

The pilot is nearing its conclusion, and we will be passing on the lessons that we have learned to the wider PFI portfolio—of course, there will some lessons that are not applicable. Given the commercial sensitivity of the pilot, it is probably inappropriate for me to comment in more detail before it is completed. However, I assure hon. Members that the pilot has made good progress and that there will be lessons that we can take from it to help to achieve better value for money from existing contracts.

My hon. Friends the Members for Wycombe and for North East Cambridgeshire (Stephen Barclay) asked about guidance. We have been seeking industry agreement to a new voluntary code of conduct to support the idea of achieving operational savings from other PFI projects. That is important not only for getting better value for money but for driving better standards of transparency, so it is clearer to the outside world what contracts are delivering for the general public. We also issued some draft operational savings guidance in January 2011. Therefore, although the pilot in Romford is still ongoing, we have already issued some guidance on where further savings can be made.

As for the PFI rebate, the Chancellor and the Commercial Secretary have both met my hon. Friend the Member for Hereford and South Herefordshire. We fully support the principle of making savings in PFI contracts and we will look carefully at how we can do that over the coming weeks, months and years.

The Government want to improve the financial transparency of PFI projects. We currently collect and publish data on each PFI project twice a year. That includes information on the capital value, the equity owners and the full stream of payments over a project's life. The Cabinet Office is now publishing tender documents and contracts for all future central Government projects over £25,000, and that will capture privately financed projects.

My hon. Friend the Member for Wyre Forest (Mark Garnier) mentioned the PFI equity issue and the trading in secondary markets. We agree that more can be done in that area and that there is not sufficient transparency around investor returns, particularly with regard to secondary market sales. The Treasury is now collaborating with the National Audit Office to look at PFI equity issues, including not only transparency, but equity risk issues and equity returns. We are currently working with it to ensure that we scope that work stream effectively to obtain output that will be of use to the Government. We are also engaging with PFI investors and contractors to reach agreement on the voluntary code of conduct, as I have said, and transparency will form a critical part of that.

Value for money, not the accounting treatment, should be the key determinant of whether a PFI scheme goes ahead. We have talked briefly about the fact that public-private partnerships have been left off Government balance sheets. The whole of Government accounts project, which will be completed in the coming months, is basically, in a nutshell, the Government's first set of consolidated accounts. They will be done under international financial reporting standards—in other words, proper accounting standards—and they will put that liability on the balance sheet, so giving us a sense of what it is for the first time. That will show the massive liabilities that were run up by the previous Government not only for our generation but for future generations.

The Green Book covers offshore tax. I understand the point made by the hon. Member for Walthamstow. From my experience of having worked in business, of course we want to look at the bottom bottom line, but we also need to be pragmatic in understanding that companies will always look at their tax position. If they think that they are having to move onshore and are disadvantaged by doing so, there is always a sneaky suspicion that they will recoup that lost cost elsewhere. It is not quite as straightforward as simply saying that we should not use any company based offshore.

The key challenge for us all is to ensure that we have a more competitive tax system in the first place that does not drive companies offshore, which is why we are reducing corporation tax year on year. I very much hope that the hon. Lady will find time to support and vote for that when the Finance (No. 3) Bill finally goes through. The best way to tackle offshore tax is to have a competitive tax regime that makes companies want to stay in the UK and be based here for tax in the first place.

Stella Creasy: I am interested in what the Minister has said. Does that mean that the Treasury will rewrite the Green Book, so that it does not take account of the potential tax take under a PFI, if she is saying that offshore tax avoidance is unavoidable in some circumstances, given that it is part of the value-for-money decision on a PFI? There is a specific point about PFI and tax, so will the Green Book be rewritten, so that it is not part of the decision in future?

Justine Greening: We are not going to rewrite the Green Book. My point is that there are a number of variables in any PFI contract. There are several variables in the overall propensity for it to be profitable for the taxpayer in relation to value for money or for the private sector firms considering engaging in it. Tax is one of those variables. Obviously, it can change, as can the costs, which the parties to the public-private partnership for the tube discovered once they became engaged in it. We need to tackle the underlying issue that, under the previous Government, Britain became uncompetitive in the corporation tax world. We have got to get back to being more competitive over the coming years, which is exactly what we plan to do.

We are working on the skills agenda across Government. I do not have time to go into that now, because I want to give a minute to my hon. Friend the Member for Hereford and South Herefordshire. I assure hon. Members that we recognise that, as does the civil service. There is currently a huge review of skills going on across government to ensure that we have the right skills in place. We have therefore taken a number of steps. I know that my hon. Friend wants to come in, so I will conclude my remarks.

5.29 pm

Jesse Norman: I am grateful to you, Mrs Main, for permitting me to speak again. I want to thank everyone who has contributed today. It has been a fascinating and extraordinarily enriching debate. I thank the Minister and the shadow Minister. I especially thank the Minister, who is not formally responsible for PFI, for discharging that responsibility today.

I have three short comments. First, the claim that without the PFI projects would not have been built is not true. A cheaper PFI could have been devised under which they would have been built. Secondly, far from being difficult to negotiate, a rebate is under way as we speak, and that process will culminate in the code of conduct that the Minister mentioned. I welcome the support given to the code of conduct by the Minister and other Ministers all the way up to the Chancellor. Thirdly, we need a wider debate, and I hope that we will have it in the main Chamber soon.

5.30 pm

Sitting adjourned without Question put (Standing Order No. 10(11)).

Westminster Hall

Tuesday 28 June 2011

[MARTIN CATON *in the Chair*]

Social Housing (England)

Motion made, and Question proposed, That the sitting be now adjourned.—*(Mr Vara.)*

9.30 am

Jeremy Lefroy (Stafford) (Con): It is a pleasure to serve under your chairmanship, Mr Caton, for the first time.

I sought to have this debate for a number of reasons. The first is that housing, particularly social housing, is an important part of the lives of people in this country, so much so that it ought to be the subject of frequent debate in this House. I might be wrong, but I do not recall a full, major debate on housing in the main Chamber so far in this Parliament. The second reason is that housing, particularly social housing, affects and is affected by so many other areas of Government policy that it needs constant attention at a time when other policy is changing rapidly. The third reason is that I am a new Member, and as such housing forms a substantial part of my constituency case load.

I am no housing expert, but I am fortunate enough to have an excellent senior caseworker, Pauline Ingall, who has made it her business to work with my constituents and with local social housing providers to solve problems, bringing to my attention inconsistencies and unintended consequences of policy that cause distress in people's lives. Some constituents, in particular John Turner whom I thank for his encouragement to seek this debate, have also pointed out anomalies, and I pay tribute to Karen Armitage, chief executive of Stafford and Rural Homes, for bringing a number of matters to my attention.

I know that other Members wish to contribute to the debate, and I will therefore seek to limit my remarks to certain areas of this vast subject. I am sure that they will be able to fill in the gaps and add much local detail from their own experience. I will not tackle the question of supported housing, not because it is unimportant—far from it—but in the hope that others will refer to it. However, I will make, as I am sure will others, a number of suggestions to the Minister for Housing and Local Government. I know that he will take them seriously in his usual generous manner.

It will continue to be the case that most people in this country will wish to, and be able to, buy their own homes, or rent them in the private sector. It is also clear, however, that increasing pressures will mean that demand for social and affordable rented housing will continue to rise. I say "continue to" rise because despite the relatively strong economic growth between 1997 and 2007, the numbers on council waiting lists rose from 1.02 million to 1.67 million, and by 31 March 2010 they had reached 1.75 million. Over the same period, social housing stock declined from 4.38 million to 4.03 million, so only half the increased demand was accounted for by a reduction in supply.

We live in tough economic times, and although I expect Britain to return to relatively strong growth within one or two years, this experience tells us that the rate of increase in demand is likely to slow rather than be reversed. Added to that, we have the pressures of an increasing population, estimated to be 65 million by 2018, and 70 million by 2028. We therefore have a serious imbalance in supply and demand, which is likely to increase in the coming years.

The Government's approach is twofold: to encourage the increase of supply, and to help registered social providers and local authorities to take a more flexible approach to housing, so that this very valuable national asset can be put to best use. I welcome that general approach, but before I look at it more closely I wish to emphasise that housing can never be considered as just an asset. In fact, one of the main causes of the financial crisis around the world was the failure by financial institutions, Governments and property owners to recognise that viewing a home solely or substantially as a financial asset was very short-sighted.

A home is a vital aspect of someone's place in the community. Understandably there is great emphasis these days on mobility, but people staying for a long period—perhaps their whole life—in the same place is just as valid a choice. My family lives in the house in which my wife grew up, and our children attended the same schools as she did. The big society is more likely to flourish in places where people stay put rather than where people move frequently and hardly know their neighbours, and that is why we need to be careful about making changes to social housing tenancies. We are dealing with not just bricks and mortar but with people's lives, and I would like to hear the Minister's comments on how he sees the balance between stable communities and the understandable need to make best use of social housing.

The Government recognise the need to build more social housing. The target of 150,000 new homes—37,500 a year over the next four years—is ambitious, and represents a substantial increase over anything achieved by the previous Government, under whom completions ranged from 14,000 to 26,000 a year. I welcome that target; the key is how it is to be achieved. I understand that because of the current financial circumstances capital funding has been reduced from £8.5 billion in the previous spending round to £4.5 billion, and that the difference is to be made up by allowing housing associations to introduce affordable rents of up to 80% of the market rent—recent figures show an average of 67%. Capital subsidy would be replaced by revenue funding from higher rents, combined with increased borrowing by housing associations against the value of their stock, and, of course, Government capital grants.

Mr John Leech (Manchester, Withington) (LD): Does the hon. Gentleman agree that if rents are set at 80% of market rents they will simply be unaffordable for a lot of people in some areas?

Jeremy Lefroy: I do, and that is why the flexibility in the policy is very important.

Some people have asked whether the result of increased rents for new tenants will be to transfer capital subsidy to the cost of welfare because much of the increase will be covered by housing benefit. There is a clear difference

[Jeremy Lefroy]

of views here, with the Government saying that there is likely to be little or no increase in the cost of housing benefit, and others estimating the annual cost after four years to be up to £1.5 billion. This issue cannot be brushed under the carpet as a minor detail, and I ask the Minister to update the House regularly so that we can see the true consequences of the shift in funding new affordable rented housing more out of rental income and less out of capital grants. This is an important policy change, and we need to evaluate it.

In passing, I also wish to ask about the model used to calculate market rent. I understand that a model is being suggested that will cost housing associations some £40,000 to £50,000 a year to use. The main housing association in my constituency, Stafford and Rural Homes, says that it will perhaps be more straightforward and cheaper to use the local housing allowance as an indicator. I also ask the Minister to work closely with banks and housing associations to see how the obstacles to borrowing for building can be overcome. From anecdotal evidence I have heard, it is becoming more difficult for housing associations, especially the smaller, local ones, to borrow at reasonable rates from banks to build new properties.

With council housing, the proposals for self-financing are a continuation of the previous Government's plans, and they make good sense. The figures from the past 10 years show that the current arrangements are complex and provide few incentives to increase housing stock. Some people have argued, however, that councils should be able to retain 100% of sales proceeds rather than the proposed 25%. It might be sensible to look at enabling councils to retain 100% for the medium term—or at least more than 25%—and to roll the money into new properties when demand is strong, in return for agreeing to release the funds to the Treasury at a later date. In effect, they would issue bonds to the Treasury, and I would welcome the Minister's comments on those proposals.

There are strong arguments for local councils and housing associations looking more seriously at entering the bond market more substantially than at the moment. The central grip of the Treasury on the finance of public capital is too strong. Some housing associations, such as Places for People, have already taken that initiative, but there is surely scope for more. Local bonds issued by local bodies and taken up by local people would be a fine example of localism in practice.

Those who look back at the '70s and '80s and point to irresponsible local authorities, fail to take into account the great strides taken since. Local government, in my opinion as a former council cabinet member for finance—I declare that interest—is far more prudent than national Government, and council balance sheets are generally in reasonable health. I welcome the commitment to build 37,500 new social and affordable rented homes a year and urge the Government to set their sights even higher by working with councils and housing associations to tackle the financial and planning obstacles that stand in their way. Both sides need to be engaged in doing so day in, day out, rather than awaiting the next set of statistics. There is another important reason for encouraging construction: it will boost the economy and employment. Everybody will gain: more people will be properly housed, more income will go to housing associations and local authorities, more people will be in work and fewer will be on benefits.

The second arm of the Government's approach is to encourage flexibility and ensure that social housing is available to those who need it. Allowing local authorities to increase rents for those on high incomes surely makes sense. It is hard to justify subsidising housing for someone earning £50,000 a year or more. Other measures are more problematic. It seems that 430,000 social homes are under-occupied, with two or more bedrooms in excess of requirements, but in practice there might be few opportunities to move to smaller accommodation within the same area. It is key to make it easier for people to move to smaller homes rather than penalising them. One main obstacle preventing people from moving is a shortage of suitable accommodation. There is a severe shortage of single-bedroom accommodation and homes designed for older or disabled people. Many local authorities and housing associations, including in my constituency, have recognised that and are responding with additional extra care and similar housing, but we are still well behind the demand posed by demographic trends in this country.

In a recent debate on food production and security, I said that agriculture is the business of the future. I believe that more people in rural areas will be employed in coming years, yet the shortage of affordable and social housing in rural areas is such that in parts of my constituency, they would have to commute from the nearest town to work. The solution lies not just with Government, whose planning reforms should make building such homes somewhat easier, but with local communities. I would be the first to oppose large and inappropriate developments in rural areas, but to oppose any development, especially of affordable and social housing, is wrong. People cannot complain on one hand about the loss of rural services such as post offices, village schools and public transport and, on the other, prevent the arrival of the very people whose presence would make those services more viable.

In each of our constituencies are hundreds of homes that have been empty for a long time. Whether they are in private hands or public—perhaps they were requisitioned as a result of road projects that are no longer live—they represent a waste of scarce resources. There are also commercial properties that have lain idle for several years as a result of a change in habits. Local authorities need to be able to take action to bring such properties back into use or change planning designations more easily to meet the need for more homes, particularly social housing. I welcome the Government's proposals and initiatives on those matters and the Minister's comments.

I have concentrated so far on social housing provided by councils and housing associations, but private rented property is a vital part of the mix and will be increasingly important as attitudes to home ownership change in the medium and long term after the experience of the past few years. I will not say more about that, as I am sure that other hon. Members want to contribute, but the key is to encourage responsible letting and tenancy.

It is clear that this country must provide more social and affordable rented housing. First, we must build at—and, I suggest, beyond—the increased rate forecast by the Government. Secondly, we must free up properties

by enabling people to move to others that are more suitable or by bringing disused properties back into use. However, it is just as important to achieve the economic growth that will reduce the number of people who depend on social housing.

I conclude by considering some of the concerns brought to my attention by constituents. Problems arise when families break up and new partners, each with their own children, come together. Teenage boys and girls from different parents are sometimes expected to share rooms; indeed, a letter about such a case recently arrived in my constituency postbag. Although we cannot expect housing associations' letting criteria to cover every eventuality, we must ensure that the heavy burden of waiting lists does not cause them to lose sight of the needs of individual families. That is particularly important for people with disabilities. Social housing providers make great efforts to meet the needs of those with disabilities, but the requirement to be fair and consistent due to concerns about being challenged must be balanced with the determination to tackle people's real needs.

I also have concerns about how disputes between landlords and tenants are resolved. The Housing Ombudsman Service has an important role to play, but although its mission, according to its website, is to work

"with landlords and tenants to resolve disputes impartially, using processes that are fair, evidence-based, and free of bias and prejudice",

it seems to see its role in resolving disputes in terms that I would regard as relatively narrow or legalistic. One person said to me:

"Housing associations have huge amounts of power. So if there are problems, you can only go to the ombudsman. However, the ombudsman only deals with things in a legal manner."

I have sympathy with that comment.

What is needed is for the housing ombudsman or some other body to be involved in local arbitration between landlord and tenant at an earlier stage, when perhaps matters can be resolved before positions become entrenched. The relationship between landlord and tenant is sensitive, particularly when the tenant faces difficult circumstances. It is not simply a matter of being parties to a contract; it concerns the tenant's home, family and community.

The structure and administration of housing associations are also an issue. They are not-for-profit organisations, often charities or industrial provident societies registered as charities. That gives them a certain status and some privileges, so one would expect restraint in remuneration, especially at the most senior levels, yet some executives have packages exceeding £150,000 or even £200,000 a year. I have always been mystified by how a small business that makes £20,000 or £25,000 in profit a year—effectively its owner's income—can be described as for-profit, whereas a charity that pays an executive £200,000 a year has the elevated social and tax status of a not-for-profit organisation. Will the Minister and other colleagues consider whether it is appropriate for charitable bodies to retain that status if they pay excessive remuneration? Perhaps, as was the case with the bonus tax on banks, such organisations could be required to pay an additional levy on all remuneration above a certain level.

I have noticed that since stock transfers began, newly formed housing associations have tended to enter into takeovers or mergers. Although the need to come together for efficiency of scale is understandable, there is also a danger that contact with the local communities that they serve will be diluted. However good local staff are, tenants will be further removed from their landlord's decision making. I do not wish to be prescriptive, but I welcome the Minister's comments on how he believes social housing providers of all kinds can be more responsive to the needs of their tenants and communities.

I started by saying that social housing is affected by many other areas of Government policy. I will refer to one: the reform of housing benefit. I appreciate the need to control expenditure, but some of the proposed changes might have the opposite consequence. Deductions from housing benefit for non-dependants might cause tenants to ask their non-dependent children to leave. As a result, those children might end up on some perhaps more expensive form of housing benefit, or present themselves as homeless. I am also concerned about the extension of the shared accommodation rate to those aged 26 to 35. I have imagined myself in the shoes of someone of that age and in that situation. It is not a good place to be. What plans does the Minister have to encourage the building of decent accommodation for people in such circumstances?

I am most grateful for this opportunity to raise some of the questions that my constituents and others have put to me during my first year in the House. I come at the subject without previous experience, and I know that other colleagues with far more experience will wish to put their views, but I approach it with the desire for social housing that is both sufficient for needs and of a high standard throughout the country. I know that most providers do an excellent job, but not all do. I look forward to working with the Minister and all who wish to make such homes better for those who live in them and for the communities of which they are a part.

9.49 am

Mr John Leech (Manchester, Withington) (LD): It is a pleasure to serve under your chairmanship, Mr Caton. I congratulate the hon. Member for Stafford (Jeremy Lefroy) on securing this important debate. I am surprised that more hon. Members are not here in Westminster Hall to discuss social housing.

I believe that we face a social housing crisis that is not of this coalition Government's making. In Manchester we have thousands of people on waiting lists, many of whom have had to wait several years, with no realistic prospect of getting a social tenancy in the near future. Residents raise a large number of concerns with me, as they do with the hon. Gentleman, in relation to housing. I would say that the No. 1 issue that people come to see me about is either their concerns about the lack of social housing, or the fact that they are over-occupying their existing property.

The lack of social housing causes a number of problems, the most important of which is massive overcrowding in some of our social houses. I have constituents who have lived in a three-bedroom house with 10 or more people. Others end up having to move away from the area in which they have lived their whole lives to other parts of Manchester where the housing situation is not as serious as it is in south Manchester. The result is a big increase in the cost of private sector housing, and people are simply not able to afford the cost of going into private

[Mr John Leech]

rented accommodation. All this has been exacerbated recently by a real difficulty in people being able to get mortgages and get on the property ladder, so more people have had to stay in rented accommodation.

I do not think that the Minister is to blame for any of this. It is the fault of previous Governments. We have to look at the right-to-buy legislation in the 1980s, which, while it had many merits, certainly had many drawbacks. It has resulted in a massive shortage of social housing in many parts of the country, and the money that was made from the sale of those council houses has not been invested back into the housing stock. In some cases in some parts of the country, those houses were almost given away, due to the low prices that people paid for them.

Unfortunately, following the introduction of the right-to-buy policy, the previous Labour Government, who followed a Conservative Government, did little or nothing to alleviate the problem. Social housing was not a priority of the previous Labour Administration, even in good economic times, when money could have been made available to build a significant number of social homes. We have, therefore, been left in a situation in which the coalition Government, with very little money to spend, face a rising need for social housing.

I would like to make three brief points on the future of social housing. The first is on changes to housing benefit, which the hon. Member for Stafford has already alluded to. There is a real problem with the proposed changes in relation to the single room rates for under-35s. The social housing simply is not available for people to share, which means that people will have to stay in properties where they will not be able to receive full housing benefit, or that they will lose their secure tenancies in social housing. It will also, almost certainly, result in an increase in housing benefit costs in many areas. In parts of my area, a one-bedroom flat occupied by someone under 35 who is in receipt of housing benefit is cheaper than the shared room rate in private sector accommodation would be in the same area. Therefore, rather than reducing the housing benefit bill, which is the intention of the legislation, we could end up increasing it.

Under-occupancy is another issue. I recognise that the Government's plans on this issue relate to trying to make best use of the stock that we have, but that will not solve the problem, and for several reasons. The plans do not—rightly, in my opinion—include pensioners. In my area, the people who are most likely to under-occupy a property are pensioners. I want to make it clear that I do not want to see pensioners included in the change to the legislation. However, it is certainly the case that, in my area and other parts of Manchester, the people most likely to be under-occupying properties are the elderly. Rather than having disincentives for people to stay in properties, the solution, in my view, is to increase the incentives for people to move. At the moment, there are no incentives for people to move. As it stands, if someone who is under-occupying a property wants to exchange with someone who needs a bigger property, they have to take their new property as seen. There are no improvements when they move to a smaller property. An elderly person living in an immaculate house is never going to want to move to a smaller property that needs some work done to it. The Government's plans to try to reduce under-occupancy by reducing housing benefit simply will not work.

My second point relates to the number of social homes. It is not rocket science—we simply need to build more. I am encouraged by the Government's plans to build 150,000 social homes, but that is not enough. The tweaking of housing benefit rules will not disincentivise people from staying in bigger properties, so it is not going to solve the problem. We need to invest in more social housing. Local authorities in all parts of the country, with the possible exception of London, are sitting on large swathes of land that could be used for social housing. In Manchester, the council is waiting for land prices to go up, so that it can sell some pieces of land in my constituency to the highest bidder. We need to incentivise local authorities to make that land available to housing associations to build. Allowing local authorities to get more council tax as a result of building new houses will not be enough to persuade them to give up land that is worth millions of pounds. In the comprehensive spending review, we concentrated on spending our money in relation to transport on capital investment. We need to concentrate some of our resources in relation to housing on capital investment, to boost the construction industry and to build lots more social homes.

My final point relates to the size of the 150,000 homes that will be built. In my area, unlike that of the hon. Gentleman, there are plenty of one and two-bedroom flats. The real shortage of housing in my area is of larger, family properties. My plea to the Minister is that, when they come to be built, we get the right mix of social homes. In areas in which the shortage is in small, one-bedroom flats, let us build small, one-bedroom flats. In areas in which there is a massive shortage of bigger family properties, we must build three and four-bedroom houses, rather than two-bedroom houses. The social homes that have been built in Manchester in recent years have tended to be smaller family homes. We need bigger family homes so that all the people who are currently over-occupying properties in Manchester and other parts of the country are able to get bigger homes that are more suitable for their needs.

9.59 am

Robert Halfon (Harlow) (Con): It is a pleasure to serve again under your chairmanship, Mr Caton—it seems to be a regular occurrence. I congratulate my hon. Friend the Member for Stafford (Jeremy Lefroy) on securing the debate. He has a reputation for being a thoughtful and wise MP, and he has shown that today. I also welcome the remarks of my hon. Friend the Member for Manchester, Withington (Mr Leech), which were very informative and useful. I look forward to reading his speech in *Hansard* tomorrow.

I would like to declare an interest as set out in the register and to state that I am an unpaid member of the advisory board for the Centre for Social Justice. Our social housing is an enormously valuable national asset, which matters to the 8 million people who live in it. In my constituency, more than 12,000 households are in social housing, which is about one third of the town. A further 4,000 households are on the waiting list, which is down from 7,000 under the previous Government.

Social housing is the No. 1 issue in my constituency mailbox, but it is not just about putting a roof over

people's head—although that is, of course, the central mission. Social housing is a mechanism by which we measure social justice and help people to escape the poverty trap. I want to make three substantive points this morning. I shall acknowledge the major housing problems that we face, set out why some of the coalition's policies will help to create a more socially mobile society and urge the Minister to go further and faster, particularly on shared equity schemes.

First, let me set out the key problem, which is waiting lists. Nearly 1.8 million households are on social housing waiting lists, which is a substantial increase that has taken place over the past 15 years or so. As I said, although the number of households on the waiting list is decreasing in Harlow, there is still an overhang of around 4,000 households that urgently need homes. The problem is not the queue in itself, which is inevitable, but that many families have no realistic chance of ever getting a home. The waiting lists are particularly clogged up because not enough priority is being given to local people and there are rigid and inflexible tenancies.

I look forward to the day when I can say, "Harlow housing for Harlow people." I say that because an anguished bus driver—Mr Darren Presland—came to see me at a surgery last Friday evening. He sat in my surgery and was very angry for 10 minutes. He was furious that people from outside Harlow, including many foreign nationals, are allowed on to the Harlow waiting list. It is true that, for many years, local authorities have had to include literally anyone on their waiting list with few exceptions and that they have different bands of priority within the list. Mr Presland was making a serious point: that many people on low incomes are angry and disillusioned with politics because people who are not local are allowed on to the waiting list.

Sarah Newton (Truro and Falmouth) (Con): I am grateful to my hon. Friend the Member for Stafford (Jeremy Lefroy) for securing such an important debate. On the point about local needs, Cornwall council has been effective at introducing criteria so that local people have priority on exception sites for social housing in villages. Not only has that been very beneficial to the people in those communities, but it has enabled the council to increase support for building more homes in rural areas because people have the confidence that those properties will be local homes for local people.

Robert Halfon: My hon. Friend sets out a very interesting idea, which I will come on to later. That is something other councils should follow.

Mr Presland made a very important point. He asked why families on low incomes should pay very high taxes for houses that they are unlikely to be able to live in. Along with many other Harlow residents, he takes the view that immigrants are not only taking away jobs and opportunities from British people, but being given an unfair priority on the housing waiting lists. It is very hard to dispel that view and it is very dangerous—toxic—for the body politic. Mr Presland is not a racist and he did not come to my surgery with an axe to grind or on behalf of the British National party. I am talking about his feelings and those of a number of other residents.

Alison Seabeck (Plymouth, Moor View) (Lab): The hon. Gentleman is going into very interesting and, in many respects, controversial territory. Many local authorities are considering how they offer local people council housing. Newham, Manchester and others are introducing schemes to enable that to happen. None the less, does he accept that there are dangers involved in "local homes for local people"? We saw that in Tower Hamlets in the 1980s, where the BNP got itself elected on the basis of "local homes for local people," because what it actually meant was "local homes for local white people." There is a genuine tension there and we must be responsible about how we manage and talk about such issues.

Robert Halfon: Yes, the hon. Lady makes an important point. However, the BNP was elected because, in many cases, the myth was purported that homes were being given to foreigners, and that was believed by residents who were not getting houses themselves. That is why the BNP was sadly successful in that area.

The second thing that clogs up the waiting list and stops the 4,000 waiting households in Harlow finding a home is the old system of rigid, lifetime tenancies. I welcome the Minister's pledge that the rights of existing tenants will be upheld but, for too long, social landlords have been forced to give most residents an inflexible lifetime tenancy, which takes no account of how people's circumstances might improve. I accept that the Localism Bill will help and that it offers many, if not all, of the solutions because it will give councils the freedom to prioritise their waiting list, as voters want them to do. As I said, I look forward to the day when I can say to the hard-working people in my surgeries, "Harlow housing for Harlow people." When the Government consulted on the matter, two thirds of councils, including many Labour councils, said that they would welcome those powers.

Jeremy Corbyn (Islington North) (Lab): How does the hon. Gentleman define a Harlow person? How long does someone have to live there to be a Harlow person, or is there some other definition?

Robert Halfon: If somebody is brought up and born in Harlow, has spent a significant number of years in Harlow and has paid local taxes, that would define them as a Harlow resident.

The changes to the housing revenue account and the Tenant Services Authority are also welcome. For a long time, I campaigned against the HRA and argued for "Harlow housing money for Harlow people," because the HRA was taking £13 million a year out of our town. Local residents groups, councils and neighbourhood associations do a much better and cheaper job of talking to social landlords than the Tenant Services Authority ever did. We have some very good residents groups in my constituency.

A number of other changes will also make a huge difference. First, £4.5 billion has been secured from the Treasury to spend on affordable homes over the spending review period. Secondly, there is the raft of schemes for promoting home ownership—Firstbuy, HomeBuy, Community Right to Build and mortgage rescue—and the house building incentives in the new homes bonus, which has brought £250,000 into my constituency this year. Thirdly, I welcome the decision to end the default setting of rigid, lifetime tenancies. That is an important issue, although it is very difficult and I have some questions.

[Robert Halfon]

I think we would all agree that the Bob Crows of this world and other wealthy people do not need subsidised housing from the state, but there is the danger of creating a poverty trap if people are disincentivised from earning higher wages because they are afraid of losing their home. My concern is that we must not create ghettos of social housing, where people have no incentive to be ambitious and aspirational. There is a balance to be struck. I understand why the Government want to give social landlords the freedom to set new and more flexible tenancies with a minimum period of two years, but at the same time require that they must publish how their new tenancies protect the most vulnerable, including families with children.

Mr Leech: Does the hon. Gentleman agree that a better way to deal with people who no longer require social housing, due to the salary that they earn, would be to expect them to pay a market rent, rather than saying that they had to move? I do not want to use the example of Bob Crow, but instead of making him pay social rent, why not make him pay market rent for the property that he lives in, rather than expect him to move?

Robert Halfon: My hon. Friend makes an important point. That is worth looking at, but the problem is that the council house does not then become free for the people who need it most. That is an interesting idea, however, and I am sure that the Government will look at that.

I hope and believe that the Minister's actions will help to tackle the waiting lists. I want to look at some potential solutions to asset inequality and to the housing crisis that we face. During the previous Parliament, the report "Breakthrough Britain", by the Centre for Social Justice, suggested that social tenants who work, or who make a genuine effort to find work, should be rewarded with increasingly larger equity stakes in their home. The Conservative party adopted that policy in its manifesto, saying that social tenants with a good record should be rewarded with a 10% free equity share in their property, and that that could be cashed in when those tenants left the social rented sector. That could help in many ways; for example, as a small nest-egg for retirement, or as a deposit for their first house. I passionately believe in that policy: it is social justice in action, and rewards people who do the right thing. That is important because an Englishman's home is not just his castle; it is his pension and an emergency source of funding for care in old age. People who never own equity in a house are shut out from that security, and have to live hand-to-mouth right into retirement.

When the economy improves, I hope that we will have the finance to implement that policy. There are other policies, however, that can have a similar effect. For example, the previous Government cut the right-to-buy scheme, which was so successful in the 1980s and 1990s. For many years, the Labour Government capped the maximum discount at £16,000, raised the minimum sale price and cut back the eligibility criteria. On top of that, Labour allowed the scheme to be eroded by inflation. In 1997, the typical discount was worth half a home's normal value, but that fell to just a third in recent years. Why not dramatically restore the right-to-buy scheme, with proper discounts? I should also mention Harlow council again at this point. Why is it that, despite our councils paying to maintain homes and owning them outright, 75% of the sale price gets funnelled back to the Treasury—a point alluded to by my hon. Friend the Member for Stafford—rather than kept in the local area? I accept that that is the system we have inherited, but it is against the spirit of localism, and is an issue that could be earmarked for future reform.

Finally, I urge the Minister to look at the possibility—I emphasise the word possibility—of housing vouchers, funded by the sale of social housing as they become empty when existing tenants leave. Housing vouchers would create competition. That would drive more homes up to the decent homes standard and give people real choice. That would be a radical transformation of our society, and benefit new tenants as they enter the social market. Instead of the state owning or running social homes, it would simply pay the cheque to help families access accommodation. Linking the voucher to national insurance numbers would make it easier to administer. To adopt a famous phrase from Chairman Mao that is very apt at present, we could let a thousand flowers bloom and, instead of huge social landlords and corporations running the show, give smaller, nimbler businesses and charities a chance to run social housing.

In conclusion, the Government are delivering Harlow housing, and Harlow housing money, for Harlow people. The Localism Bill represents a huge shift of power to communities—something we have not had for a long time. We must also help families to take that step and take their rightful place in a property-owning democracy by getting a foot on the housing ladder. That is why I support giving free equity to social tenants when the economy allows it, restoring the right to buy, and looking at major innovations such as housing vouchers.

10.15 am

Alison Seabeck (Plymouth, Moor View) (Lab): It is a pleasure to serve under your chairmanship, Mr Caton. I start by making a declaration of an indirect interest in another Member's entry in the Register of Members' Financial Interests—that of my right hon. Friend the Member for Greenwich and Woolwich (Mr Raynsford).

I congratulate the hon. Member for Stafford (Jeremy Lefroy) on securing the debate. He gave a thoughtful and compassionate speech, and I support his remarks about the need for good-quality, caring case workers. Mine do a brilliant job too, and I am sure that the Minister will say exactly the same about his own.

I have to admit that when I saw the original title of the debate—the future of social housing in England—my immediate thought was simply to say, "What future?" I will therefore be listening very carefully to the Minister, not least because one of the first headlines I saw relating to his policies after he took on his shadow ministerial responsibility was, "The death of social housing".

We have had a well-informed and passionate debate, with good contributions from hon. Members. There are a number of points that I would like to draw out of the debate in my summing up; first and foremost is the simple truth that the Government have decided not to support the building of any new homes for social rent during the course of this Parliament—I specify social

rent. Of course, homes will be built. Some 67,000 homes, largely for social rent, will be delivered in the first two years of this Government. Let us not forget, however, that those homes are the tail end of Labour's national affordable housing programme. The funding and contracts were arranged by the previous Labour Government, and the homes will be completed under this Government. It is worth remembering that in the previous Parliament under the Labour Government, 142,000 additional homes for social rent were delivered between 2005 and 2010, out of a total 256,000 additional affordable homes. That is 100,000 more than the 150,000 target put forward by the current Government, which is apparently so ambitious.

The hon. Member for Stafford understands the needs for social homes. In his submission to his local development framework consultation, he said that it was important to build sufficient homes of the right type. He went on to mention that social and affordable housing was in short supply. His submission is very interesting, and the Minister might want to have a look at it. It is extremely well thought through.

Will the Government deliver? I doubt it. We now have a framework for the delivery of homes with Government grants that clearly states that the building of new social homes will be supported in exceptional circumstances only. Some 142,000 social homes were delivered in the previous Parliament, in addition to the 67,000 from Labour's programme that will be completed under this Government—more than 200,000 homes for social rent. That number will fall under a Government who are sending a clear message that they want to see the end of social rent: the Localism Bill encourages councils to place people directly into the private rented sector; rents are being put up towards 80% of market rent; flexible tenure is being introduced, which will destabilise communities; and they have no history of support for the sector. Is the private sector becoming the new council housing under this Government? Has the Minister thought through what that will do to confidence among those seeking to invest in the sector? By the way, I welcome the Minister's U-turn and announcement that he has accepted Labour's argument, made in the Committee stage of the Localism Bill, on the need for standards to be fixed in the private rented sector.

The Government have chosen to introduce homes at 80% of market rent level, which they have had the temerity to call affordable rent. To whom is that affordable? It is not affordable to tenants, many of whom will be shifted on to housing benefit as a consequence, or, if they are not eligible for housing benefit, will simply leave the area if they cannot afford the rent, and it is not affordable to Government. The Department for Work and Pensions has been busy claiming that it will bring down the housing benefit bill, and yet the Department for Communities and Local Government impact assessment of the introduction of the 80% of market rent policy is that the cost of housing benefit will rise by £1.2 billion. The Minister will probably say that it is "up to" 80%, but the evidence coming out of the Homes and Communities Agency bidding process is for councils being told that it is 80% or virtually nothing. We have that from the local authority in Cambridge, which has been told that it must develop at 80% and not at 60%. If the Minister disagrees, can he give us his estimate of the proportion for social rent? If he says some will favour social rent, will that affect the number of homes built—the number he keeps quoting?

For all the Minister's protests about his understanding of the policy, the reality on the ground bears little resemblance to his assurances. What can he tell us about where the funding will come from to support the building of new homes after the current comprehensive spending review period? That is a crucial issue for all those involved, from house builders to lenders and especially for those in need. If the answer is simply a further shuffling of the tenants, some tenants and landlords will be pretty desperate by 2014. Can the Minister share his thinking on what happens next?

I raise two other issues: the completion of the decent homes programme; and, perhaps most importantly, the Government's decision to legislate away a tenant's right of security of tenure. On decent homes, Labour's commitment to tackle the £19 billion backlog of repairs and maintenance in the social sector was important and right. The allegation that the previous Labour Government did not care about social housing—made by the hon. Member for Manchester, Withington (Mr Leech)—is wrong, although his concern about better use of public land is justified and needs further development.

Mr Leech: I did not say that the previous Government were not concerned, I said that housing was not a priority for the previous Government.

Alison Seabeck: I thank the hon. Gentleman for his intervention, but I beg to disagree.

The decent homes programme not only provided dignity and warmth in the home for families, it saved thousands of social homes from being condemned and demolished—homes that were run-down and unfit to live in because the previous Tory Government had looked the other way. If people want to know why Labour did not invest in expanding house building early on, it is because we were spending the money on clearing up the mess in the social housing sector left behind by the previous Tory Government, who sold homes without making use of the capital receipts. Now, for local authorities with homes below the decent homes standard, the Government have cut again—far too deeply. Will the Minister leave the same legacy as that of the Thatcher and Major Governments?

On security of tenure, without any manifesto commitment from either coalition party, the Government have decided in the Localism Bill to introduce a new form of tenure: flexible tenancies, which can last for as little as two years. After as little as 18 months under the new tenancy, the eligibility of tenants will be reassessed. If they have worked hard and done well for themselves, or if they have met someone whom they have decided to settle down with and, consequently, their income has increased too much, potentially they will have earned themselves an eviction notice.

Interestingly, Centrepoint has taken the views of young people it works with, expressing support for a tenure with security. I quote a young person called Kiran:

> "Having a mixture of people on estates is really important. It's important that people living on low wages can get social housing as it can be really difficult for them to afford private sector rents, and some young people need the security of council housing to help them get a good start in life. It's also really important for unemployed people to see other people working so they don't give up and they keep working towards getting a job themselves."

[Alison Seabeck]

That says it all.

I and, clearly, other hon. Members who have contributed today think it is wrong that hard work and responsibility should not be rewarded in the offer of council housing. Hard work and responsibility should certainly not be greeted with an eviction notice. The policy tramples on aspiration and is a block on tackling worklessness. The Minister tweeted recently—he tweets a lot—on the subject of Labour policy in this area. He suggested that, if Labour wanted to encourage working, we should support the 80% rent. The Minister simply does not get it. Where is the incentive for people to earn and get on if they have to leave their home after two years because their income has gone up, or earning has become marginal? They risk falling back into the benefit trap.

Mr Leech: Does the hon. Lady agree that someone who is a highest-rate taxpayer should pay a higher rent? That higher rent could then be reinvested in building more council houses.

Alison Seabeck: The hon. Gentleman makes a good point, which is certainly exercising Labour Members.

I asked my constituents at the King's Tamerton community centre, Dawn and her friends, what made their area work; they all felt that it was the stability they had. Many had lived in their homes for decades, looking after them and supporting their neighbours. They reinforced the comments made in debate today: the big society is more likely to work where people stay put. In my view, they are already the good society, making their community work.

Tenants already in social housing might find that they are overcrowded or want to downsize—they might want or choose to move. The only home that they would be offered, however, might well be a flexible tenancy, with no security of tenure. I am, therefore, sorry to have to disabuse the hon. Member for Harlow (Robert Halfon) of his views, but the Government's claim not to be changing the rights of existing tenants is simply not correct. It is fundamentally wrong, and that has been acknowledged by some Conservative and Liberal Democrat Back Benchers who bravely and wisely supported our amendment on the issue in the Localism Bill.

Before I finish, I touch on a point made by the hon. Member for Stafford when discussing issues related to the ombudsman and dispute resolution. We need further detail, and I hope that the Minister will come back to us on the issue.

Much more can be said on housing, which I am always grateful to have an opportunity to debate in this place—too often, the subject is overlooked. The policies of the Government are deeply damaging. They deserve far more frequent airing and, in the coming months and years, I suspect that is exactly what they will get.

10.27 am

The Minister for Housing and Local Government (Grant Shapps): I congratulate my hon. Friend the Member for Stafford (Jeremy Lefroy) on securing the debate on an important subject which, as he rightly said, has often not had as much attention in this House as it should. I am delighted to see the support of coalition Members but dismayed—as I am sure the shadow Minister, the hon. Member for Plymouth, Moor View (Alison Seabeck), is—by the lack of support from Labour Members. Social housing used to be an issue that they made great play of and insisted on being passionate about, so it is surprising to see their Benches quite so empty today. Until the arrival of the right hon. Member for Greenwich and Woolwich (Mr Raynsford), I thought that the shadow Minister was in danger of being entirely alone.

Alison Seabeck: There is a strong argument against quantity: quality rather than quantity is the case today.

Grant Shapps: The hon. Lady is almost certainly right. The arrival of the right hon. Member for Greenwich and Woolwich at least demonstrates a partnership approach to Labour's housing policy.

On the record, I want to say how much social affordable housing is an important part of the housing mix in this country. It is vital to people's welfare, for all the reasons that other hon. Members have pointed out. Social housing is the bedrock of support for some of the most vulnerable people in society. I am proud—privileged, in fact—to be the Conservative Member who, in the previous Parliament at least, represented more council tenants than anyone else. I look to those people and see how proud they are of the homes they live in. I believe passionately in ensuring that they have the best possible homes, with the highest possible standards of decency and, although the hon. Member for Plymouth, Moor View might be surprised to hear this, the security to feel that it is their place to live in, so that expectations are properly set.

None of that means that I believe that the system is fit for purpose, that it should never be changed and that it is a perfect situation. Much has been made, particularly by the hon. Lady a few moments ago, of changes to flexible tenure; in other words, the concept that one does not necessarily get a house and stay there for ever and a day. I have been surprised, almost shocked, by the degree to which Opposition Members have argued for the last remaining hereditary principle—that a home is given for life and passed on to the next generation, regardless of whether a social home is still required. The hon. Lady may not know that that reform was brought in by one Margaret Thatcher. The socialists in the House of Commons are arguing—dying in the ditches, in fact—to defend a Thatcher reform. I will give way to the hon. Lady, who will perhaps tell us whether her party would reintroduce lifetime tenure.

Alison Seabeck: When approaching the Localism Bill and the issue of tenure, did the Minister look carefully at the Law Commission report of 2006, which covered the subject? It introduced a degree of flexibility, which the previous Government supported and were looking at. It also introduced a single form of tenure, much simpler than the current position of multiple tenures and rents at different levels on different properties, where there will be huge disparity. Did the Minister read that report?

Grant Shapps: We considered all the material and evidence. I know that report was attractive to Ministers in the hon. Lady's party at the time it was brought out in 2006. The right hon. Member for Don Valley (Caroline

Flint), the current shadow Secretary of State and then Minister for Housing, was attracted by some of the ideas in that report when it came out, and hinted towards them, only to be slapped back down, and the ideas were then put away. It is important to have flexibility. If we are to talk of having one unitary cost for living in social housing, perhaps the hon. Member for Plymouth, Moor View can explain why her immediate predecessors—the last two I shadowed—cancelled convergence between social rent and affordable rent for housing associations and council houses. That did more to diversify the rents than bring them together, so there is a dichotomy at the heart of her argument.

I want to address my comments to the points raised by hon. Members, rather than read a prepared speech, and so tackle some of the issues. I am grateful for having the time to do so, on the first occasion I have had to address issues raised in debate in Westminster Hall, which is a real pleasure. My hon. Friend the Member for Stafford talked of the social housing waiting lists and rises over the past 13 years. To be specific, the graphs show those rises taking place from 2003, as a direct response to a change in the way local authorities had to deal with anybody who approached them to go on to the housing waiting list. My hon. Friend the Member for Harlow (Robert Halfon) repeated that point.

The Localism Bill seeks to undo that to some extent, and ensure the ability, at a local, flexible level, to decide who should or should not be eligible for the list. Within a national framework, and under homelessness legislation, which I am not proposing to change—the reasonable preferences, for example—homeless people would still get the required cover, but there would be greater flexibility, not simply to have people apply to five, 10, 15 different council waiting lists, but to be able to manage people's expectations. It is not right for people to sit on lists for ever. It is a national scandal that there are between 4.5 million and 5 million people languishing on those record housing waiting lists. The first thing to do is better manage those lists, and that is what the Localism Bill will do.

Alison Seabeck: I have listened with great interest to the Minister's comments on waiting lists. One of my concerns is that we simply do not know who is on waiting lists nationally. We do not know their aspirations or why they are there. Therefore, any pressure that Government can bring to bear—and I know it is all about localism—on local authorities to do that piece of work would better inform the Minister's Department about where the need exists and what it is.

Grant Shapps: The hon. Lady is absolutely right on that point. I became increasingly convinced of that in my three years shadowing this post. At one stage I went to see Owen Buckwell, an officer looking after housing in Portsmouth. I discovered that he had been doing precisely what the hon. Lady describes, which was to look properly through the list and try to manage it better, to understand who was on the list and for what purpose, and whether they had any likelihood of achieving a social house, or would be better looking elsewhere. The problem is that the current legislation—I think a 2002 Act—makes that nigh on illegal to do. He had to skate quite close to the limits of the legislation to manage that list properly. Bearing in mind the hon. Lady's comments, I hope she will support—if not the entire Localism Bill—at least the aspects of waiting list reform which I believe will do what she has called on us to achieve.

My hon. Friend the Member for Stafford talked about flexible tenures and stable communities. That is at the heart of so much of the current housing debate, for reasons I have already mentioned to do with changing the automatic presumption or insistence on a lifetime tenure. He is right that I believe in stable communities: I want them to exist and flourish. The intention of the legislation is not in any way to undermine the ability for that to happen.

Much has been made of two-year tenancies, referred to by the hon. Member for Plymouth, Moor View. I am being clear, in all our language and in the tenancy standards that we will put in place, that two years is to be considered as an exceptional circumstance, and that at least five years would be the norm. I am sure many areas will want to provide tenancies of five, 10, 15, 20 years, perhaps even lifetime tenures still. However, the provision at a local level to provide for a short tenancy to account for exceptional circumstances could be very useful and welcome.

Mr Nick Raynsford (Greenwich and Woolwich) (Lab): If the Minister believes that the two-year tenancy should be the exception, why did his party not accept amendments to that effect when the Localism Bill was debated in Committee?

Grant Shapps: Quite simply because we have said we will include it in the tenancy regulations. It is a question of where it is mentioned. The fact is that there are some good and striking reasons why a short tenancy might be useful. I have used the following example in the House before and will use it again, as the family have been in touch this weekend. My constituent, Matthew Hignett, fell off his motorbike on his way to work and is now paralysed from the neck down and will be for life. He told me that he needed some support for just a very short period of time to get himself together and back into work, which, remarkably, he has now done.

When I approached our local authority—otherwise an excellent housing authority—it said it was sorry but that it had no option to help that constituent. He did not qualify for social housing because he previously had his own home, though mortgaged. If it were to give him a home, its only option would be to give it to him for life. That creates problems on both sides. He needed some help for a limited period of time. I want to make that available, and maximum flexibility will do precisely that for people who are sometimes in unusual circumstances, which are difficult to predict. There is no argument against flexibility.

To believe that people are going to be thrown out of their homes after two years is fundamentally to misunderstand the role of social landlords in this country. Social landlords, councils, housing associations, do not spend their time plotting how to kick people out of their homes. They are there to house people: that is their core activity, that is what they do. There is every reason to believe that they would want to keep people in those homes for as long as possible, and not to throw them out. Flexibility is the key; using the housing that we

[Grant Shapps]

have to best advantage is essential. That is what the flexible tenure will provide within the circumstances of stable and secure communities. People's expectations will be established, so that they know that they can live in their home for the next 20 years and bring up their family, but that when their family move away, they will probably downsize, as often happens in the private sector.

There has been a lot of discussion about the cost of housing benefit and the affordable rent scheme, and some interesting figures have been thrown about. I would like to cover that issue in a little more detail and note that the impact assessment that was published showed that the scheme would cost in the region of £25 million to £50 million. We do not recognise the figures running into billions of pounds that have been thrown around, for the simple reason that when somebody moves into affordable rented accommodation, they often come from the private rented sector where 100% of their rent is paid for and supported by housing benefit. They might then move into a property where the average rent is 67% of the market rent—that was the figure mentioned by my hon. Friend the Member for Stafford—and in such cases, the cost of housing benefit would not rise but fall. Such a move will have been supported by capital to build the house through the affordable rent programme.

There seems to be a fundamental misunderstanding about the affordable rent programme that I hear mentioned time and again. In fact, the programme will assist with the housing benefit bill. That does not mean that there will be no pressures on the housing benefit bill; those pressure have been acknowledged, but they will cost tens of millions of pounds, not thousands of millions.

Alison Seabeck: The Minister talks about people moving from the private rented sector into new affordable rented properties, and the saving that will be made. Does he acknowledge that, because of the pressure on councils and the number of people on the waiting list, any vacancies that appear in the private rented sector will be further backfilled by people who are in need of housing? Private rented accommodation will continue to be filled at those higher rents—we know that rents are rising sharply, particularly in London, and we have just seen the latest figures. I query the way the Minister has reached his conclusion that the affordable rent programme will cost tens of millions of pounds and not a higher figure.

Grant Shapps: Our impact assessment lays the scheme out in considerable detail and I do not recognise the methodology used in the impact assessment mentioned by the hon. Lady. There are many different ways to slice the data, but everybody in social housing is essentially already there and not about to move. There is no reason for them to leave social housing and go into the affordable rented sector, and for that reason alone, we do not expect to see dramatic changes.

Will there be a change? Yes, there will. Let me be clear: we believe that it may be advantageous to put power in the hands of the tenant—the consumer—in order to ensure that they get the property they want. If the way to do that is through the housing benefit system, it would make sense to use it.

Mr Leech: To the best of my knowledge, there are no social rented properties to share in Manchester. People under 35 in one-bedroom flats in social housing would not be able to move to other social housing. They would have to move to private sector rented property but, in Manchester, under the single room rate, that would cost more than staying in the one-bedroom flat. I urge the Minister to look at that issue. Ultimately, we will not save any money and it makes no sense to force somebody to move from a cheaper property to a more expensive, smaller property.

Grant Shapps: I will be happy to look at my hon. Friend's comments and suggestions. The truth is that housing varies dramatically around the country. One problem with a debate such as this is that we all refer to our own constituencies and experiences. That is excellent and what Members of Parliament are supposed to do, but our experiences are rarely representative of what is going on across the country. Those of us who have spent years looking at housing and social housing realise that there is an incredibly fragmented picture across the country, and that the types of home available and rents vary, even before the introduction of the affordable rent programme. The traditions of local social housing also vary dramatically.

Mr Leech: Although I accept that every area is different, I am not aware of any local authorities that provide shared accommodation for people on a social rented basis. I suspect that all local authorities are in exactly the same boat on the issue of the single room rate, and I urge the Minister to take a proper look at the issue.

Grant Shapps: As I have said, I am happy to consider my hon. Friend's points further. We are perhaps in danger of entering into a debate more suited to the Department for Work and Pensions than to housing, but I will follow up on those points and come back to him.

I want to ensure that we have covered the important points raised by my hon. Friend the Member for Stafford, so I will look at the issue of housing revenue account reform, which is an incredibly important subject that I picked up from where the previous Government left off. There is cross-party support for the reform, and I hope that it will be introduced by next April with the passage of the Localism Bill. It means that tens of billions of pounds will no longer return to central Government, only to be sent back out to different local authorities. I think it is an important and critical moment in self-determination for local authorities that manage their own stock and want to plan properly for their housing future over the next 25 years. On average, authorities involved in the HRA reform will have 14% headroom, meaning that they can properly invest in the future and ensure that they meet further decent home aspirations.

At the moment, 75% of receipts from the right-to-buy initiative are returned to the Treasury. As hon. Members will know, sadly we have had to leave that measure in place because of the need to reduce the country's enormous deficit. We have, however, said that it will be up for review at the end of the spending review period, and I remind the House that—from memory—£863 million has gone into the self-financing pot. In other words, the overall debt has been reduced by £863 million, to take into account the fact that rent will no longer be collected from homes sold under the right to buy.

It is appropriate to mention the right to buy in a little more detail. I was pressed on that issue by my hon. Friend the Member for Harlow, who is clearly keen to extend the right-to-buy discount. Much as I hate to disappoint him, sadly we do not have the money to re-extend that discount. In many ways, right-to-buy arguments come from the '80s and '90s. The House will be interested to learn that there were only about 3,000 right-to-buy sales over the past year, and projections are for such sales to remain at a fairly low level. A disproportionate amount of time is spent in this House—and elsewhere—discussing the right to buy. I like the right to buy; I am keen for it to stay in place and I think that it recognises people's aspirations. As my hon. Friend the Member for Stafford said, many people in this country still want to own their own home, and the Government should back that aspiration. However, the right to buy affects 2,000 or 3,000 homes a year, and a lot of time goes into discussing what is, in effect, a debate from 30 years ago.

Alison Seabeck: I am probably asking a question that, in the light of his comments, the hon. Member for Harlow (Robert Halfon) would like to ask. The Minister said that at this moment in time, he sadly cannot do what the hon. Gentleman asks for in relation to the right-to-buy discount. Will the Minister tell the House whether he would do what the hon. Member for Harlow asked if the money were available?

Grant Shapps: I can reveal to the hon. Lady that if the money were available, I would want to abolish all manner of taxes and provide all manner of discounts to support people's aspirations. However, I can go no further than to say that the money is not available at this time and that the discount will remain as it is throughout the period of this spending review as a result of the enormous deficit and debt, which we should never forget we were left with after 13 years of the Government whom she supported.

Robert Halfon: I thank my right hon. Friend for his comments and the hon. Member for Plymouth, Moor View (Alison Seabeck) for reading my mind. Will my right hon. Friend consider again and comment on the shared-equity scheme? That is slightly different from the right to buy, but gives people a share in their home and a chance to take a step up the housing ladder.

Grant Shapps: I am grateful to my hon. Friend for his intervention. I am very keen on shared-equity schemes and like to do all that I can to assist with them. I agree with his comments about that issue and will be happy to take a further look at it. I ask him to provide me with more details of his very interesting local bonds discussion, which is certainly worthy of further consideration. In terms of the housing revenue account reforms, local authorities can borrow the money elsewhere, particularly when the debt is large. That may apply only to those with the larger debts because it is difficult to beat the public works loan body percentage, which is still very good. Again, I would be interested to hear more about my hon. Friend's ideas.

My hon. Friend the Member for Stafford touched on tenancy abuse and whether people whose earnings are in six figures should continue to live in the same home. Again, that is not a huge issue because it does not involve very many people, but there is a basic principle that social housing is built for a reason. It is there to help people who would not otherwise be able to afford to get a roof over their head, and it is important that the homes are used for the purpose for which they were meant. I think that if people are staying in council homes, perhaps in London, with a £900-a-week subsidy—a subsidy that is paid for by taxpayers and to which some of the poorest people in society are contributing—long after their need has clearly gone, that is wrong. I agree with the comments that have been made on that.

The hon. Member for Manchester, Withington (Mr Leech) should know that it is our policy that if people want to stay, they simply have to pay. That is a very simple principle, which means that a community is not broken up but that if someone's salary reaches six figures, which possibly places them among the top 1% of earners in the country—it has to be at a very high level to deal with the concerns raised by the hon. Member for Plymouth, Moor View and to ensure that the provision is in no sense against aspiration or preventing people from bettering themselves—it is not unreasonable to ask them to pay if they want to stay in their social house, rather than having it paid for by everyone else.

The issue of under-occupancy and empty homes was raised. I passionately believe in trying to solve the equation of 430,000 people under-occupying while nearly 250,000 are overcrowded. I have provided some money, time and resources in order for the Chartered Institute of Housing to assist with that issue. Some of the reforms of housing benefit, which I know are controversial but which our colleagues in the DWP are pushing through, are designed to help to deal with some of the issues of under-occupancy by simply saying that it cannot be right for the taxpayer more widely to be paying for empty rooms. That does not make sense. We need to pay for people to live in homes, not to live with too much empty space.[1]

Mr Raynsford: The hon. Member for Stafford (Jeremy Lefroy) gave an illustration of the possible adverse consequences of the higher non-dependant deductions leading families to pressurise family members to leave their home because the amount of benefit would be reduced as a result of that increased deduction—this is very complicated. The Minister will recognise that that is clearly a perverse incentive to under-occupation. Will he deal with that concern, as highlighted by his hon. Friend?

Grant Shapps: It is an interesting point, because others would say that the change may well be an encouragement to people to work and help to pay the rent and stay living in the home. If they are of working age, they can of course work, contribute towards the rent and stay living in the home. There is obviously a balance involved. Tempting as it is, I do not want to be drawn into a detailed debate on that. As the right hon. Gentleman said, it is a complex area, and many other points were raised in the debate that I want to cover.

There was discussion of the ombudsman, and my hon. Friend the Member for Stafford suggested that there needed to be something in-between to try to tackle problems. I agree: it is essential that the problems are dealt with at local level with real teeth. There has been some confusion in debate in the House about what

1. *[Official Report, 13 July 2011, Vol. 531, c. 4MC.]*

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has been described, in a rather ugly way, as the democratic filter, but the idea is, under the Localism Bill, that before people go to the ombudsman or to the Tenant Services Authority, as it used to be, they should first try to have the matters resolved locally. The reason why I am so keen for that to be channelled through local MPs, local councillors and tenants panels is that the tenants will be empowered to resolve problems, with the implicit threat that if the problem is not resolved through work with tenants and their representatives, a referral can be made to the ombudsman.

I believe that if that happens, far more cases will be resolved at local level and it will have the added benefit of drawing in councillors, who in many cases have become distant and disconnected from local housing problems, particularly where stocks have been transferred. It will draw them back into the discussion and an understanding of what is happening with the stock. It is very much about resolution.

Alison Seabeck: Will the Minister give way?

Grant Shapps: I hope that the hon. Lady will forgive me for not giving way. I want to cover some of the other points that were raised.

My hon. Friend the Member for Stafford raised the issue of registered social landlords and the sometimes extraordinary chief executives' salaries of £200,000 and more. I can tell him that I have announced that I intend to include housing associations in the consultation on the Freedom of Information Act with regard to whether they should be drawn into that. I say this today: housing associations, if they want to avoid being drawn into this, need to become incredibly transparent, and very quickly. When local authorities are publishing details of every £500 of expenditure, I see no reason why housing associations should not be doing precisely the same thing. There are good housing associations that are large and good ones that are small. I have no particular pattern or picture in mind.

In reference to a point made by the hon. Member for Plymouth, Moor View, housing associations are getting investment in now through private means. Just yesterday, there was an announcement on the London stock exchange that a large housing association has raised £100 million for the first time through that type of London stock exchange fundraising scheme.

There was quite a lot of discussion of mobility. The hon. Member for Manchester, Withington made very reasonable points about people being able to move from place to place. It is probably worth reminding the House—or, possibly, telling the House for the first time—that by September of this year, for the first time in this country, 90% of social tenants will be covered by a mobility or swap scheme and able to move from one place to another. I intend that figure to be nearly 100% of tenants next year, so that for the first time tenants will have proper mobility and be able to move around.

The hon. Gentleman also mentioned the new homes bonus and queried whether that would be sufficient to persuade local authorities to build homes. The House will be interested to know that the new homes bonus is not a small deal worth a few millions of pounds, but a multi-billion pound deal across the period of this Parliament. In fact, the right hon. Member for Greenwich and Woolwich made a big play of how much it would cost when we were still in opposition. He was right. It is expensive, and it is right to do—it will help more homes to be built. I cite as evidence the 22% increase in house starts in the first year of the present Government. I suspect that, at least in part, people have been persuaded by the new homes bonus and the power that that brings to local authorities because they know that they can use the money for useful things.

The hon. Member for Plymouth, Moor View and the hon. Member for Manchester, Withington mentioned the importance of public land. We have just announced that 100,000 homes will be built on public land, with the build now, pay later and Firstbuy schemes being important elements.

I have nearly run out of time. I again thank my hon. Friend the Member for Stafford for raising so many important issues. I know that the hon. Member for Plymouth, Moor View wanted me to talk about the future of our housing programme. I thought that it might be helpful to know first not what will happen in the next Parliament to our housing programme, which is what she was probing me on, but the Opposition's housing policy for this Parliament.

Construction Industry

11 am

Steve Rotheram (Liverpool, Walton) (Lab): It is a pleasure to serve under your chairmanship, Mr Caton. I am delighted to have secured a debate about an issue on which, for once, I believe I can actually speak with some authority.

I started my working life as an apprentice bricklayer under a scheme administered by the Construction Industry Training Board in the late 1970s. In those days, under the CITB training programme, people were given six months off the site to get relevant tools experience, site understanding and health and safety training, before being placed with the company under an indentured apprenticeship agreement. My placement was with Fairclough Civil Engineering, and after completing my three years, I worked for Fairclough International—it is now part of the AMEC group—in the Falkland Islands. That was in 1983, just a few months after the cessation of hostilities with Argentina.

On my return, I started my own construction business. After surviving two Tory-led recessions in the 1980s, I was persuaded to go into training to pass on my skills to a new generation of construction trainees. Eventually, I took up a post as a business manager at the now defunct Learning and Skills Council, where I oversaw funding for—yes, you guessed it—construction training programmes across Merseyside.

During that period, I graduated in construction studies from Liverpool John Moores university and began a master's degree in contemporary urban renaissance. Although I did not manage to complete it, it gave me an insight into many different, and sometimes tangential, construction perspectives. Although there are far more eminent construction commentators than me, I can speak with a degree of understanding on this issue, given my broad personal experience.

I want to record my interest as a member of the Union of Construction, Allied Trades and Technicians and as one of its sponsored MPs, although I receive no remuneration for that. I would also like it noted that my son, Steven, is an apprentice electrician with M. J. Quinn. For the purpose of clarification, I should also say that I have previously proudly professed that I am the only brickie in Parliament, although my hon. Friend the Member for Derby North (Chris Williamson) also lays claim to that most sought-after designation because of his trade background.

In recent weeks and months, much of the business, innovation and skills debate has been about ways to improve the opportunities for a high-skilled work force in a low-skill economy. One of the previous Labour Government's greatest achievements was to give those who wanted to do so the chance to go on to further education through the introduction of the education maintenance allowance and the university loans system. As a result, Britain now has the most talented generation in recent history. Job opportunities in science and technology, graphic design and public relations, which were the preserve of the well connected, are now at the fingertips of this more industrious generation of Britons. Real progress has been made in diversifying the skills sets offered to young people across the country, but in areas such as my constituency, traditional industries such as construction also have a real part to play.

I am pleased that the Minister, who is responsible for construction, recently said:

> "An efficient, effective and profitable construction industry is at the heart of any growing economy."

That is why urgent action is needed from the Government to save the industry from the brink. The Government's approach must change, because it is clearly not working, as we saw from the previous quarter's growth figures. We already knew that construction had been hit extremely hard in the global financial crisis, but the 3.3% fall in output—the steepest the industry has suffered since the financial crisis of 2008—is all the evidence we need that things need to change.

I have given Members an insight into my background in the industry, and although I do not profess to be an expert, my interest in the sector spans three decades. That is why I know there is a fundamental problem with the Government's thinking when the Construction Products Association's economics director, Noble Francis, says:

> "It is likely that construction output will fall 2% in 2011 and this will inevitably hold back economic recovery given that construction accounts for around 10% of the UK economy."

Susan Elan Jones (Clwyd South) (Lab): Does my hon. Friend agree that the VAT rise is having a significant effect on the construction industry and making life extremely hard for the many small and medium-sized construction firms in many of our constituencies?

Steve Rotheram: My hon. Friend is absolutely correct. That is certainly true of the refurb and maintenance sector. At the end of my speech, I hope to come up with some suggestions, which the Minister might like to take away to contemplate, given this issue with VAT.

I can almost predict what the Minister will say in reply to my comment about economic stagnation. I will try to pre-empt him by simply pointing out that although last winter's adverse weather conditions will have had an adverse effect on construction, the weather was bad the year before, and we saw nothing like the fall in output that we did this year. The fall has more to do with a lack of confidence than with too much snow or the wrong kind of snow.

Jim Shannon (Strangford) (DUP): I represent an area where construction is very important and job opportunities for apprentices are critical. The construction industry has suffered a significant downturn over the past few years, and the background information certainly indicates that; indeed, another company in Northern Ireland folded just this week. We are always hard on the banks, but they were keen to lend money, albeit often without suitable guarantees. Does the hon. Gentleman feel that the Government should have more contact with the banks to encourage them to show more flexibility now so that companies that are having difficulties can get through them?

Steve Rotheram: The hon. Gentleman makes an important point about the banks. Again, I would like to tease the issue out further in my contribution. We cannot underplay the fact that one reason for the failure of construction is the lack of lending by banks.

[Steve Rotheram]

Urgent Government action is needed to save the industry from the brink. The Minister must surely understand the relationship between public sector spending and private sector growth. Despite the at times relentless desire of the coalition Government to drive a wedge between the public and private sectors, the two are heavily interlinked and co-reliant in the construction industry. If we cut one, the other will bleed, and the construction sector is now haemorrhaging and in need of a transfusion.

To take the example of Building Schools for the Future, the cancellation of 719 school improvement projects was devastating for not only head teachers, staff in classrooms and parents and children left with substandard facilities, but the construction companies that had won the contracts, and that has serious ramifications for the sector. As Steve Bratt, the group chief executive officer at the Electrical Contractors Association, said:

"Although any party in power would have had to take major steps to reduce the deficit, the cuts to public sector construction projects such as BSF are a case of short-term gain but long-term pain."

The cancellation of the schools building programme is creating uncertainty in the construction industry. Furthermore, ambiguity over potential construction jobs in hospitals and prisons, in building and civil engineering alike, continues to cause great concern and leads to low confidence in the Government's ability to secure the UK construction industry.

Gordon Banks (Ochil and South Perthshire) (Lab): Like my hon. Friend I spent 40 years of my life in the construction industry, and I am glad that people from that industry are in the House. Does my hon. Friend agree that the Government's target on skills is significantly at risk, because their approach significantly challenges the construction sector's ability to give training and to deliver skills to the marketplace? The Government treat the industry as the private sector, whereas as my hon. Friend said, it is fed from both private and public sectors. Will my hon. Friend also comment on the ownership of not only construction companies but supply companies in the UK, and whether he is worried that we are losing UK ownership of those companies?

Steve Rotheram: My hon. Friend is right. There are big supply chain issues that need to be addressed. On the earlier point, about apprenticeships, uncertainty in the sector prevents companies from thinking long term, so they stop taking on apprentices. I remember when, in the 1980s, under the Thatcher Government, pretty much all the construction industry stopped taking on apprentices. That created long-term problems for the industry, and skills shortages many years later, which meant heavy intervention was needed to plug the gap.

I am sure that the Minister is fully aware that every £1 spent on construction leads to an increase in gross domestic product of nearly £3 and stimulates growth elsewhere in the economy worth nearly £2; I think he recognises that, so surely he agrees with me that monumental cuts in construction make no economic sense. The Minister and the Department for Business, Innovation and Skills need urgently to tackle the problem, but that urgency, like leadership, has been sadly lacking in the past few months. It has been widely reported that currently one in five firms going into administration are from the construction industry. That is a frightening figure, when we recall that construction is responsible for about 10% of the UK economy. The alarming statistics keep on coming for the Minister. Research undertaken by the *Financial Times* has found that construction orders have fallen by 40% in the past 12 months. That is before the Government's programme of the deepest and most unfair cuts in recent history has even taken full effect.

Jonathan Hook, global head of construction at PwC, said:

"It is the end of the money—coming through from Government stimulus—and no one knows if, when and to what extent, the private sector will come back.

It is a substantial reduction, but if you look at the numbers companies are reporting—you are not really seeing it reflected yet. They are trading off work that was won three years ago, but it is creating a bow wave of falling activity in two years."

There is more: Anthony Cork, director of Wilkins Kennedy, said;

"The Government has slashed capital spending on infrastructure across the board in order to plug the deficit and that has pushed the construction sector into a double dip.

The question now is how quickly private sector construction work will be able to pick up the slack left by the public sector. So far this has not happened."

The most devastating impact, in areas such as Liverpool, Walton and many other pathfinder areas, has been the withdrawal of housing market renewal funding, which has not only decimated the house building industry but left swathes of derelict land and boarded-up terraced streets without much prospect of development. Because of the economic downturn it is widely acknowledged that the construction industry's saving grace was major public sector infrastructure projects such as Building Schools for the Future, and new hospitals and prisons. The Labour Government were right to bring forward additional capital project spending to help the industry to stay afloat. They were also committed to the building of additional social housing, including new council homes, in the latter half of 2009 and early 2010, with additional commitments to employ local workers and train apprentices.

I made my maiden speech as a councillor in Liverpool on the ability of local authorities to use social clauses to ensure that, for publicly funded construction projects, they would achieve the best possible outcomes for local labour and apprenticeships. Unfortunately, Liverpool was at that time controlled by the Liberal Democrats, and they missed the opportunity. Our current Labour administration is not making the same mistake. The previous Government put their money where their mouth was, and provided Kickstart funding in October 2009 to help 54 stalled private sector housing projects to restart work. Those commitments were primed to give the depressed housing sector a much-needed stimulus. The confidence that the Labour Government were instilling in the industry was the key factor. By the first quarter of 2010, all the construction surveys and indicators showed that confidence was returning to the sector. Firms were reassured that work would come their way, with many projects scheduled to start in mid-2010, and those companies were gearing up to take advantage of the opportunities.

Cancelling those programmes devastated the sector and demonstrated that the Government have little regard for the work that it does. It ripped the confidence out of the industry. The state is obviously the largest client of the construction industry. The Government's role in procurement policy is therefore vital—and more so in times of economic downturn, when the private sector is less able to provide the work that is needed. I can personally testify to the way lack of investment in the 1980s stored up trouble for the industry many years later, and created huge skills shortages. That is because the industry operates on a two to three-year lag. It did not need to have the confidence torn out of it once again, within weeks of the formation of the coalition.

Given the time constraints that we are under, I shall catalogue just a few of the licentious achievements of the coalition in the past year, as they have single-handedly knocked the stuffing out of the fragile construction industry. On 17 June 2010 the Government cancelled millions of pounds worth of infrastructure projects including the North Tees and Hartlepool hospital, the A14 road widening, the Kent Thameside strategic transport programme, the Leeds Holt Park well-being centre, and the Birmingham magistrates court. On 4 July 2010, the Government announced major cuts of £220 million to the budget of the Department for Communities and Local Government. It was claimed that that was because of a black hole in the funding for the Homes and Communities Agency, and that it would result in many of the newly announced social and council housing building projects being cancelled. We later proved that there was not a black hole in the funding, so why have the cancelled projects not been reinstated?

Catherine McKinnell (Newcastle upon Tyne North) (Lab): I congratulate my hon. Friend on securing a timely debate. Does he share my concern about the Homes and Communities Agency, and the fact that it has scrapped its national targets for the number of apprenticeship scheme places provided through agency funding? Is he concerned about the impact of that on the number of apprenticeships that will be created?

Steve Rotheram: That decision is regrettable. It seems that the Government say things such as "We are going to create 250,000 apprenticeships," but do not realise the knock-on effect of other policies. The training tap cannot be turned on and off. For construction trades colleges need to gear up, and they need space. Sometimes, once construction programmes have ceased, other uses are found for the space and it is not possible just to go back and scrap whatever it has been used for temporarily, to re-instigate construction training. It is more complex than that, however, because the staff that have been let go cannot always be re-employed, yet relevant construction experience is necessary; we also need people with teaching qualifications to train students to the NVQ standards. It is another short-term gain, but there will be long-term pain for the construction sector.

On 5 July 2010, the Education Secretary announced that the Building Schools for the Future programme was effectively being scrapped. BSF was the biggest construction project in Europe; it was intended to rebuild all 3,500 secondary schools in England. The work was to have been done over 15 years. When the Secretary of State made his announcement, 180 schools had been rebuilt and 231 projects had been given the green light, as they had already reached financial closure. BSF would have cost £45 billion over the lifetime of the project.

Early in September 2010, it was revealed that the Government's decision to scrap the regional housing strategy had resulted in plans to build 100,000 new homes being shelved by local authorities. That has severely depressed private sector housing. On 20 October 2010, the Government announced their comprehensive spending review. That further confirmed the reduction in Government spending on construction; by 2015, annual construction spending by the Government will have been reduced from £59 billion to £47 billion, a reduction of more than 20%.

Again, the most savagely affected sector was public housing. The housing and regeneration budget is to be cut by 70%, from £6.8 billion to £2 billion—but that £2 billion will be used only on projects to which the Government are legally committed. Surely the Minister cannot blame all those policies on snow. The general consensus is that, at best, the industry is treading water; although some sectors of the industry are improving, such as office building in London, others remain in the doldrums. Despite its flexibility, construction is a complex industry, with hundreds of job roles and professional and technical relationships. Despite being only a few months old, the Government's construction strategy needs impetus in order to achieve its objectives.

What else can the Government do? To answer an earlier point, we know that bank lending is a major problem for small and medium-sized enterprises; indeed, the banks failed to meet their Project Merlin proposals earlier this year. That is a particular difficulty for construction companies.

Firms in Liverpool tell me that part of the problem is that banking has become too impersonal. Years ago, when a construction firm secured a contract it would phone the manager of the local branch—he was probably known to the firm—to explain the job, say what would be needed and how the job was to be staffed. The bank manager would sometimes pop down to the site to make a physical assessment, and a loan would be negotiated. However, the relationship manager—the bridge between the construction firm and the banker bureaucrats—has now gone. Many banks have their central office space elsewhere, not in places such as Liverpool or wherever the construction firm is based, and companies are refused loans before a thorough assessment can be made.

Gordon Banks: I thank my hon. Friend for giving way again. Although some banks do not lend to the sector, in some ways the Government's broader economic policies are having an impact on the banks by restricting them and preventing them from making the right decisions on lending to the construction sector. The underlying current of concern is the Government's economic policy.

Steve Rotheram: There are real issues with regard to the Government's economic policy. However, on that aspect of Project Merlin I agree with the Government; setting targets that forced banks to lend to SMEs was the right approach. Unfortunately, they missed their own targets once again.

Gordon Banks: The fact that the Government have pulled the rug from under the construction industry through the reduction in state spending is making the industry a less attractive proposition for the banks. That is the point that I was trying to make; the Government's policy on the construction industry also affects the banks.

Steve Rotheram: That point is well made, and spot on. More than a third of members of the Federation of Master Builders have seen their access to credit restricted, and nearly half have had their costs increased since 2008. That is restricting. It is for the Chancellor to use his powers to force the banks that caused the financial crisis to assist SMEs, the very people who will help get the economy going again. It is not acceptable for the Minister and his colleagues to hide behind Project Merlin until the end of the year, hoping that they will meet their targets and reacting only if they do not. The construction firms with which I speak are looking for proactive solutions now, not reactive compromise in six months' time, after the Government have blundered their way through yet another failed policy.

Markets hate uncertainty, and at present the construction industry does not have enough confidence to kick-start its recovery. It pains me to say that, because I have a vested interest in the industry and plenty of friends who still work in it. It is therefore for the Government to consider matters that affect the industry to determine whether there are mechanisms to assist it.

One such matter is insurance. Ian Fletcher, a friend who runs a small scaffolding company despite the economic uncertainty, is just about keeping his head above water. However, spiralling insurance costs are jeopardising the jobs that he has created. Pressure must be brought to bear to ensure that businesses are not priced out of the market by excessive insurance premiums. We need to restore confidence in the domestic construction sector. Housing has huge potential for growth. The demand is there, but the Government lack a coherent and well considered fiscal plan. Such indecision means fewer homes, fewer construction jobs and fewer supply chain opportunities.

I am reminded of yet another policy cancellation that has devastated construction—Labour's HomeBuy Direct scheme. In places such as Liverpool, the construction industry can take people off benefits and put them into a lifetime of work. I know from my own experience—and more latterly from my advice surgeries—that Liverpudlians are desperate to get back to work. They understand the dignity that comes with having a job and being able to provide for their families, and they are worried about their future.

For me, one of the most alarming things is that construction is failing to recruit a sufficient number of apprentices. Every year, despite the recession, the industry still needs more than 30,000 recruits. The lack of confidence in the relationship between the Government and the industry means that, for many people, a job in construction is only a short-term measure and far from stable. For businesses, that lack of confidence manifests itself in a climate in which few SMEs have enough confidence in the future of their business to recruit an apprentice. Quite simply, they are too busy trying to stay afloat.

Catherine McKinnell: My hon. Friend is generous in giving way. As he knows, increasing the number of apprenticeships is something that I have been promoting in Parliament through a private Member's Bill. In discussions on the subject, I have met representatives of the majority of trades in the construction industry, and they all raise significant concerns about the skills shortage for the new green economy. Some of the new business opportunities are available now and will become more so, but we will lose some of those investment opportunities because we do not have the skilled work force, either now or in readiness for the future, to meet those challenges.

Steve Rotheram: My hon. Friend makes another important intervention, but it is not even as simple as that. Some of these new technologies need to find space in colleges to train those who will train the providers; we also need to train people with relevant construction qualifications in their specific fields, which means that there will be a lead-in period for such changes. If we had a medium-term strategic plan, we should be considering future job opportunities and starting to plan for when they come to fruition, so that we can ensure that we have people trained and qualified to take up those jobs.

Another fundamental problem is that companies are thinking only in the short term because that is all the Government are doing. Firms are not directly employing workers and they are not prepared to make the effort or take on the cost of training anyone, despite the evidence of significant returns on such investment.

The previous Government recognised that construction companies were not training sufficient numbers of apprentices and began to introduce procurement policies that required contractors to train apprentices on Government construction projects. If companies did not train, they did not get the work. I hope that the Minister will cover that issue in his contribution. Will he tell us whether the present Government support such a policy? If they do, will he explain that to the Minister of State, Cabinet Office, the right hon. Member for West Dorset (Mr Letwin) who apparently does not?

The construction industry and I want the Government to provide additional resource and investment through a major programme of social housing. The housing industry is desperately in need of assistance for both economic and social reasons. There are currently more than 1.8 million people on housing waiting lists. Hundreds of construction firms are ready and willing to get back to work to begin building those houses. Perhaps such an investment would help to rebuild the shattered confidence in the sector. We need to promote a policy to develop green building technologies; to help get people back to work and to create new apprenticeship opportunities. Such a policy would tackle the growing homelessness crisis and the ever-expanding housing waiting lists.

Perhaps the Minister could consider lowering the VAT on home repair, maintenance and improvement works. Such a move could be used as a catalyst to stimulate activity. It could increase the overall tax-take that growth in the sector would generate.

Gordon Banks: My hon. Friend talks about finance in the sector. Does he not agree that there is also a need to address mortgage lending? In 2006, the Halifax conducted some research and found that first-time buyers in the private housing sector injected some £2.1 billion of spend into the UK high street. Does he not think that the challenged retail sector would benefit from more first-time buyers re-entering the market? The Government

must work with the banks to ensure that we have a decent level of mortgages from about 90% without punitive interest charges and punitive arrangement fees.

Steve Rotheram: Most commentators would support that economic argument. Growth creates further growth and confidence. If mortgages were secured for first-time buyers, it would help both the house-building sector and the industry to get back on their feet. To me, such a proposal seems like a no-brainer, but we still have to persuade the Government of our arguments.

I have gone over my time because of all the interventions, so let me say in conclusion that to do nothing but to cross our fingers and hope for the best is not good enough and that our industry deserves better than that.

11.33 am

Chris Williamson (Derby North) (Lab): I congratulate my hon. Friend the Member for Liverpool, Walton (Steve Rotheram) on securing this important and timely debate. Like him, I have a building industry background. I trained as a bricklayer and come from a long line of building workers: my father was a plasterer, one brother was a carpenter and my other brother trained as an electrician and can turn his hand to plumbing and many other things. Following in my footsteps is my own son who has gone into the construction industry and is training as a surveyor with Bowmer and Kirkland, so we are keeping the family tradition going.

I want to make a brief contribution about the central importance of the construction industry in rebalancing the economy. The Government say that they want to rebalance the economy and to see the private sector taking a leading role. I cannot see how that ambition can be realised without the construction industry playing a central role. The Government have made it much harder for the construction industry to contribute to the rebalancing of our economy by scrapping the Building Schools for the Future programme. Let me talk for a moment about the impact that such a decision has had on my own constituency of Derby North. Although Derby is made up of two and a bit constituencies, schools in the city are all affected in a similar way.

The five secondary schools in my constituency—Bemrose, Lees Brook, Murray Park, Littleover and St Benedict's—were all looking forward to the impact that a new school would have on the children, the staff and the parents. Some of them have real problems. Lees Brook in particular is a health and safety hazard, suffering as it does with problems related to asbestos. The scrapping of the BSF programme was a great disappointment to everybody in the city and it had a huge impact on the construction industry in the local area.

The aim of rebalancing the economy and of enabling construction to play a key role was made even harder to achieve when the Government decided to halve the social housing grant. As a consequence, the number of affordable homes coming on stream has been severely diminished.

A further obstacle to the Government's ambition was the decision to abolish the regional spatial strategy and the consequential abolition of the housing targets. Although the Government were critical of those targets, the number of planning permissions that have now been jettisoned as a direct consequence of that decision is running in excess of 100,000 homes.

Ian Lucas (Wrexham) (Lab): On the issue of planning, does my hon. Friend agree that the confused regulatory framework that now exists because of the advent of the Localism Bill has created a massive amount of uncertainty for the construction sector and has been an additional bar to making progress?

Chris Williamson: My hon. Friend makes a central and pertinent point. The confusion that has been brought about as a consequence of the Localism Bill has created a real problem. I do not particularly want to make a partisan point here, but I was disappointed in the debate on the Bill that Government Members were queuing up to say how the measures would enable them to stop housing developments from taking place in their local areas.

Mr Stewart Jackson (Peterborough) (Con): I apologise for my late arrival to this debate, Mr Caton. Circumstances beyond my control meant that I could not get here on time, so I sincerely apologise.

Let me take the hon. Gentleman back to regional spatial strategies. He will no doubt be aware that in August 2009 the then shadow spokesman for Communities and Local Government, my right hon. Friend Member for Meriden (Mrs Spelman), wrote to council leaders and developers indicating that an incoming Government would probably scrap the regional spatial strategy and that they should continue with plans to build, but based within a context of working with local authorities in developing local development frameworks. There was never a moratorium on building. That was just a different way in which to pursue the same ends—to build more homes for people who need them.

Chris Williamson: The real problem is that the housing targets offered some cover for local authority planning departments and planning committees. With those targets gone, they are much more exposed. As we have seen up and down the country, they have come under pressure from people who do not want to have their view spoiled or who do not want to see new housing developments. None the less, we all know that new housing is desperately required. But now local authorities will be much more exposed, because they cannot refer back to the regional targets set by Government. I know that the RSS was not perfect, but I genuinely believe that local authorities and in particular locally elected representatives need some additional support to help them to drive through the new housing that is needed throughout our country.

I want to say a little about the contribution that the construction sector makes to the wider economy. A thriving and vibrant construction sector has a significant and beneficial knock-on impact on the wider economy, not least because 80% of the materials that are procured by the construction industry are procured from within the UK, which creates an additional stimulus outside of the construction sector itself.

Gordon Banks: On that point, I just want to reiterate a point that I made earlier. I come from the materials side of the construction industry and I understand it

[Gordon Banks]

very well. However, does my hon. Friend have some concerns that although 80% of construction materials are produced in the UK the ownership of the companies producing that material is rapidly falling into the hands of multinational conglomerates, and that as a result decisions are being taken in Australia and Mexico that can affect British jobs and the production of that 80% of construction materials within the UK?

Chris Williamson: That is another valid point and the Government need to consider it; it is a source of some concern. As I say, we are in a fortunate position at the moment, in that 80% of construction materials used in the UK are procured within the borders of the UK, but that might not always be the case. As my hon. Friend suggests, the Government need to be alive to the potential for change as the ownership of firms passes to multinational conglomerates. If that trend continues, the percentage of construction materials procured within the UK could diminish quite rapidly and quite significantly, and we need to be vigilant about that.

Susan Elan Jones: Does my hon. Friend agree that another important factor in this debate is the employment of young men in the construction industry? If we are to accept—as I think, at times, the Government seem to be accepting—a high level of young male unemployment, there are serious social consequences to that as well.

Chris Williamson: Yes, there most certainly are. My hon. Friend puts her finger on another important element of the construction industry. Clearly, it is a very labour-intensive industry. A vibrant, thriving and growing construction sector provides plenty of training opportunities, as she points out. That has significant social implications, because we all know the detrimental consequences—both for individuals personally and for the wider community—of large-scale unemployment. When we consider some of the Government's other targets, supporting the construction industry and creating training opportunities in the industry would have huge beneficial impacts well beyond the obvious impacts, which I think are clear for all to see.

I wanted to make a point about housing and the importance of having a vibrant housing sector. In particular, I wanted to say why I am so disappointed with the decision to get rid of the housing targets. I have already mentioned the procurement of construction materials from within the UK, but a vibrant housing market also has much wider beneficial impacts, in that people are moving house and buying new carpets, curtains, furnishings and so on, which also benefits all the people employed in those sectors. At the moment, all those sectors are in significant decline.

I would like to talk again parochially for a moment, this time about the commercial sector. In Derby, we have 1.25 million square feet of office space that has planning permission. Those development sites are now standing empty; some have been cleared and some are just a dilapidated eyesore. We were looking forward to those sites being developed, possibly with a view to civil servants moving into them as part of the Lyons review. At the time of that review, developers were talking about building speculatively, but that will not happen at the moment. Derby is not the only example of a town or city where there is a plentiful supply of commercial space available. In the current climate, no developer will build speculatively; they need end-users and certainty. In fact, they need certainty to get a development funded for a start.

I will be interested in hearing the Minister's response to that point, because I plead with him to say what assistance the Government are prepared to provide to give that stimulus to the construction sector. There is one very simple thing the Government could do that would achieve another one of their targets, which is reducing public spending. That simple thing is to move civil servants from extremely expensive central London locations and out into the regions. When the Government are looking at the relocation of civil servants, I hope that they will consider Derby, because developing a prestigious site in Derby could be achieved at around £20 to £25 per square foot and I know for a fact that in central London some of the prices that some of the Government agencies are paying are in excess of £100 per square foot; indeed, they might be up towards £150 per square foot. Clearly, relocating those agencies and staff to Derby would be hugely beneficial, not only to Derby and the construction sector but to the Government's own target of reducing public spending. In fact, it will reduce public spending in a way that will not hit front-line services. However, it seems that that relocation process has stalled. I do not know why that is and I would be interested to hear the Government's thoughts on that.

I am pleased that the Minister is here today for this debate and I know that he is considering locations for the green bank. I have written to him to say that Derby would make a perfect location for the green bank and I hope that he will consider Derby, particularly as Barclaycard has moved out of significant premises in the city. Derby would be an ideal location for the green bank and I hope that he will bear that in mind when he makes his final decision on that issue.

The Government are going in the wrong direction at the moment—the opposite direction to the one they need to go in. What they need to do is to create an economic virtuous circle and construction can play a really important role in delivering that virtuous circle. That means investing in the economy to create the growth that my hon. Friend the Member for Liverpool, Walton referred to, which will have a knock-on impact. I think that he said that growth begets growth, or growth generates more growth, and clearly it does.

My hon. Friend and I are not the only ones saying that. I myself am a humble bricklayer—what do I know about economics? But I just look at my history books. I look at what President Roosevelt did in the 1930s, when there was 25% unemployment in the US during the great depression. A lot of the recovery from the depression was built on the back of construction, including huge construction projects such as dams, roads and housing. We saw that happen again in 1945 in this country, with the efforts of the post-war Labour Government.

Gordon Banks: On that point, does my hon. Friend agree that not only does such investment help the economic situation at the present time but it prepares us better for generations to come?

Chris Williamson: My hon. Friend is absolutely right, because such investment creates employment opportunities and the better infrastructure that future generations, as

well as the current generation, will benefit from. I was talking about the Roosevelt legacy; Americans are still benefiting to this day from some of the investment that Roosevelt was responsible for. Surely, therefore, it makes sense to invest in the economy now.

I want to conclude by saying that we also have a perfect example of such investment in this country. In 1945, following the ravages of the second world war, the post-war Labour Government did not shirk their responsibilities. At that time, they faced massive debts and a massive deficit, but they demonstrated that by using the power of the state we can turn the economy around and build a better life for people, including better houses, good-quality services and a better, more cohesive community and society.

We all know that Britain is facing very difficult times, but they are not as dark or as bleak as the times that we faced in 1945. We demonstrated then that we could achieve so much, so I plead with the Government to think again. We have talked about a plan B, which will probably be an issue that is beyond the Minister's pay scale; it is a matter for the Chancellor. But there are certain things that I have mentioned today that the Government can consider—the green bank, slightly tongue in cheek, being one of them for Derby. We must also consider how we can get civil servants out of the centre of London and into the regions, which will help to stimulate the local economy, including the construction sector, in those regions, creating jobs and a better society for all of us.

11.49 am

Mr Stewart Jackson (Peterborough) (Con): It is a pleasure to serve under your chairmanship for the first time, Mr Caton, and to be able to contribute to this very important debate.

I pay tribute to the hon. Member for Liverpool, Walton (Steve Rotheram). We perhaps do not have much in common politically, but we both represent cities that have a district called Walton at their heart, so there is some agreement across the Chamber. I spoke on regeneration for Her Majesty's Opposition in the previous Parliament, and during a visit to Liverpool—to north Liverpool, Rock Ferry and Bootle—in 2009 I was struck by the positive and good work undertaken by the Liverpool NewHeartlands pathfinder scheme. From what I heard of his speech, the hon. Gentleman put his case this morning confidently and reasonably, and I will try to pick up on some of the issues that he has talked about.

I particularly want to look at the wider context of construction, because it strikes me that Opposition Members are not giving due credit to some of the things that the Government have done in the 15 months of this coalition Administration. They do not concede that in 12 or 13 benign economic years, with incremental growth, there was still failure to deliver the appropriate results in the construction sector. An average of 145,000 new homes were built between 2000 and 2010, but in 2009—the last year for which figures are available—only 103,000 housing completions were delivered, which is the lowest number since 1923, and that was, coming back to the point that the hon. Member for Derby North (Chris Williamson) raised, with the regional spatial strategy.

The regional spatial strategy was not a panacea or an answer to the conundrum. It did not deliver what it was meant to. There might have been elements of localism, and some stasis in planning departments, in the competence of councillors and in the willingness of people to use the existing legal system to block such development, but the bigger question is: "Were we building the right homes in the right places?" Between 1997 and 2005 we built 117,000 homes in the east and south-east, on the flood plain, and we need to look at that. Were we building the appropriate quantity of homes, and on what demographic basis?

Chris Williamson: Will the hon. Gentleman at least concede that before the unprecedented worldwide economic downturn the regional spatial strategy was making a positive contribution? The number of new housing starts in the past year has fallen again to a new record low, so the policies being pursued by the Government are not working. Will he concede that the economic downturn is the biggest reason for the reduction in the housing stock, and not the regional spatial strategy?

Mr Jackson: The hon. Gentleman is persistent, not least in his aspirations for Derby to host the green investment bank. I have to tell him, regretfully from his point of view, that Peterborough got in first, and we have a good chance because we are an environment city with excellent transport links—we are a sustainable bus city. However, I must not stray too far from the locus of the debate.

What the hon. Gentleman says is not necessarily true. If we look at the first quarterly figures on private sector housing starts, yes, they are patchy but we are looking at an upward trajectory, certainly in the eastern region and also possibly in the east midlands and other parts of the country. I accept that there will be a difficult time, because historically this is the worst period that the construction industry has suffered in the past 60 years.

Gordon Banks: I have worked in the private housing industry for a significant time, and I think that it would be an experience for the hon. Gentleman to make a journey up to Scotland to see the absolute decimation of the private housing sector there. Major developers are releasing four or five plots for development at a time, where 10 or 15 years ago there were four or five completions per week. The housing industry in the UK, and in Scotland in particular, is as far down on its knees as it can get.

Mr Jackson: The hon. Gentleman will therefore support the views of the Government, and particularly those expressed in the ministerial statement issued by the Secretary of State for Communities and Local Government on 23 March, which focused on a presumption in favour of sustainable development, encouraging developers to question local planning authorities vis-à-vis section 106 and the financial viability of each development.

Gordon Banks: I do not think that the hon. Gentleman has been listening to the debate. The driver behind the private housing sector is bank finance and mortgages.

Mr Jackson: If the hon. Gentleman will allow me to proceed, he will hear my comments on that in due course.

[Mr Stewart Jackson]

I agree with the premise of the financial importance of the construction sector. It is certainly the case that there is a multiplier of £2.84 to every £1 invested in the construction industry. I also agree that we have a social and economic responsibility, and the Government see it as such, to tackle the historically high levels of people on social housing waiting lists—currently 1.75 million. That concentrates our minds, whichever constituency of the country we represent. We must not be too churlish, however, about what the Government have done. The new homes bonus, which we developed while in opposition, is a fiscal incentive, to encourage local authorities to build appropriate housing, and because it is based on council tax bands rather than on capital values, it builds in a predisposition for quality homes at the same time as paying due regard to the need for social housing.

Chris Williamson: Is the hon. Gentleman aware that when this matter was considered by the Communities and Local Government Committee, all the expert opinion was that the new homes bonus simply would not work and that it needed an overlaid target? The hon. Gentleman throws his eyes into the back of his head but that was what they said. They were unanimous. All the expert opinion was that the bonus would not work without an overlaying of a national target system.

Mr Jackson: We all know that there were limits to the concept of localism. It would be foolish for any Secretary of State or any Minister in the Department for Communities and Local Government or the Department for Business, Innovation and Skills to say that they could second-guess the development control—to use the old term—or the planning policy of each of the 400-odd local authorities. In densely populated areas of the south-east of England local authorities might feel that they have reached an equilibrium in quality of life and do not want more house building. There are large parts of the north of England, however, for example County Durham, Northumberland and the north-west, where better quality housing perhaps is needed.

Susan Elan Jones: Will the hon. Gentleman give way?

Mr Jackson: If the hon. Lady will forgive me, I will not give way for the time being because I have quite a few points to make and others might wish to speak. I will let her in later.

It is not possible to design a system that delivers the same result in every part of the country, and the experts the hon. Gentleman mentioned will be disproved, I believe, by the impact. Six years' matched funding for infrastructure, giving genuine fiscal power to local authorities, will deliver, using the market mechanism, the right kind of quality housing in the right place. None of us can prejudge that until we have seen it in action. The new homes bonus will work, based on a council tax band D of £1,414, and the Home Builders Federation projects that that will bring £1.2 billion into local authorities each year. That is income to the local economy of each authority that builds new homes, which can only be good, and it is 215,000 jobs.

The wider context of the Government's construction policies is about rebalancing an over-reliance, in some parts of the country in particular, on the public sector, and trying to encourage, with tax policies and a regulatory regime, more private sector growth in jobs. We have already begun to see that. We are not steaming ahead with the creation of private sector jobs, but the trend is in the right direction, and I expect more jobs to be created in the construction industry.

[Mr Charles Walker *in the Chair*]

The Government's plan for growth, published in March at the same time as the Budget, introduced significant changes that will help the construction industry. Of course, it makes a presumption in favour of sustainable development, and the wording was criticised for being opaque, but it is now in place and subject to consultation and discussion. The national planning policy framework is coming forward. I have some concerns about it. I am particularly mindful of the possibility of a watering down of the primacy of town centres over out-of-town shopping centres, and the Treasury needs to be mindful of it too. It is all very well creating Asdas and Tescos on the fringes of towns, but that effectively destroys the viability of niche retailers in town centres.

Generally, however, the national planning policy framework will de-clutter the governance of planning, which can only be good. The hon. Member for Liverpool, Walton is right that certainty and the ability to plan properly are absolutely integral to a successful construction industry. That is why this Government's remit includes simplifying generic planning policy.

To my mind, we are not going fast enough in piloting local land auction models, but we are going in the right direction. Public land will be the first to be auctioned. There is a myth about the availability of land, and a lack of available land clearly contributed to the overheating of the housing market between 2006 and 2009. However, even in the south-east of England, only 12% of land is used for housing, and 10% is used across England as a whole.

The conversion of commercial premises to residential premises and a duty to co-operate would meet some of the objections made by the hon. Member for Derby North about regional spatial strategies. The Local Government Association and others, including KPMG in its report on regional governance, found that regional development agencies did not alleviate differences between regions, or even within regions. He will know that there is a world of difference between Rutland and Melton and inner-city Nottingham or Derby. We as a Government believe—I cannot speak for the Minister—that there are sub-regional economies that were not reflected in regional development agency boundaries. We believe that it is much more practical and flexible to consider a duty to co-operate, particularly in the development of infrastructure.

We are proceeding with a major infrastructure planning system overhaul and consulting on the liberalisation of use classes as a way forward, but the hon. Member for Ochil and South Perthshire (Gordon Banks) is absolutely right that the principal issue is mortgage finance and the capital available for the development of housing. None of us can deny that—it is absolutely the case—but he must concede that the Minister for Housing and Local Government, my right hon. Friend the Member for Welwyn Hatfield (Grant Shapps), did an extremely good job in raising with the Treasury the importance of not throwing the baby out with the bathwater in terms of the Financial Services Authority's mortgage market

review. Both the Chancellor and the Secretary of State for Business, Innovation and Skills are mindful that the FSA review must get the balance right. Without reckless spending, they must make available the mortgage moneys that young people need to buy their first property.

To give my own local authority a plug and pay tribute to it, Peterborough city council voted just last week to put £10 million aside for a local authority mortgage scheme. Without wanting to be too partisan, I must say that I am slightly disappointed that the Labour group on Peterborough city council has seen fit to call in that decision, which will delay the process of getting young people the finance that they need to buy property. Not everything that the previous Government did was wrong. The HomeBuy Direct scheme was good, and we have built on it pragmatically and practically with the Firstbuy scheme, which will put about £1 billion into the system and help 10,000 first-time buyers.

The other issue is the planning system. We cannot get away from the fact that the planning system in this country can be construed as dysfunctional. One hears anecdotes all the time. Developers bring an expensive, costed plan for the development of a few hundred houses to a planning department and an officer says, "Yes, that's a good plan. We can run with that." He leaves, and another officer comes in and says, "Hmm, I don't really like the aesthetics. Will you do it again?" Time is money, and that takes an enormous amount of time. It is extremely frustrating, and it is not fair on shareholders or on the people who want to buy the new houses.

We must develop a way to break through the shroud of mystery around town planners, as we used to call them in the old days. They are a bit like hospital consultants: "Don't question my professionalism on this." However, it matters to economic growth and people's jobs and livelihoods that planners expedite decisions. We must develop a way to incentivise them to get inherently viable projects off the ground. They must work much more closely with developers on things such as section 106 and focus on the affordability of individual projects. The evidence that has been presented shows that it is complex. Some supplementary planning documents for large-scale developments can take 18 months to two years. With core strategies, site allocation plans and consultation on local development frameworks, the process can be frustrating for developers. We must find a way to simplify the system.

A report by Michael Ball of Reading university, "The labour needs of extra housing output", suggests that the costs associated with development control could be up to £3 billion a year. That is not acceptable if we are committed to a pro-growth agenda. Since January 2005, 3,250 pages of national planning policy guidance have been issued. The complexity and cost of development are significant. The hon. Member for Derby North made the point that the gross cost of regulation, the cost of construction and the market price of floor space are significantly greater in London and other UK cities than elsewhere.

I am being admonished by you, Mr Walker, to conclude my remarks, but I will say that we need to see construction policy holistically. We need to consider residential real estate investment trusts and what the Treasury can do to simplify them. We need to consider how EU procurement rules affect large-scale regeneration. We need to consider brownfield remediation to make it simpler for construction companies to build. We need to encourage special purpose vehicles through the tax system so that local authorities can work with developers. We need to push forward tax increment financing so that there is a fiscal incentive to regenerate town centres and other areas. We also need to concentrate on empty properties.

We must find a way to deal with land banking by people who hold land but will not release it—

Mr Charles Walker (in the Chair): Order. We must find a way of concluding this speech as well, Mr Jackson.

Mr Jackson: I am happy to conclude my speech, Mr Walker, with three brief points. Developers must engage properly with local authorities and local planning authorities, and with politicians here in Westminster, to lobby hard for changes in the Budget next year. Mortgage providers must provide more flexible mortgage products. We must also concentrate on developing the right houses in the right places at the right price. There is a wider issue, which is not just a local issue of building.

My final point concerns apprenticeships. This Government have a good record on apprenticeships and announced 50,000 new apprenticeships in the Budget. That will be an integral part of growing and enhancing the construction sector.

Mr Charles Walker (in the Chair): The Front-Bench spokesmen have about 10.5 minutes each.

12.9 pm

Ian Lucas (Wrexham) (Lab): It is a pleasure to serve under your chairmanship, Mr Walker. My time is about half of the 20 minutes that the hon. Member for Peterborough (Mr Jackson) has just taken, and 20 minutes is exactly how late he was for this debate, so he has done well out of the past hour and a half. I know that he apologised.

I congratulate my hon. Friend the Member for Liverpool, Walton (Steve Rotheram) on securing the debate. I will not enter into the argument between him and my hon. Friend the Member for Derby North (Chris Williamson) about who is the best brickie in the House, but it was a delight to hear from both of them and to hear about the Labour party's commitment to the construction industry. This debate is taking place because it was sought by Labour MPs, and I contrast the attendance of Labour representatives with that of Government representatives. We have had one contribution from the Conservative party and no contributions whatever from the Liberal Democrats. We will be on tenterhooks when we listen to the Minister, whom I am very fond of and have listened to on many occasions. Although we disagree on practically everything, I think that his comments are starting to resemble some of the things that I said when I was in government. That certainly did not happen when he was in opposition.

This is an important debate, because the construction industry in the UK is in crisis. The situation is extremely serious. My hon. Friend the Member for Liverpool, Walton has already provided some quotes from the industry. A survey by Wilkins Kennedy suggests that the number of businesses going bankrupt rose sharply in the first quarter of 2011, from 706 to 948. Analysts at

[Ian Lucas]

the firm also warned that the private sector was not providing the necessary growth to substitute for the withdrawal of the investment that the public sector provided in response to the worldwide banking crisis. My hon. Friend has outlined what Mr Cork from Wilkins Kennedy has said.

The reduction in capital investment that was announced by the Chancellor of the Exchequer in his first Budget last summer is only now beginning to kick in. We have heard a lot about deficit reduction, but we are now beginning to see the impact of this Government's deliberate decision to take matters forward. The construction industry does not like it. The Federation of Master Builders says:

"The workload net balance has now been negative for thirteen consecutive quarters, which means more construction businesses are reporting a decline in workloads than are reporting any increase.

The latest results from the FMB's State of Trade survey showed that construction workloads continued to fall at the start of 2011, and around 35% of respondents anticipated lower workloads in the second quarter of the year.

Employment conditions also deteriorated in the first quarter of 2011. When members responded to our last survey in March 43% had reduced employment levels in the first three months of the year, compared with 32% in the last quarter of 2010. Figures recently released by the Office for National Statistics showed a total of 24,000 construction job losses in the first quarter of 2011."

The situation is very serious indeed. The FMB also points out that the pressure on small construction businesses in particular is intense. Their output decreased by more than twice as much as that of bigger companies, which is very worrying, considering that 93.5% of Britain's private contractors employ fewer than 14 people.

When the UK economy contracted by 0.5% in the last quarter of 2010, the fall in construction output was 3.3%. Responding to that drop, the Construction Products Association's economics director, Noble Francis, said:

"Although the poor weather in December inevitably had an adverse effect on construction work, it also did one year earlier. It is clear that the recovery in construction during the middle of 2010 has now ended abruptly and that private sector work is not coming through strongly enough to sustain growth."

He predicted a 2% decline in construction in 2011.

We have heard the key statistic that every £1 spent on construction generates a total of £2.84 in economic activity. We need, desperately and urgently, to generate economic activity, which is the exact opposite of what the Government are doing. For smaller construction firms in particular, a lack of available work is being caused by the deliberate decisions of this Government to withdraw investment from projects such as Building Schools for the Future. The interlink between the public and private sectors in construction is of huge importance. We lack work in the construction sector, but, at the same time, there are also increases in prices for construction companies. The Specialist Engineering Contractors' Group tells me that the price of copper has risen by 275% in the past two years, and that the price of iron ore has more than doubled to $200 per metric tonne since last summer.

Some good work is going on in relation to project bank accounts. It was initiated by the previous Government and has been taken forward by this Government, but even that is under threat.

Gordon Banks: On the issue of price increases, my hon. Friend is right to highlight international commodity prices, but price increases are also being forced by the economic conditions delivered by this Government. Production capabilities are being closed down and jobs are being lost, so the price of the finished product is being driven up.

Ian Lucas: Absolutely. The other key point is that this Government increased VAT at the beginning of this year. They have increased the price of any business that offers goods for sale and services within the construction sector. The FMB says:

"The situation for small construction firms has been made more perilous by the VAT increase at the start of the year."

A deliberate decision and act of Government policy is making the position of construction companies more perilous. That is a damning statement.

The Minister of State, Department for Business, Innovation and Skills (Mr Mark Prisk): The hon. Gentleman has rightly cited the concerns of the FMB. Does he support its call for a 5% cut in VAT, over and above the claims of the shadow Chancellor, the right hon. Member for Morley and Outwood (Ed Balls)? Is that what the Labour party would do?

Ian Lucas: If the Minister listens to the rest of my speech, he will hear me address that particular point. The increase was wrong-headed, the wrong policy and an example of the Government being wrong again. They are beginning to look increasingly like Herbert Hoover, rather than Franklin D. Roosevelt. That is why we are saying that we need to look at alternatives to the policy that is being pursued at present. If we continue with the policy that the Government are doggedly pursuing, it will be disastrous for the construction industry. That is why the Labour party will propose reductions in VAT when we next discuss the Finance (No. 3) Bill. My right hon. Friend the shadow Chancellor has already proposed an emergency reduction in VAT. The Government make complacent observations on the matter, but the situation is urgent. Not only is the construction sector under massive threat, but it is not able to provide the number of apprentices needed within the sector to maintain it. Businesses have no confidence in offering any jobs to people, let alone in taking on employment. The Government simply have to recognise that sort of reduction in confidence in the sector.

The FMB has made various proposals, as the Minister has mentioned. Our shadow Treasury team has made proposals in relation to the Finance (No. 3) Bill, and I hope that the Minister and the Government will start listening. If they do not, all of the rhetoric about growth and rebalancing the economy that we hear coming out of No. 1 Victoria street will be recognised for what it is, which is rhetoric alone. The Government are being hounded by the Treasury, and the Department for Business, Innovation and Skills is being sidelined. It is a Department with no influence in a Government who are pursuing a bankrupt economic policy that is leading to more bankrupt companies. Such companies are increasing in number, as shown by the figures that I quoted earlier. That is the reality of what is happening on the ground.

I pay tribute to the good work that the Minister is trying to do in areas such as the development of a low-carbon economy, the green investment bank and the green deal, but they are chugging along and are nowhere near arriving yet. The position is urgent. The Government need to contribute a positive answer to the crisis facing the construction industry. We need action, not words, and we need it now.

12.19 pm

The Minister of State, Department for Business, Innovation and Skills (Mr Mark Prisk): I congratulate the hon. Member for Liverpool, Walton (Steve Rotheram) on securing the debate. It is great that we have among our specialist crafts and trades two bricklayers who have been in the business. I am a mere surveyor, but I hope that I am trusted to at least get the pricing right. I am pleased to say that we have had a very constructive discussion, albeit with a fair degree of partisanship. I was glad to hear the hon. Member for Wrexham (Ian Lucas), who speaks for the Opposition, say that he is fond of me. It would be slightly worrying if he were not—I am not sure what we would have had at the end in terms of just how fond he is.

Let us consider some of the facts and see whether I can respond to some of the key points raised. The debate has been very wide. We have covered skills, access to finance, the importance of the green economy and of apprenticeships, as well as the planning regime system and how that works. I suspect that hon. Members from all parties would share the view that the construction sector is crucial, as is shown by the numbers. It makes up 6.8% of the total economy and directly employs around 2 million people.

As we have heard in the debate, we recognise that construction and housing related to construction have been through a tumultuous time—a savage period—since 2007. Over the two or three years during and through the recession and, yes, into difficult times now, many businesses have faced a real rollercoaster. Good firms have gone and firms that, frankly, were struggling anyway have gone. There has been a headcount loss, which we note and regret, but we should not simply paint a wholly gloomy picture. Some months the figures go up and some months they go down, but if we consider the most recent output figures that have been published on the three months to the end of April, there has been a 6.2% increase in output, which is about £16.7 billion. So it is not a wholly gloomy picture.

Gordon Banks: On that point, I take it that the Minister is referring to ONS statistics. Does he have any concerns about how the ONS gathers statistics on the construction industry?

Mr Prisk: Concerns have been raised. The Construction Products Association, which has been mentioned, has asked whether the strength of the sector is in fact underplayed. That issue is being considered by the ONS.

The hon. Member for Liverpool, Walton will not agree on this analysis, but I did not hear from him any recognition of the enormous financial deficit that we inherited and therefore the tough decisions that we had to take. What I heard from him was the suggestion that we are not investing at all. I do not accept that. Let me highlight how, despite those difficulties, we have set out the first national infrastructure plan and shown how £200 billion of public and private funding will be put into the sector—into infrastructure and construction—over the next five years.

The spending review has started to spell out how that will work. There will be £10 billion additional funding for roads and maintenance, which is crucial, and £14 billion additional funding for rail. Of course, Crossrail is going ahead and we intend to proceed with High Speed 2. That is crucial for the overall sector. In the hon. Gentleman's area, the Mersey Gateway is a £600 million project that will create 460 direct jobs. The project should open some important opportunities in the area and generate around 4,500 jobs. In difficult circumstances, we are making an investment that could help.

Several hon. Members mentioned the question of how we can help the economy and the construction sector more broadly. The Government can do a number of things. My hon. Friend the Member for Peterborough (Mr Jackson), the hon. Member for Derby North (Chris Williamson) and others talked about the planning system, which is a sclerotic system that needs to change. That is why we are progressing with a presumption in favour of sustainable development, so that the default answer is yes and the burden of proof is moved to those who seek to oppose development. We are streamlining the planning process and the consents that go with it and stripping back the 3,250 additional pages of planning guidance of the past five years to around 100.

We want to speed up the system and to get developments under way by setting a time limit. That important issue has not been raised in the debate. If we establish a clear 12-month deadline, including appeals, it will give business, construction and corporate clients the certainty of knowing that there is a timeline within which planning will progress. That is a vital part of the process.

Susan Elan Jones: Will the Minister give way?

Mr Prisk: I am not going to give way because, with respect, the hon. Lady did not make a speech and I am trying to respond to those who have.

The construction strategy is important because it provides certainty about the future pipeline of public projects. Several hon. Members said, "Let's have some action, not talk." I agree. That is why, from this autumn, we are rolling out a two-year programme of pipeline projects that are funded. Therefore, the industry—infrastructure and construction projects—will know what is coming, can plan for it, invest for it and put money into the skills. That is crucial. We have never had that before. It seems painfully obvious now that that is what the industry wants. We are doing that, and we are doing it for the first time. Such an approach will make an important shift.

That brings me to the question of public procurement. We recognise that many public procurement costs have been way over what they should be, which is why we have set a target of a 20% reduction. I pay tribute to the industry because it is great that it has stepped up to the plate and said, "Yes, we agree. We want to be part of this." We have set out a clear process of how we are going to eliminate waste and duplication, and introduce a whole new way of procurement that will not only reduce the costs, waste and duplication, but open the market to newer entrants—small and medium-sized enterprises—who perhaps in the past have felt shut out.

[Mr Prisk]

Gordon Banks: Does the Minister not agree that for that to happen there must be a constructive programme—to use an appropriate word—of varying sized contracts throughout the UK? Crossrail is fine, but a small SME will not be involved in that and certainly will not make any money from it.

Mr Prisk: Absolutely. That is why our approach is not just about one part of central Government; it is about the whole of government. The hon. Gentleman is right. We need to ensure that the package sizes are varied sufficiently, so that SMEs can participate.

On skills and apprenticeships, first, we are ensuring that young people can at an earlier age—14 onwards—get their hands dirty and start to learn good trades and crafts. We are expanding the university technology colleges—there will be 24 of them—so that we can ensure that, yes, young people get their basic English, maths and so on, but that from 14 onwards they can start to learn a trade and a craft. That is important. Secondly, we have rightly heard a lot about apprenticeships. That is why, over the coming four years, we are putting £250 million of extra money in to deliver 250,000 additional apprenticeship places. Concerns have been raised about whether we are making enough progress and whether there are enough places. In this first year, the evidence is that the take-up has been 100,000 places. That is double the number originally expected and is an encouraging sign.

Ian Lucas: Is the Minister not concerned that, according to figures released yesterday, the proportion of apprentices in construction has fallen? Is that not a matter of real concern? Places are not available within the industry because there is not enough work.

Mr Prisk: I do not deny that there is a challenge in construction. We cannot force that number. The point is to ensure that we put the funding in place, so that businesses who wish to do so can participate. In that first year, we have seen a good picture overall.

The important issue of green skills was mentioned. For the record, we have agreed a clear strategy with the sector skills councils and established a programme to create an additional 1,000 apprenticeship slots for green skills. Last week the "Low Carbon Construction Action Plan" was published. That document sets out our response to the industry's programme in terms of 65 specific tasks, including skills and investment. We do not simply want to set out what we might do in five, six or seven years' time; there is a programme for what happens now, through the next four or five years. The programme is specific in that context.

I shall turn briefly to Building Schools for the Future. The reality is that it was a hideously complex programme with an overrunning budget, an incredible duplication of processes and wasteful outcomes. It has been suggested that Building Schools for the Future is the end of school building. It is not. The Department for Education has spelt out clearly that we intend to ensure that £15.8 billion is available for schools spending over the four-year comprehensive spending review period. Clearly, we need to get value for money and to strip away what the industry has told us are some of the processes that block the system and do not deliver the calibre of buildings that our children deserve. That is why the Department will be responding to the independent James review. I am mindful of the time, so I will respond in writing to the point that the hon. Member for Wrexham made on low carbon.

Let me draw my thoughts to a conclusion. I come from the sector, so I recognise that these have been tough times and that the industry is not out of the woods yet. There are glimmers of opportunity, but there are challenges as well. For the first time, we have an infrastructure plan in place and a rolling programme for the funding of infrastructure and construction schemes—

Mr Charles Walker (in the Chair): Order. Time is up.

End-of-Life Care

12.30 pm

Brandon Lewis (Great Yarmouth) (Con): It is a pleasure, Mr Walker, to serve under your chairmanship. The aim of this debate on end-of-life care in Great Yarmouth and Waveney has two key elements: to highlight the great deal of work being undertaken locally by a wide range of people for end-of-life care through the primary care trust, the James Paget hospital and the East Coast hospice; and to outline where we need further Government support, because more support is needed for end-of-life care in our area.

For many years, patient choice has been the buzz phrase used by all Governments in relation to the provision of health services. However, patients and their families in Great Yarmouth and Waveney, and in parts of the east coast more generally, live in one of the few places in the country where full patient choice of end-of-life care is simply not available. This debate will highlight the work that is already being done to provide end-of-life care, and outline the need for a full range of options.

The World Health Organisation defines end-of-life care as:

> "The active, total care of patients whose disease is not responsive to curative treatment".

Palliative and end-of-life care needs to provide dignity, respect and privacy for both patients and their families. There is an opportunity for a range of providers—hospitals, community hospitals, care homes, hospices and hospices at home—to be part of that provision. The aim is to provide a holistic approach to end-of-life care, in order to limit distress for both the patient and their families through the right type of support.

Let me first turn to current provision. It is disappointing that, at the moment, Norfolk has no in-patient hospice provision outside of Norwich. Other counties in the eastern region have much better provision. For example, neighbouring Suffolk has two hospices, in Bury St Edmunds and Ipswich. With a population of approximately 230,000, the Great Yarmouth and Waveney PCT area is significant in not having a hospice. I will return to some worrying figures relating to that shortly. There is a lack of choice. Great Yarmouth and Waveney is one of only two areas in the country with no in-patient hospice. If the Government wish to provide the widest choice, which I believe they do, then different solutions for different patients are required. There is no full range of options for end-of-life care. At the moment in Great Yarmouth and Waveney, end-of-life care is only available in a hospital, community hospital or at home. A hospice would extend that choice, and provide a midway option between dying in hospital and at home.

One project currently underway is Palliative Care East, which is part of the James Paget hospital. Funding has been secured to establish this superb project, which will be a day care centre at the hospital. There will be a resource centre and an outreach service with out-patient care for terminally ill patients, providing practical help and support, along with advice and information. Many people support the project—I have taken up the challenge of a triathlon to raise money for it. The date is 7 August, if anybody would still like to donate some money, through JustGiving, for Palliative Care East. In the past few weeks, some ladies raised £65,000 by climbing to the top of Ben Nevis—a great example of fundraising by a local community, which is not affluent, in order to deliver something that it needs very much. The hospital is to be congratulated on pulling that organisation together, and the project is just about ready to be delivered.

It is, however, important to provide additional services. Currently, that facility has no plans for in-patient beds. That is where another organisation, East Coast Hospice, comes on to the radar. It is a local charity, which I and my hon. Friend the Member for Waveney (Peter Aldous) have supported all the way through, which wishes to build and operate a 10-bed, in-patient hospice, alongside a day care unit, to provide a safe haven for patients and their families. So far, it is half way to raising enough money to acquire a five-acre site in Gorleston, which is close to the hospital, through various fundraising activities, including four fundraising shops that are now open. There is a lot of work being done. The charity requires several million pounds to commence building work on the hospice.

One issue that has arisen, with Palliative Care East and East Coast Hospice working at the same time to raise funds for two much-needed facilities, is the confusion in the local community about what they are. One challenge facing end-of-life care is how various providers can work together and access funding. It is important to avoid duplication, so that voluntary services can run alongside the NHS provision and for neither to be seen as a threat to the other, or duplicating costs, particularly administration costs. One aim of the debate is to highlight how different organisations need to work together, and how they can work together to provide real choice in an open, transparent dialogue that is required to achieve that. There has been some confusion, even among people in the public sector, and among councillors. We have had to have meetings to bring people together to explain the difference between what Palliative Care East will provide as an out-patient facility, and what a hospice provides as a non-hospital based facility for people at the end of life.

Historically, there seems to have been an institutional block to the provision of a hospice, particularly because of the stance of the local hospital. That has nothing to do with the current administration; it appears to go back to 1982, when there were arguments from the hospital that there was no local need for a hospice. That has been, and currently is, at odds with strong indications of support from patients, residents and GPs. The Marie Curie Cancer Care "Delivering Choice" programme notes the need for a hospice. Perceived local hostility towards the establishment of a hospice has, at times, directly prevented the project from moving forward. The PCT has not always been able to provide the necessary and helpful letters of support to allow the hospice to gain access to funding.

One worrying issue is that in our PCT area, Great Yarmouth and Waveney, £2.62 per head is spent on end-of-life care. Out of 151 PCTS, Great Yarmouth and Waveney is ranked 142nd for patient spending—the lowest in the east of England, and nearly half the national average expenditure. Even now, we are somewhat unclear as to what the current spending on end-of-life care is for the PCT, as there are no published figures for 2008, or indeed 2010. Research shows that the Great

[Brandon Lewis]

Yarmouth and Waveney PCT has the lowest spend per capita, despite having the highest relative need. With an ageing population, that will continue to put pressure on our local area.

During a debate recently secured by my hon. Friend the Member for Central Suffolk and North Ipswich (Dr Poulter), the Minister of State, Department of Health, my hon. Friend the Member for Sutton and Cheam (Paul Burstow) said:

"We want to ensure that these institutions grow and flourish as part of a more personalised approach to end-of-life care."—[*Official Report*, 2 February 2011; Vol. 522, c. 1007.]

During the debate, three principles for hospices were set out: to get the funding right for hospices; that there should be a clearer understanding of the role of hospices in end-of-life care, and that that should be recognised in the commissioning process; and that end-of-life care is a priority for improvement across the NHS. What will the Minister do to help us to persuade PCTs, such as Great Yarmouth and Waveney, to look at hospice provision as a core part of end-of-life care strategy?

The principles of the Health and Social Care Bill will allow GPs a central role in commissioning services and providing choice for patients. I very much welcome that, as do GPs in our area, with their pathfinder. At the moment, however, that choice will not be able to be fully exercised because no real choice exists in our area for end-of-life care. GP commissioning can help the establishment of a hospice in this area because of the broad support of GPs, as outlined in the Marie Curie "Delivering Choice" programme.

In last year's end-of-life care strategy, the Government announced a £40 million capital scheme for hospices. That fund is allocated directly to PCTs, with the Department of Health not being prescriptive about how it is spent. In addition, Help the Hospices also receives funding directly from the Government to help support its network. That funding is only available, however, to hospices with established facilities. That excludes charities, such as East Coast Hospice, that want to build a hospice. I have two questions for the Minister. Will the Minister consider allowing opening access to funding, so that charitable organisations can access funding where there is a need for hospice provision, and where no current provision is available? Secondly, what can the Minister do to allow organisations that want to establish a new hospice to access capital funding from the Government, which is clearly needed in Great Yarmouth and Waveney?

The phase 1 report of the Marie Curie "Delivering Choice" programme made various recommendations about hospice provision and in-patient care in the area, which we have so far failed to deal with properly. The report highlighted widespread support among GP respondents, who identified hospice provision and palliative care services as key themes for health care in our area. They were particularly critical of the difficulty in accessing the 12 beds available at Northgate hospital in Great Yarmouth, underlining the need for additional in-patient beds, which a hospice could provide. GPs recognise the need for access to a hospice with specialist provision of enhanced symptom control, respite care to support families and emotional support for patients and their families. Of 45 respondents to the questionnaire, 38 considered the development of a hospice for vulnerable patients a necessity.

Most GPs recognise that the James Paget hospital is not suitable for end-of-life care. In fact, the whole point of a hospice is that it is not in a hospital but that it is an alternative. The James Paget is also a busy acute hospital, which adds extra pressures to make end-of-life care more difficult. The community hospital has limited access to its provision and has a shortage of side rooms allowing for privacy and respect. Although the PCT's commitment to new palliative care facilities exists, the trust has not yet been able to do anything about the need for a hospice.

We now have the palliative care funding review, which is chaired by Tom Hughes-Hallett, the chief executive of Marie Curie Cancer Care. When launching the review, the Secretary of State said:

"This will better enable patients to choose how and from whom they receive their end-of-life care"—

something I fully applaud. After the debate, I hope that we can ensure that such a choice becomes available to the residents of Great Yarmouth and Waveney, as it currently is not. We do not even have access to the £40 million of hospice funding via the local primary care trust, as I noted a few minutes ago, because we do not currently have a hospice. We have, however, the need to build one.

The interim report published by the review committee in December 2010 states that

"we need...A reduction of inequities in the system; be they geographical...or access to services for patients with different diagnoses."

The committee also comments that affluent areas tend to be able to offer a more diverse range of services owing to increased charitable funding. Poorer areas offer poorer levels of choice, a point highlighted in an area with deprivation, such as Great Yarmouth and Waveney. The interim report emphasises that the majority of patients have a preferred place of care when they die: at home. The second choice is a hospice, with almost 25% preferring that option, although at the moment only 5.2% can achieve that aim. Most deaths in England—about 55%—occur in NHS hospitals. That is exacerbated in areas such as Great Yarmouth where a full range of end-of-life care options is not available.

Can we find a way in Great Yarmouth and Waveney for the PCT, the hospital and East Coast Hospice to work together? Primarily, can the Government allow us to develop a hospice in Great Yarmouth by ensuring fair access to infrastructure capital funding? Organisations such as East Coast Hospice are working hard to raise the necessary funds to buy the land and to run the service, but they need help with the infrastructure, with the capital investment to make the potential building a reality.

12.43 pm

Peter Aldous (Waveney) (Con): It is a pleasure to speak under your chairmanship, Mr Walker. I am grateful to my hon. Friend the Member for Great Yarmouth (Brandon Lewis) for securing this debate on a topic of such importance to our two constituencies, and to the northern part of the constituency of my hon. Friend the Member for Suffolk Coastal (Dr Coffey).

My hon. Friend the Member for Great Yarmouth has set the scene admirably. I shall make a few observations based on my own finding and experiences in the past year representing Waveney and over the past 40 years as a resident of the area. I will outline five distinctive health features in the area that place a burden on the NHS generally and on end-of-life care more specifically.

First, Lowestoft and Great Yarmouth include pockets of extreme deprivation which are not immediately apparent to those with only a passing knowledge of Suffolk and Norfolk. Secondly, a high percentage of the population is elderly; the East Anglian coast has long been a popular retirement area. I do not begrudge people moving into the area—in fact, I welcome them—but the Government must recognise that they are an added financial cost for those providing health services, and that must be reflected in the funds made available. Thirdly, the influx of holidaymakers in the summer months is an added pressure. I well remember visiting my father in James Paget hospital some 10 years ago and observing that many of those in his ward were not local to the area.

My fourth point, with regard to where people die in the Great Yarmouth and Waveney area, is the limited hospice provision. In England as a whole, 5.2% of people die in a hospice, but in our area only 0.1% do. In the west of the Waveney constituency, those in the Bungay area are well served by the excellent All Hallows hospital at Ditchingham, but there is a glaring lack of a similar facility in the Great Yarmouth and Lowestoft area. East Coast Hospice, of which my hon. Friend the Member for Great Yarmouth and I are both patrons, is determined to redress the balance, as he said. It has a lot of work to do, however, and it is vital for the Government to ensure an environment and climate giving it every assistance and encouragement as it sets about its task.

Finally, despite the lack of facilities in the area, we have a tremendous community spirit, with many voluntary groups and charities doing all that they can to provide services and to raise funds. As well as All Hallows and East Coast Hospice, we have Waveney Hospice Care, which is merging with the St Elizabeth hospice, and does great work providing day care. Palliative Care East has reached its target for providing day care and support for those using the James Paget hospital, and East Coast Truckers continues its sterling efforts to raise funds for East Anglian Children's Hospices.

Moving on, I will outline three areas of end-of-life care in which we must do better. First, as I mentioned, more hospice care is needed—my hon. Friend set that out clearly. Secondly, linked to that, is the urgent requirement for more respite beds, so that carers can get away for a much-needed break. Last Friday, I was with Crossroads Care, which reinforced that point.

Dr Thérèse Coffey (Suffolk Coastal) (Con): I congratulate my hon. Friend the Member for Great Yarmouth on securing the debate and my hon. Friend the Member for Waveney (Peter Aldous) on his contribution. Does he agree that, although we do not have the range of choice, we ought to pay tribute to places such as Patrick Stead hospital in Halesworth, which manages to provide some respite care but could easily provide more if the funding were available?

Peter Aldous: I agree entirely. The Patrick Stead is my local hospital, so I also endorse its excellent work.

The third area is the need for the provision of 24/7, around-the-clock community care, which must be a priority. It could provide people with the option to spend their last days in their own homes, with their families and friends, which so many people wish to do. My father, who died last year, died in hospital and not at home. For my mother, who cared for him in the last few months of his life, the availability of such a service would have made her job as a carer that much easier.

In conclusion, what am I looking for from the Government? I want two things: first, a fairer funding settlement, to address the needs that I have outlined briefly; and, secondly, a system or framework that enables the voluntary and charitable sector to work with and flourish alongside the NHS. The Department of Health tends to distinguish only between the NHS and private providers, but the third sector must not be forgotten and it must be set free to flourish without the bureaucracy that currently bears down on hospices and carers.

12.48 pm

The Parliamentary Under-Secretary of State for Health (Anne Milton): As ever, it is a pleasure to serve under your chairmanship, Mr Walker. I congratulate my hon. Friend the Member for Great Yarmouth (Brandon Lewis) on securing this debate. He is closely involved with charities in his constituency, and the issue is close to his heart, as it is to mine, having worked in the NHS for 25 years before entering this place. I congratulate him and all the local people who have worked tirelessly to raise funds in his area.

Many people receive excellent care at the end of life, but not everyone does. Services in some parts of the country are not as good as services in other parts, and people with some diagnoses are more likely to get good, high-quality, end-of-life care than others. My hon. Friend is right that choice is absolutely central. Choice is about where one is cared for and where one dies. The end-of-life care strategy, published under the previous Government in 2008, aimed to improve care for people approaching the end of life, whatever their diagnosis, wherever they were, including enabling more people to be cared for and die at home, if they wish. It is worth noting that the figures indicate that 17% of people, when asked where they would like to die, reply that it depends. That depends largely on the sort of support that they feel that they might get. My hon. Friend the Member for Waveney (Peter Aldous) mentioned respite care, which is an important element. People feel they might like to die at home if their family could get some respite from their responsibilities.

The end-of-life care strategy covers all adults with advanced progressive illness, and care given in all settings. We know people want choice about where they die. Some want to die at home, but not everybody. Some people are happy to die in a care home, where that has become somebody's home, which we must not forget. However, we know that most people die in hospital; the figure is about 57%.

We want to ensure that the services are there to help people die and live the end of their lives in a comfortable setting. For choice to become a reality, we need commissioners and providers to ensure that the right services—including community-based services, such as 24/7 care, as mentioned by my hon. Friend the Member

[Anne Milton]

for Waveney—are available to support people at home. Ensuring that those services are available cannot be done overnight. We have said that we will review the progress we have made in developing and improving services in 2013; that will be an audit of where we have reached.

We also want to review the payment system to support end-of-life care, including exploring options for per patient funding. The funding has to be right to provide the incentives to commissioners to purchase the care that we want to see. We have set up an independent palliative care funding review to look at the matter, as mentioned by my hon. Friend the Member for Great Yarmouth. The review, covering both adult and children's services, has been looking at options to ensure that the funding for palliative care providers is fair and encourages the development of community-based services. As I said, it is important to get the levers and incentives in the right place. We hope to be able to respond formally to the report by the end of the year.

Of course, hospices and the important role that they play are in the mix of care facilities that need to be provided. When I worked in this area of nursing there were very few hospices in the country. One cannot talk about end-of-life care without mentioning people such as Colin Murray Parkes who spearheaded the hospice movement. We want to see hospices flourish, develop and continue the expansion of their remit for caring for those with illness other than cancer, and into community-based support for patients, their families and their carers.

Only a comparatively small number of people die in a hospice, but a great many more benefit from their services and expertise in other ways, such as day therapy or hospice at home. My hon. Friend the Member for Great Yarmouth mentioned the £40 million capital grant for hospices, but that an area must have a hospice to get the grant. His point is well made. The one-off grant allowed us to fund 123 projects in 116 hospices, which is quite a far reach. For the longer term, the palliative care funding review will help us move towards a fairer funding system that puts the levers in the right place.

However, it remains for local NHS commissioners to determine what services should be provided locally. I urge all hon. Members to ensure that they work closely with the local NHS. I understand that the estimated need for palliative care is higher in Great Yarmouth and Waveney than in any other PCT. NHS Great Yarmouth and Waveney, together with Norfolk and Suffolk county councils, have commissioned the Marie Curie "Delivering Choice" programme, one of the first to be established in the east of England. That programme brings together local organisations, patients and carers. I can assure my hon. Friend the Member for Great Yarmouth that the Department of Health never forgets the third sector. The third sector is a very important part of the mix of health care providers. We never forget it because there are people around the country who work tirelessly in the third sector, not just to support people who are ill or at the end of their lives, but their families and carers.

My hon. Friend the Member for Great Yarmouth is right that hospice provision is part of the mix of care. Ideally, no care setting should have priority over any other. The settings are like the pieces of a jigsaw: the picture is not complete until all the pieces are in place. The choice is not there until all the choices are available locally. Many care homes have developed a lot of expertise in the area and are now delivering excellent end-of-life care. The knowledge and expertise owned by the professionals in end-of-life and palliative care are what matters.

I will return to the subject of the local area. NHS Great Yarmouth and Waveney have put together this programme, and a new end-of-life pathway has been defined and specifications written for the services required to deliver it. The new services that have been commissioned are specialist palliative in-patient services; a care resource and outreach service; and a nursing end-of-life care facilitator.

I fully understand the concerns that prompted my hon. Friend to secure the debate, and it wonderful that he has the support of other hon. Members. I am sure that working together with the local NHS, they will move the programme forward. I applaud his commitment to the campaign for the best-quality end-of-life care for his constituents. I believe that the initiatives and steps that the Government are taking will help improve this important area of health care. We look forward to continuing to work with everybody, including those in the hospice movement, to achieve that aim.

I would like to finish by mentioning the incredible efforts, not just of those in the east of England but around the country, who are tireless in their efforts to raise money, to support those at the end of their lives, and to support the families who are looking after them.

Dr Coffey: I welcome the Minister's warm words for actions already undertaken by my hon. Friends the Members for Great Yarmouth (Brandon Lewis) and for Waveney (Peter Aldous). At some point, would she come to our part of the world, to meet people who are actively involved, and to hear about other aspects such as the community nursing care fund, which, as long as she helps us get a hospice, may provide a good role model for elsewhere in the country?

Anne Milton: I would be delighted to visit the east of England. The hon. Lady has struck a good deal. I am always interested to see progress made. As she says, it is important to spread good practice. For anybody who is in need of NHS services or care, nothing but the best will do. We should never lower our standards in trying to achieve that aim. Nothing but the best will do on the day one is born; and nothing but the best will do on the day one dies.

Edale Unit (Manchester)

12.58 pm

Tony Lloyd (Manchester Central) (Lab): It is a pleasure to have this debate under your chairmanship, Mr Walker. I am delighted to see the Minister here. However, I express regret on her behalf, as the debate would not have been necessary, had the Minister of State, Department of Health, the hon. Member for Sutton and Cheam (Paul Burstow), who is responsible for care services, had the courtesy to meet me some weeks ago. I asked to meet him to discuss an important issue, not simply a local one, regarding how decisions are made in the NHS.

The subject of the debate is a mental health facility in Manchester. The Edale unit was a custom-built facility for in-patient mental health services, for people with acute mental health problems who need that type of dedicated care. It was built as part of the private finance initiative that totally transformed central Manchester hospital facilities in my constituency. The Edale unit opened only four or five years ago, and offers five wards and single rooms, many of which are en-suite. It has gyms, therapy rooms, quiet rooms and other facilities that, even now, are pretty much state of the art. It is therefore astonishing that some time last year—I do not know when because the mental health trust did not have the courtesy to inform me as the local MP—plans were made to close the unit and relocate it to a refurbished unit some miles away.

The first I knew about those plans was when the Manchester Users Network for those who use mental health services wrote to me, and to others, stating that it regarded the proposed relocation as deleterious. The group pointed out that it would be difficult for people to travel from central Manchester to the relocated site, that patient recovery is clearly helped by contact and support from networks, families and friends, and that it would be more difficult for some people to receive that support if the unit were located away from the centre at a site in north Manchester. The Manchester Users Network raised a number of other issues, and I am grateful to its chairman, Alan Hartman, and to others, for making me aware of what had been proposed. At that point I was fairly neutral about the proposals and wanted simply to be persuaded. I began to ask questions about the changes but, quite frankly, it is difficult because I have not received answers to the important questions.

One might think that a brand new facility, built to precise designs by the mental health trust, would be worth keeping. The trust said, however, that on cost grounds it made sense to close the facility. It claims that it will make savings of £1.7 million a year in running costs, which may be true, although it is not clear how such savings will be achieved. Nevertheless, even if we accept that figure as part of the basic argument, that does not justify the closure of a unit that the trust was so recently involved in designing.

The situation becomes even more bizarre when we learn that some £2.3 million of non-recoverable fixed costs will fall on the central Manchester health trust as a result of the closure of the Edale facility. In other words, there will be a loss of £600,000. That does not make accounting or economic sense, and even if it narrowly makes sense for the mental health trust, it does not make sense for the taxpayer.

I have never received answers as to whether the figures that I have cited on different occasions are right or wrong. If that imbalance exists and it will cost the NHS and the taxpayer more to close the facility than to keep it open, it will be a scandal to allow the relocation to go ahead. In any case, nearly £5 million worth of new capital costs will be needed to refurbish the old facility to which the mental health trust wants to move the present unit. A huge argument needs to be made to justify the cost equation, and Ministers, the strategic health authority, the mental health trust and the primary care trust have not yet provided answers to that.

Perhaps the cost will be balanced out if we have a much better facility for users of mental health facilities and their families in Manchester. The difficulty with that argument is that those groups who have been in touch with me feel as one that the proposed move will be a bad thing—I say as one, although in fairness one or two senior consultants from the mental health trust have told me that they are in favour of the move.

I have also received a letter which, although sadly anonymous, no one would dispute comes from clinicians. The letter is about the proposed changes, and warns that the transfer of the Edale unit to Park house in north Manchester would be a move to an

"overcrowded, predominantly dormitory set up. This will predictably increase violence and morbidity on the ward."

The letter goes on to say, among other things, that the move will

"hinder the contact of the patient with their family—"

—again, a point made by the Manchester Users Network. The letter rails against the fact that there are already numerous transfers to Edale house from the facility in north Manchester for reasons of privacy and space, and states:

"Most senior clinicians of the Trust are very cynical and disillusioned with this plan and appalled that the Strategic Health Authority has not put a stop to this."

That is quite strong language from the clinicians, although I admit that it is an anonymous letter, which makes it difficult to validate.

When the mental health trust, and others, were scoping possible changes, they came up with a number of options. From all those available, the option that scored the lowest was that now adopted by the mental health trust. The weighted benefit score was a combination of inputs from clinical leaders, service users, carers and the wider community, and using those scores, the proposed relocation to Park house not only received the lowest mark but was deemed far worse than the "do nothing" option—in other words, to keep the Edale unit open. That assessment was not made by anonymous clinicians or users; it is the in-house weighted benefits score that was used to determine how to proceed. On that basis, I am at a loss to know the clinical justification behind the move. It is not necessarily that there is no case to be made, but the case has not been made to the wider public and it seems that for the mental health trust, cost is still the dominant issue.

[Tony Lloyd]

More recently, a minute from the board meeting papers of the strategic health authority seemed to attempt to undermine the validity of the Edale unit. It stated:

"The Trust has indicated that any option to retain the Edale Unit is deemed to be unviable given their severe concerns regarding the design of the Edale Unit which include multiple ligature points, unsecured windows, dangerous balcony, lack of access to outside space. The Trust does not feel the faults are rectifiable."

That seems to be a damning critique of the unit. Catalyst, the PFI partner that developed the whole of the central Manchester site, was so concerned that it attempted to engage with the mental health trust. A letter sent to Mark Ogden, the chief executive of the strategic health authority, stated:

"Following our contact with the staff at Edale we had a telephone call from a Mr Paul Fitzpatrick who introduced himself as the lead for health & safety for the Manchester Mental Health and Social Care Trust. His manner was extremely abrupt; despite repeatedly requesting details of the alleged breaches to health and safety in order for us to address them, Mr Fitzpatrick hung up the telephone on us without divulging any details of the alleged breaches."

That would be farcical if it were not so serious. A paid operative of the mental health trust refused to discuss with the developer the problems that were minuted in the strategic health authority's board meeting. It gets slightly easier because Catalyst sensibly went out of its way to see whether there was any validity in the allegations. It commissioned a health and safety report and looked at whether anything needed rectifying. It replied to the strategic health authority:

"We are sure that you will be pleased to see that the allegations were groundless and we would like to agree a mutually acceptable amendment to the minutes of your meeting".

I think that Catalyst has every right to ask for that retraction if the allegations cannot be made to stand up, not because I want to defend Catalyst—it is up to Catalyst to defend itself—but because it has been used as part of the polemic about the unit's closure.

We are now in very serious territory, because the point that I am making to the Minister is this. On cost grounds, the closure does not add up. On quality-of-service grounds, it is a very uncertain case. I have had a reply from the chief executive of the mental health trust, who goes through a number of things that she says are improvements in the move from Edale to Park house. However, none of those supposed improvements is location-specific. They could be achieved—if they need to be achieved—either at the Edale unit or at Park house.

The physical environment that the mental health trust proposes to move to is certainly inferior. The facility has been refurbished, but not, I am told, to an amazingly high standard, although that has to be proved. It is certainly the case that, instead of offering the single rooms that the Edale unit offers, that facility will have dormitory accommodation, and one of the concerns that people involved with the treatment of mental illness have put to me is that, with that type of dormitory accommodation, when more than one person in the dormitory is in a very distressed condition, that is a combination that is simply not acceptable in terms of the best possible type of treatment. There are real doubts even about the capacity of the proposed alternative if it is brought to fruition.

I cannot quote Greater Manchester police officially on this matter, but I have talked to individual police officers. It will perhaps be difficult for the Minister to know the physical geography of Manchester—why should she?—but the Edale unit is very close to the city centre. Crumpsall hospital in north Manchester is a considerable way from the city centre. One of the realities of policing in a city such as Manchester is that there are times when people who are severely distressed during bouts of mental illness and mental health breakdown are taken to the accident and emergency unit at the Manchester Royal infirmary, which is close to the city centre and part of the central Manchester site. When the clinicians recognise that the people brought in need mental health treatment—mental illness treatment—they can be transferred across the hospital site to the Edale unit.

I know from talking to police officers that exactly that happens regularly. Their concern has been expressed to me in this way—again, I point out that this is not GMP force policy. If they take people to the A and E unit at the central Manchester site and are told that the people need treatment in a mental health unit, they will have to transfer them physically, with all the use of police time at busy times of the week—on a Friday night or Saturday night—from the centre of Manchester up to the new unit in north Manchester. I say to the Minister that I fail to understand why the police were not a formal consultee in this process, because that seems a fairly obvious thing to have asked about.

The location matters in its own right. This is not a location-free decision. There are better locations in central Manchester than the north Manchester site. That is not to say that there should be nothing in north Manchester. I represent constituents across the north and the centre of the city. What I am asking the Minister for is some sense that the decisions really have been thought through and that there are proper answers to the very serious doubts that have been raised. As yet, I have not heard those answers.

I come finally to what may be the most important issue of all. I have been very concerned for a long time about the governance of the mental health trust in Manchester. I have met representatives of the strategic health authority. I have had many meetings over the years about the situation there. Most recently, there was an inquest into the death of Peter Thompson, a man who was certainly an alcoholic, who died outside the Edale unit. The coroner and the jury involved made quite hard-hitting reports on his death. The coroner issued a report under rule 43 of the Coroners Rules 1984. He says in his letter to the mental health trust:

"This rule provides that where the evidence at an inquest gives rise to a concern that circumstances creating a risk of other deaths will occur or will continue to exist in the future, and in the coroner's opinion, action should be taken to prevent the occurrence or continuation of such circumstances, or to eliminate or reduce the risk of death created by such circumstances, the coroner may report the circumstances to a person who may have power to take such action."

This is quite a strong thing for the coroner to have done: he has reported to the mental health trust that it needs to take action.

Section 8 of the conclusions of the report of the inquest said:

"The court received independent expert evidence from a Professor of mental health nursing, who identified and confirmed several failures in management and planning."

In relation to the actions that the coroner urged should be taken, he said:

"It was noted that there seemed to be a general lack of appropriate management and control of the ward staff...The court was concerned about the general competence and professionalism of the staff and their actual ability to do the job...What is required is effective leadership and management. This appeared to be absent."

This matter is not sub judice, Mr Walker—I must make that point in case it is of concern to you. It is already in the public domain. The coroner sent the rule 43 letter to the mental health trust and to other interested parties. I will not argue about the nature of cuts in modern Britain—that is a fallacious argument. I believe that the mental health trust in the city of Manchester has been underfunded for many years. I believe that, in the desperate need to find cost savings, the mental health trust has come up with a scheme that will save the mental health trust money. However, it does not deal with the real issues of a mental health trust that is not managing its affairs properly, which is putting—in this case, literally—the life of someone at risk.

We must do better. Frankly, it is not good enough for the Minister responsible for care services to refuse a meeting with me to talk about these issues. I would not have been raising them today in this public forum had I had a private meeting with him. I invite this Minister to say that there will now be a proper investigation of the way in which the decision was made, to satisfy not just me but the public that on cost grounds and on care grounds, the decision is optimal. Most importantly, we must now begin to get to grips with the management malaise that the coroner identified and that other people have raised as a concern. If we do not do that, we not only let down those who are mentally ill; we may put them at the most serious risk.

1.17 pm

The Parliamentary Under-Secretary of State for Health (Anne Milton): Still we are here, Mr Walker—how lovely!

I congratulate the hon. Member for Manchester Central (Tony Lloyd) on securing the debate. I would join him, I am sure, in paying tribute to the skills and dedication of mental health professionals not just in Manchester, but throughout the country. They do a fine job, often in very difficult circumstances. However, he was right to say at the end of his speech that we must do better. Mental health services have often been the Cinderella services. It has been extremely difficult to get them the priority that they deserve. From my perspective as a Minister responsible for public health, I see the prevention of poor mental health as being as much a priority as the prevention of poor physical health. I know that the hon. Gentleman has campaigned locally on health issues in his constituency and is a very strong supporter of all that goes on. Unfortunately, my hon. Friend the Minister of State, Department of Health, who has responsibility for care services, is tied up with the Health and Social Care Bill today. However, I am sure that he will read the record of this debate with interest.

I cannot unravel this story in the time available to me, so I hope that the hon. Gentleman will bear with me when I raise a number of issues that are pertinent. I shall come in my conclusion to what I feel is the best way forward. There is no doubt that any change brings uncertainty. I can well understand how plans to transfer local mental health in-patient beds naturally provoke concern. I understand the hon. Gentleman's surprise at the relocation of beds from a newly built facility. He particularly mentioned the central location of Edale as important, and the views of the police not having been sought. I cannot comment on that, but his point is well made.

Let me give a little background on where we are with mental health services. We have launched "No health without mental health: a cross-Government mental health outcomes strategy for people of all ages", which has two aims: improving the population's mental health and improving services. The mental health strategy takes a life-course approach and sends a clear message that prevention, early diagnosis and early intervention are key priorities.

We would expect the bulk of the strategy to be delivered locally by experts on the ground working with services users, their families and carers, and, in some circumstances, the local police. Through the Cabinet Sub-Committee on Public Health and the ministerial advisory group, Ministers will continue to pay close attention to the delivery of the improvements set out in the strategy. There is no doubt that services in the community and closer to patients' homes are better for recovery and encourage independence, although in-patient beds are needed at times.

The ministerial advisory group will bring together the new NHS commissioning board, Public Health England and a range of stakeholders, including clinical commissioning groups, the voluntary and community sectors and local authorities—one cannot underestimate the role that local authorities have to play in providing services for people with mental illness. Once the proposed NHS commissioning board and Public Health England are fully operational, we anticipate that they will become the focus for all stakeholders to lead the implementation of the mental health strategy and to review its progress.

The NHS in Manchester is working to strengthen its community-based services and to reduce reliance on acute care for those with a mental illness. That should be about improving quality, not introducing cost-saving measures. That follows the strategy set out in the national service framework for mental health services, which the Labour party introduced when it was in government. Indeed, there is cross-party consensus that investing more in community-based support benefits patients, and there is a growing body of evidence to support that. What people are fearful of is that such support is a cost-cutting measure.

I am told that Manchester Mental Health and Social Care Trust has worked closely with staff, service users, carers and other stakeholders, including the Manchester local involvement network and the Manchester carers forum, to develop proposals for rationalising its in-patient services for adults and older adults with mental health problems. The hon. Gentleman might not feel that that work has been sufficient, but it is important to put on the record what the local NHS feels it has done, which, as he rightly said, involves reducing the number of in-patient sites

The proposals will maintain the same number of beds, and I am told that only one in 17 mental health service users requiring in-patient services in Manchester will be affected. Service users who are in receipt of community support from adult and later life community

[Anne Milton]

teams at the nearby Rawnsley building and those who attend out-patient appointments will not notice any changes to services as a result of the relocation of beds. Alternative accommodation for the non-in-patient services based at Edale house is being sought in more appropriate community settings. I do not know Manchester well, but I am sure that there are other community settings in which such services can be provided.

The trust expects to achieve a number of clinical benefits, although the hon. Gentleman is perhaps somewhat cynical about that. It feels that those benefits will include a greater concentration of staffing expertise, an improved level of support on wards, a reduction in delays for treatment and the development of specialist services. We probably need to concentrate specialist services ever more to get the expertise we need.

Tony Lloyd: I am genuinely sympathetic to the Minister, who has been given her briefing. I mean no disrespect to her or her speech, but the problem is that such claims are easy to make; indeed, the 100-bed Edale unit could deliver concentration in exactly the same way. It is just not obvious that the mental health trust is doing anything more than providing words as a façade for its decision. It has given no explanation of why the change is better, or why the present situation is worse, other than this fallacious nonsense about the Edale unit not being up to standard.

Anne Milton: I thank the hon. Gentleman for his intervention. I should probably have started with the end of my speech, but I will come to the direction I feel he should move in.

The Government have pledged that all service changes must in future be led by clinicians and patients, and not driven from the top. The Department has outlined and strengthened the criteria that any decisions on NHS service changes are expected to meet. Decisions must focus on improving patient outcomes, and the hon. Gentleman mentioned quality, although the issue is obviously open to debate locally. Decisions must also consider patient choice, have support from GP commissioners and be based on sound evidence.

I must stress that the NHS is not run from Whitehall, and a lot of local issues need to be looked at locally. The overview and scrutiny committee has confirmed that it is satisfied that appropriate involvement has taken place. The mental health trust is exploring the feasibility of introducing a defined transport system at the committee's request to ensure that service users and their families have suitable access.

The hon. Gentleman mentioned the tragic case of Peter Thompson, and my sympathies are always with the friends and families involved in such situations. The case has clearly raised significant issues, not least that of good leadership, which is critical to ensuring that good services are available. I would expect the local NHS to learn from this tragic incident and to ensure that it does not happen again.

The chief executive of the mental health trust has written to the hon. Gentleman and offered him a meeting on three occasions—28 February, 25 May and more recently. I urge the hon. Gentleman to have that meeting, because he is clearly unhappy about a lot of issues. He mentioned the anonymous letter he had received, and if its authors get sight of this debate, I hope they will come to see him in confidence—like all Members, I know that he would keep their identities confidential. The letter has raised some concern, but it is difficult to do anything about it while it is anonymous. I am sure that the hon. Gentleman's assurance that it is from clinicians would hold up.

I urge the hon. Gentleman to meet the chief executive. He clearly remains open-minded, but he is anxious to be convinced. He describes a complex story, in the middle of which we have a tragic death and the coroner highlighting some important issues. I am sorry that I cannot give the hon. Gentleman more in the debate, but the best way forward would be for him to meet the chief executive.

Tony Lloyd: I would, of course, be happy to meet the chief executive, but what I have really been offered is a meeting to tell me why the trust is going ahead with the decision that it has already made. I want explanations, and that is what the public and the taxpayer are entitled to. If I do not get that explanation, can I come back to the Minister and her colleagues and at least get some sense that they are engaged in dealing with what could be a scandal?

Anne Milton: I thank the hon. Gentleman for that intervention. That is absolutely right: he should see the chief executive and ask for an explanation. As he rightly says, he is open-minded and wants to be convinced. If he still does not get an explanation that satisfies him that things are being done to improve patients' quality of care, I am sure that my hon. Friend the Minister of State would meet him. He would be welcome to come back to us with any issues, but I urge him to have a meeting with the chief executive first.

Rural Bus Services (South Devon)

1.29 pm

Dr Sarah Wollaston (Totnes) (Con): I thank you, Mr Walker, for chairing this debate on the important issue of rural bus services in south Devon, and I thank the Minister for his continuing interest in sustainable transport. I want to cover the three areas of the scale of rural transport poverty, the current reductions to services in Devon and, perhaps more importantly, the threats on the horizon: there is a perfect storm brewing for rural transport in my constituency. Finally, I have some proposals, put forward by my constituents as well as by people with transport expertise. I hope to persuade the Minister that doing nothing will be to abandon the transport poor at the roadside. I hope that he will accept an invitation to Townstal in my constituency to meet those who have been hardest hit by cuts to services.

Citizens Advice has found that many low-income families spend as much as 25% of their income on owning and maintaining a car; not through choice but through necessity. In addition, south Devon is one of the most expensive areas of the country, with high housing costs and low earnings, and employment that is often unreliable and seasonal. It has one of the highest insolvency rates in the country, and a high percentage of retired people, who are more likely to be dependent on public transport. It is not only the work that is seasonal; we also have a seasonal population. In summer our population expands dramatically, putting a further strain on services.

It is notable that the more rural an area is, the greater the number of cars and vans per household. Our services have become so infrequent and inconvenient that anyone who can use a car will do so, and those who have no access to a car cannot afford the full fare that is needed for the services to be run on a stand-alone commercial basis. South Hams, for example, has more than 12,000 more cars than households, which only underlines the relative transport poverty of the have-nots. Those have-nots are 14% of rural households in Devon—55,000 people who have no access to a car. Without transport, those people cannot gain access to hospitals, employment, education or even employment agencies or citizens advice bureaux.

The reason for that is clear. Under the comprehensive spending review, the Government grant to Devon county was cut by £54 million in 2011-12. Like all councils, Devon has statutory obligations, so it held a good public consultation exercise. However, unfortunately, people who never need to use public transport do not see it as a priority, so it emerged as a relatively low priority.

Anne Marie Morris (Newton Abbot) (Con): Similar cuts have been suffered in my constituency, in Dawlish, on the 178 Newton Abbot to Okehampton service, and on the 361 Bridford to Newton Abbot service. Does my hon. Friend agree that one of the problems is that Devon's settlement from central Government was in a sense not appropriate, because rurality was not taken into account? Therefore there was a particular challenge in funding the bus service.

Dr Wollaston: My hon. Friend makes an excellent point. Devon county council reduced its public transport support budget by £1.35 million out of a total spend of £7.75 million. My hon. Friend makes a good point in noting that that did not recognise the particular challenges of rurality.

As I have said, the real problem is the perfect storm that is brewing, with ever-increasing costs and further reductions in revenue. From April 2012 there will be a 20% reduction in the bus service operators grant which will increase operator costs by 1.5% to 2%. When we consider that our fares are already among the highest in the country, if that were passed on to passengers it could result in a further abandonment of bus transport.

The reduction in operator reimbursement for pensioners' bus passes is also creating a particular problem in Devon, because in Devon 56% of all bus journeys after 9.30 in the morning are made by concessionary travel scheme passengers, which amounts to 30% of operator income. Local experts tell me that a reduction of the reimbursement to operators of 15% translates into a 4% to 5% loss of income; but for more rural operators such as those that are found in Devon it could be as much as 30%, which would be devastating. To those figures must be added the cost of administering the scheme. Devon must spend £12 million on that, which ironically is twice as much as it must spend on supporting bus services to ensure that people can travel in the first place. Devon county council estimates that it has been underfunded by approximately £5 million in the current year on that scheme alone. Many of my constituents wonder whether the ability of some people to travel free is more important than the ability to travel at all for many people of all ages.

On top of those reducing subsidies comes the blow of passenger transport inflation, which the Minister knows outstrips the retail prices index, as a result of increased insurance premiums, increasing staff costs as a result of legislation on part-time workers, increased training requirements and bus adaptations. That is before factoring in the runaway costs of fuel. Seventy bus routes have been affected in Devon. Hon. Members will be relieved to hear that I am not going to name them all, but I should like to mention service 111, which illustrates several points.

The 111 was a lifeline in my constituency, running from Dartmouth via Totnes station, stopping off at the Torbay shopping area and taking passengers directly to the door of the local hospital. It ran via several villages and was a reliable service. Crucially, it also allowed parents to exercise choice in the matter of their children's school. The loss of the 111 has been devastating. Last week I met Freda Morgan, who, despite being in her eighties, made the trip from Dartmouth to visit her 91-year-old sister in hospital. Previously she would have been able to travel door to door. This time, on the way out she needed two changes of bus and a very long walk up a steep hill—trust me, people in Devon are used to hills, but this was a very long one from the main road. On the way home she needed to take a completely different operator's buses and a different set of routes, including a ferry crossing. The round trip lasted a total of 10 hours. She managed to get only an hour with her sister, and she arrived home completely exhausted.

Mrs Morgan is not alone. I have had similar emails and letters from many other constituents: patients and visitors, parents who now cannot get their children to school—of course we cannot think it is an option to change a child's school half way through their education—and a flood of people who feel trapped in their homes.

Mr Adrian Sanders (Torbay) (LD): One of the answers is to get more people using the buses, so that they become more viable. Surely one of the best ways to make buses more viable is to get them to run on time. Reducing congestion between the hon. Lady's constituency and mine—I am thinking of the Kingskerswell bypass—would have an enormous impact on bus use throughout Torbay and south Devon, because buses would be more likely to run to timetable.

Dr Wollaston: That is an excellent point. Reliability is a key issue—both reliability in timetabling, and the reliability that means a child who starts at a particular school will continue to be able to get there in the long term.

Another of my constituents, Richard Parnell, made the excellent point with reference to seasonal employment that he has been unable to get to many places because of the changes. Even when he was recently called to do jury service he found it very difficult to attend.

I mentioned bus 111 because it was, in a way, a victim of its own success, showing that the issue is not only cuts to rural subsidies; there is also the perverse impact of the way it has been possible to apply competition to the routes in question, since deregulation under the Transport Act 1985. Some 76 per cent. of bus journeys in Devon are on commercial services and, crucially, Devon county council is unable to consult on changes to commercial services. There have recently been 200 to 300 service changes each year, with only 56 days notice. That leaves little time for those affected to make alternative plans.

Service 111 was operated by Stagecoach under a tender paid for by Devon county council, which allowed Devon to specify the timetable, fares and bus specification. When the tender was due to expire, another operator declared the section between Dartmouth and Paignton to be commercial. To cut a long story short, the unviable parts of the route were cut out, and Devon was left to pick up the sections covering a number of villages, which are now cut off, with an inadequate service, the 149. Stagecoach registered its own commercial service 111, but because Devon withdrew the funding for students whose parents exercised choice to send them to an out-of-area school, it was left unviable, and the service folded. Now all the communities have been left with a woefully inadequate service, as a result of the combination of grant cuts and the inappropriate application of competition.

Many communities in my constituency have been badly affected. They include Kingsbridge, with the loss of the X64, and Dittisham, Blackawton and Marldon. The county maintains that no community has been cut off—I acknowledge that it has tried hard to prevent that—but if a service no longer allows people access to employment, medical appointments or school, they might as well be cut off.

We have some wonderful community bus services in Devon. I am sure that my hon. Friends will join me in paying tribute to them and their volunteers; I think of services such as the Coleridge community bus and "Bob the Bus" in Totnes. Devon has also led the way in demand-led bus services such as the fare car scheme, but it would be a mistake to think that they reduce costs, as some are even more expensive.

Mr Gary Streeter (South West Devon) (Con): I congratulate my hon. Friend on securing this important debate and on making such a powerful speech. Given that we cannot anticipate much more Government subsidy over the next two or three years, and given that bus companies understandably do not want to operate unprofitably, does she believe that some improvement could be made if the bus companies, the county council and—as important—parish councils and communities were much more involved in consultation about which routes were necessary and which timetables would suit best? Does my hon. Friend believe that there is enough engagement with local people?

Dr Wollaston: My hon. Friend makes an excellent point. As I said earlier, there is no opportunity for such engagement because of changes in legislation after deregulation. I would like it to be restored and I would like to see an obligation to consult more widely. I would also like to see more sensible ticketing arrangements, so that constituents who have to take different routes there and back are able to use a smart card.

I am surprised by the number of pass holders in Devon who say that they would rather pay a small amount per journey, or even pay an annual administration fee, than suffer reduced services. They understand the financial realities to which my hon. Friend the Member for South West Devon (Mr Streeter) refers. Experts in local transport tell me that an annual fee of around £30 would cover the administration costs—the £12 million that I spoke of earlier—which is twice as much as Devon is spending on subsidising the extra costs. Such a fee would still represent outstanding value for money. I hope that my hon. Friend the Minister will consider it.

Another excellent question is why foreign vehicles can use our motorways for free when we pay so much to use theirs. Why cannot we have a system like that in Switzerland, where vehicles have to pay for and display a motorway pass even if they use the motorway for only one weekend? Could we not do likewise? The equivalent for British nationals would be the tax disc; we could ask all foreign trucks and cars to pay a smaller amount for the pleasure of using our lovely motorways. Others have suggested increasing vehicle excise duty for high-emission vehicles to subsidise public transport. However, we know that such measures would not directly benefit local rural services unless the increased income were directly allocated to councils and ring-fenced for sustainable transport.

My own suggestion would be to consider giving councils greater powers to require out-of-town supermarket users to pay to park. The money could be reimbursed in store if necessary, but the levy could be used to subsidise local rural services if it was appropriate for the area. It would be a form of localism to allow local people to decide on the matter. It would also help redress the imbalance that blights our rural high streets, which are often subject to high parking charges.

I hope that the Minister will think again about the cuts to bus service operator grants. However, I make a special plea on behalf of community buses: could they use red diesel? I hope, too, that the Minister will reconsider the unforeseen consequences of deregulation, referred to earlier, particularly the impact that it has had; on top of the cuts, it has devastated rural services. I also hope he will meet me to discuss some of the red tape and

additional costs faced by community buses, which provide an invaluable service. I have already referred to smart cards. Again, that would make a huge difference. I stress that none of us feels that doing nothing should be an option.

Finally, as a small plea to another cyclist, may I ask the Minister to consider amending the legislation to allow buses to have bike racks? It happens in European countries but not here; that is another example of UK legislation exceeding that of the EU. I understand that regulations prevent buses from carrying front bike racks—that is what local operators tell me—but if we allowed rural buses to carry bike racks, the services could become more commercially viable in the summer. We all know that there is not an endless pot of money, and that would make a big difference to areas such as mine, which are trying to introduce green transport.

1.45 pm

The Parliamentary Under-Secretary of State for Transport (Norman Baker): I thank my hon. Friend the Member for Totnes (Dr Wollaston) for arranging this debate and for packing a great deal into 16 minutes. I thank our quartet of Devon MPs for saying roughly the same thing about their bus services.

I know well from my constituency that buses are a lifeline for many people in rural areas, providing access to jobs, schools, health care and social activities and the rest. Good bus services contribute to the Government's key transport priorities of cutting carbon and creating growth, not least by allowing access to employment opportunities. Other benefits of removing car traffic from our towns would include reduced noise pollution and improved air quality.

Because of the value that the Government attach to bus services, we are committed under the comprehensive spending review to continuing our financial subsidy of bus operators. It is worth pointing out that the many newspaper stories suggesting that the bus service operators grant would be cut altogether proved to be erroneous. We value the support that we give to bus companies and bus operators.

The bus service operators grant—the BSOG—remains untouched for this financial year. However, as my hon. Friend the Member for Totnes said, it will be cut by 20% from next April, thereby giving bus companies about 18 months notice of the change. Department for Transport calculations suggest that will bring about a change in fares of about 1%. Bus operators are on record as saying that the scale of changes and the notice that they have been given make them hopeful of being able to incorporate the change to the BSOG without affecting fares.

Dr Wollaston: Given the rurality of services in Devon, local experts in the county council estimate that for us the change would be between 1.5% and 2%.

Norman Baker: I hear what my hon. Friend says. The Confederation of Passenger Transport UK said that it was hopeful of incorporating the change without affecting fares or services; I hope that reassures her on that point. I shall deal in a moment with local tendered services, which I suspect are more of a problem for my hon. Friend's constituents.

The Government are committed to reducing the budget deficit that we inherited, and every sector has to play its part in that. However, the Transport Secretary and I are determined that buses should continue to receive their fair share of funding. We want to encourage more people to use buses, and to make bus travel more attractive in whatever way we can, given the financial envelope within which we have to work.

The Government spend more than £1.2 billion a year on concessionary travel and bus subsidy in England, outside London, of which £15 million or thereabouts is spent in Devon. We remain particularly committed to the concessionary travel entitlement in England for the 11.5 million eligible older and disabled people. I hear my hon. Friend's suggestion of introducing a small charge to help finances. I can only say that the Prime Minister has made plain the importance that he attaches to the present arrangements—that the concessionary travel arrangements continue to be free for those entitled to them. That obviously remains the Government's policy.

My Department recently issued new guidance to local transport authorities to help them ensure that bus operators are reimbursed for carrying eligible passengers on a "no better off, no worse off" basis. My hon. Friend referred to the concessionary travel reimbursement arrangements, but the essential legislative requirement that bus companies should be no better off or no worse off has not changed. All that has happened is that the Department has issued new guidance to enable local authorities better to deliver the requirement. They are not obliged to follow that guidance, although they may do so if they wish; but they are obliged to comply with the legislation, which has not changed.

Mr Sanders: I raised this matter under the previous Government and suggested, through parliamentary questions, that the cost of a national scheme would be less than lots of local schemes. Will the Minister consider that as a way in which we can reduce the costs overall? It seems crazy that different local authorities pay different rates for the same service.

Norman Baker: There is a national arrangement in place in Scotland, which was considered. Responsibility was moved from district councils to county councils, which helped to bring some consistency to services and reduce some of the overheads. However, we have to balance that with our need to pursue a localism agenda, which both coalition parties firmly support. To have a national scheme would counter that and go against our direction of travel.

When the Department was considering the new guidance for the concessionary travel scheme, we took representations from the bus operators and local councils. I then personally amended the guidance to ensure that it reflected the particular challenges of operating in a rural area.

I recognise that the recent local authority funding settlement has been challenging and that in some areas, local councils have responded by taking the axe to local bus services. That badly hits rural areas such as Devon where supported services make up a much higher share of the total than in metropolitan areas. The formula of the Department for Communities and Local Government, which allocates money to local councils, incorporates a sparsity factor, which should help areas such as Devon.

[Norman Baker]

The Department is also committed, through the local government resource review, to looking at the entire way in which funding takes place and local moneys are raised from the local taxpayer, and that process is ongoing.

I am naturally concerned when I hear that vulnerable people with few other transport choices have lost their only bus service, or that children have reduced public transport access to the school of their choice. Those are serious and unwelcome developments. As my hon. Friend says, fewer than a quarter of all journeys in Devon are made on supported services. That means that more than three quarters are made on commercial services, which are unaffected by changes to council income or changes in council policy.

When difficult decisions are to be made on local bus services, I am clear that they should be made at a local level and not in Whitehall. The Government set out in the local transport White Paper their commitment to ending top-down decision making and one size fits all solutions. That means that we will see different decisions made in different places across the country depending on the priorities given by elected local members in those areas.

Some councils have taken an almost slash and burn approach to bus services, while others such as East Riding have percentage cuts in single figures. They have been more careful about making decisions that affect bus users. I note that Devon county council has cut its budget for supported bus services by 17% this year. In a consultation that it held called "tough choices", which I welcomed, savings on bus services were one of the top three areas that were identified by 60% of those who responded. I accept the point that my hon. Friend makes that those who do not use buses will be more likely to identify them for cuts than those who use them. Nevertheless, it was an attempt by the county council to validate the decisions that we are taking, and that is entirely helpful. Other areas have consulted and reached different conclusions. Cornwall, for example, has chosen to keep its morning peak-time concessionary travel entitlement on a countywide basis.

It is up to Devon to prioritise its spending as it sees fit, and it is not for central Government to intervene in that matter. How much it spends on buses, roads and libraries is ultimately a matter for Devon county council. Rather than telling councils what to do, my focus instead is on encouraging bus companies and local transport authorities to work together to deliver improvements that make the bus a more attractive option. They need to improve reliability and produce smarter and more integrated ticketing—to which my hon. Friend referred—reasonable fares and understandable timetables. She will be aware that an application has been made to the local sustainable transport fund in respect of smart ticketing. Decisions on the outcome of that particular application will be made shortly.

I am also keen that local authorities make the most efficient use of their resources. It is a good idea that there is a maximum efficient use of the vehicles that a council may have. We still have cases in which there are adult social care vehicles in one box, public transport vehicles in another box and school buses in a third box, and they are all run by different departments of the council. These days, councils, which need to make efficiency savings, should eliminate those sorts of duplications and that silo mentality. I am not clear what the position is in Devon. I hope that it has identified savings such as that to be made. None the less, those sorts of practices can still be found in local councils up and down the country. Therefore, local councils have a job to do to ensure that they get the best value for money.

My hon. Friend also mentioned community transport. I accept that that is not a panacea for any reduction in bus services, but it can be a useful facility for particular individuals with special needs or for small communities where a bus service would not be practical. We are keen to build up the capacity of community transport organisations, which is why I recently provided local authorities with £10 million of extra funding. Devon county council was given a grant of £425,000 for that purpose. I was pleased to learn that the council has maintained its community transport budget in recognition of the important work that such organisations do at a local level.

I pay tribute to Devon Wheels 2 Work scheme. It is an excellent example of a not-for-profit organisation that provides vital links to education, work and training by loaning motorbikes and scooters at subsidised rates. Other examples can be found across England, and it is exactly the sort of grassroots activity that I would like to see more of and to encourage.

Let me now pick up on some of the points that were made. My hon. Friend made reference to route 111. As she will understand, I am not familiar with that route. However, it is a matter for Devon county council to judge whether or not it is one of the routes that it should support. It is sometimes the case that routes to hospitals are difficult to justify commercially. As people move in and out of hospital, it is difficult to build up a regular clientele for that particular service. It certainly seems that some people have been significantly inconvenienced by the withdrawal of that route, and I hope that she and her colleagues will be able to persuade Devon county council to think again.

As for the integration between the transport authority, Devon county council and the bus operators, I have noted my hon. Friend's point about 56 days' notice for changes. That is something that I am currently looking at. No decisions have been made, but it is something that is on the radar. It is up to Devon to decide whether it takes advantage of the terms of the Local Transport Act 2008, which facilitates quality partnerships or even quality contracts. If Devon wants to get more of a handle on bus services, there are powers in legislation available to use should it wish to do so.

My hon. Friend raised other matters that do not fall under the Department for Transport. She will be interested to know that the Under-Secretary of State for Transport, my hon. Friend the Member for Hemel Hempstead (Mike Penning) is introducing proposals for HGV charging, which will, for the first time, capture foreign lorries in terms of what they have to pay to use our motorway network.

My hon. Friend seemed to want to go wider into road charging and almost edged into the Lib Dem manifesto from the last general election, but that is not currently Government policy. She also came up with some interesting ideas on red diesel and hypothecation, which are matters for the Treasury and not the DFT. However, her comments have been noted and I will ensure that they are passed on to the relevant officials at the Treasury.

My hon. Friend also raised an interesting idea, which has been around for some time, about out-of-town supermarkets. I can see why she has raised that matter, and I will make sure that her comments are passed on to colleagues at the Department for Communities and Local Government, who have the lead responsibility for that matter.

I do not have an answer on buses with bike racks, but I will drop her a line to let her know what the legal position is and how we view the matter. Finally, if my hon. Friend wants to bring up some of her constituents to discuss matters, I will ensure that a slot is made available in my diary for her to do that.

Question put and agreed to.

1.59 pm

Sitting adjourned.

Westminster Hall

Wednesday 29 June 2011

[MR GEORGE HOWARTH *in the Chair*]

Convention on Domestic Workers

Motion made, and Question proposed, That the sitting be now adjourned.—*(Stephen Crabb.)*

9.30 am

Fiona Mactaggart (Slough) (Lab): I know that it is customary to praise the occupant of the Chair at such moments as these, Mr Howarth, but I am very pleased indeed that you are presiding over this debate on such a critical issue. My aim in calling for the debate is to hold the Government to account for their unannounced refusal earlier this month to sign the International Labour Organisation convention on domestic workers.

The convention's introductory text describes why the protection is needed:

"domestic work continues to be undervalued and invisible and is mainly carried out by women and girls, many of whom are migrants or members of disadvantaged communities and who are particularly vulnerable to discrimination in respect of conditions of employment and of work, and to other abuses of human rights".

It is for that reason that there have been international efforts over some years to produce a convention that covers basic human and workplace rights for people all over the world who work in other people's homes as cleaners or cooks, or do other kinds of domestic work. The convention will entitle them to the basic labour standards that we expect for all workers.

I intend to show how, in the worst cases of abuse, some domestic workers in the UK are forced to work for no wages and are therefore basically slaves, others are subjected to sexual abuse and physical violence, some are barely fed, many have only a floor to sleep on, and many earn a pittance and work extraordinarily long hours. Some Members might feel that we did that yesterday in the House, but it is a regular occurrence for people in these circumstances.

The convention serves to give international backing to the right of domestic workers to protection against such abuses, and to entitle them to the dignity at work that every human being should expect, yet the UK Government were one of only eight Governments to abstain in the vote. Let us see what company we were in: the Governments of El Salvador, Panama, the Czech Republic, Sudan, Malaysia, Singapore and Thailand. Swaziland did not vote in favour. All other 173 Governments voted in favour of the convention, including the USA and China. All the worker representatives voted in favour, as did many employer representatives. It looks to me as if, in that list of shame—I do regard it as such—the UK is the country that is probably on its own in having a record of receiving rather than generating victims of human trafficking, a problem that is so rife in this sector. We should be especially ashamed of that.

My first question to the Minister with responsibility for employment relations is: why was the UK one of only eight countries to abstain on this vital treaty, which provides clear rights to the 100 million domestic workers around the world? This is not a small sector, and the issue is a very important human rights one. I have heard some excuses already. The UK Government representative at the ILO conference gave the following explanation:

"The United Kingdom already provides comprehensive employment and social protection to domestic workers; however, the strength of our general provisions means that it is occasionally inappropriate to treat domestic workers identically and, sadly, the Convention does not recognize this. For example, we do not consider it appropriate or practical to extend criminal, health and safety laws, including inspections, to private households employing domestic workers. It would be difficult, for instance, to hold elderly individuals employing carers to the same standards as large companies. Accordingly, the United Kingdom will be unable to ratify this Convention in the foreseeable future."

Colleagues who have raised the issue with the Minister get exactly the same formula and exactly the same "for example," but my belief is that this is not one example of many problems, but the only fig leaf that the Minister can hang on to. A letter from him refers to

"those few areas, such as health and safety law",

and I hope that he will take the opportunity of this debate to tell us what the other areas are in which it is inappropriate to treat domestic workers the same.

The Minister's claim on the grounds of health and safety law is fundamentally unfounded, because he knows, even better than I do, that health and safety is implemented incrementally. Local inspectors, if they engage with a company—I have worked for many small companies and have never been inspected by a health and safety inspector—usually offer advice notes before proceeding to criminal prosecution, unless there has been a death or a very serious injury, for example. Perhaps the Minister will therefore give specific examples of when small employers who are suspected not of putting customers' health at risk—I accept that there are criminal prosecutions in such cases—but of putting employees at risk, have been subject to criminal prosecution and active investigation without prior advice, unless there has been a fatality or a serious injury. I do not believe that there is the rash of examples of heavy-handed health and safety implementation that the Minister implied in his letter.

In defence of the Government's position, the spokesman continued:

"We do hope that the principles"—

that the convention enshrines—

"can help to raise standards".

I want the Minister to tell us, therefore, how the UK Government's position will help to maintain standards and enhance the rights and protections of domestic workers in the UK and around the world when, unlike the overwhelming majority of Governments, ours have actively chosen not to support the convention.

The statement by the UK's representative continues:

"Within the United Kingdom, we will continue to see proportionate improvements to the social and employment protections available to domestic workers where particular problems are identified."

I would like to know what improvements we will see because, in my view, the Government are doing precisely the opposite of improving conditions for domestic workers. On the very same day that the UK abstained in the vote, the Government announced a consultation on proposed changes to visas for the UK, including a proposal to end the domestic worker visa. That consultation includes options either to abolish the route for migrant domestic workers to enter the UK, leaving them open to being brought in by employers through informal routes in

[Fiona Mactaggart]

breach of immigration controls, or to restrict them to a six or 12 month non-renewable visa and remove the right for them to change employers, even if they are severely abused.

David Simpson (Upper Bann) (DUP): I congratulate the hon. Lady on securing this very important debate. Leaving aside the fact that the coalition has failed to vote on the convention—hopefully we will hear what the Minister has to say on that—does she believe that the unions, the CBI or any other employment agencies are doing enough? Could they do a lot more?

Fiona Mactaggart: To my surprise, when I conclude my remarks, I am going to read a quote from the Centre for Social Justice. That is not normally a place to which I look for guidance, but when it launched its inquiry into human trafficking its director said that it was critical that all the sectors—the Government, voluntary organisations, employers and employees—worked together on a coherent strategy to deal with this modern-day form of slavery. My contention is that the Government's position is confused—if I am kind—or actively malevolent —if I am not—and that it is not working coherently to deal with this serious and substantial human rights problem in the UK.

Removing the right for migrant domestic workers to change employer means a return to bonded labour. The visa has been recognised as the main form of protection for this group of workers, who, as has been recognised by the international convention, are especially vulnerable to severe exploitation, including slavery and trafficking for domestic servitude. Indeed, the 2009 report of the Home Affairs Committee included the statement:

"To retain the existing migrant domestic worker visa and the protection it offers to workers is the single most important issue the government can do to prevent forced labour and trafficking"

of such workers.

At a time when the Government are choosing not to participate in an international convention, they are choosing, domestically, to remove an important protection for migrant domestic workers against slavery and bondage. Removing the visa altogether will increase both trafficking via illegal routes and unlawful working, which will leave these workers believing that they are unable to contact the authorities for assistance and with fewer, if any, enforceable rights. Limiting the length of the visa makes it likely that unscrupulous employers will keep workers working for them beyond the length of the visa, again without any recourse to meaningful legal protection against severe exploitation.

The Government claim that anti-trafficking measures can replace the protections provided by the visa. I have talked to Kalayaan, whose work I praise. It is the most effective group that represents migrant domestic workers. I have known its work since about a quarter of a century ago, when it helped illegal entrants to the UK who did not know that they were illegal entrants. Together with others who work with victims of trafficking, it has produced a report that shows how ineffective the measures we already have are in practice for all victims.

The report shows that the overseas domestic worker visa is a relatively inexpensive and effective way of protecting migrant domestic workers, and that, without that legal channel, trafficking of domestic workers via illegal routes will increase. Workers who do not benefit from those protections, particularly domestic workers who enter the UK accompanying diplomats, are more likely to be in slavery than those who work in private households. Kalayaan's figures show that seven in every 100 of the diplomatic workers they have seen were trafficked, compared with one in 1,000 migrant domestic workers in private households. That shows how effective the visa is.

Let us be clear: even when they are not trafficked, these workers are commonly subject to the most grotesque abuse and exploitation. Kalayaan has produced figures that show that two thirds of those who approached them did not have any time off—they worked seven days a week. Three quarters of them worked on call and had to be available 24 hours a day. More than half of them worked 16 or more hours a day, and 70% received a salary of £50 or less a week. I do not think that the Minister is proud of that type of exploitation, but it is a reality and the failure to sign up to the convention and to take any effective action means that it will be a more common reality in Britain.

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Mr Edward Davey): The hon. Lady has an excellent record on campaigning against human trafficking and slavery. How would signing the convention have helped to tackle slave labour and human trafficking in the UK? What difference would it have made to our domestic legislation?

Fiona Mactaggart: Signing the convention would make a difference in three ways. The first is the signal it would send to traffickers, who will otherwise believe, no doubt, that the UK is joining their infamous gang and saying that this country is open to human trafficking. We know how extensive human trafficking is in the UK and that it is more profitable than drug dealing. It is the most profitable activity for organised crime, although the field of human trafficking is unorganised as well as organised, because people as well as agencies supply domestic workers. Moreover, individual families bring domestic workers with them. It is, therefore, important that Britain sends out a signal that we are closed to that kind of abuse.

Secondly, the victims themselves would also get a signal. People who work with victims of trafficking have told me that those victims believe that they have no recourse to help and that the clear signal is that they are dependent on their owners/employers, who usually retain their passports. They do not believe that anyone can help them. They are frightened of approaching the police and, frankly, our national referral mechanism is an incompetent way for them to get help.

Thirdly, if we were signatories to the convention, the Minister would have to do something about this level of labour exploitation. Our laws apparently say, and we claim at international events, that we have fantastic working hours and protection and so on. However, 67% of the migrant domestic workers who approached Kalayaan said that they did not have any time off, were working seven days a week and worked on call for 24 hours a day, and more than half of them worked for 16 or more hours a day. The Minister may say that the UK's position is that people ought, voluntarily, to be able to

work for more than 16 hours a day, but I do not believe that those workers were working voluntarily for more than 16 hours a day when their salary was £50 or less a week. If the Minister were a signatory to the international convention, I think that he would actually have to do something about this level of labour exploitation in people's homes.

Mr Gregory Campbell (East Londonderry) (DUP): Does the hon. Lady agree that the Government's position appears to be that signing the convention would either make no difference or create a series of other, consequential problems? Other nations, communities and countries have supported and signed the convention, so does she also agree that the Minister should outline the difficulties that the Government think have appeared and that the rest of us are unaware of?

Fiona Mactaggart: The hon. Gentleman is right. I think that we all find what has happened to be depressing.

As well as being subject to labour exploitation, these workers are also subject to horrific working conditions. About half of those who approached Kalayaan did not have their own room and had to sleep on the floor. We do not expect to see those sorts of working conditions in Britain in the 21st century. Two thirds of them were not allowed out unaccompanied, and two thirds had their passport withheld. That is unlawful. I know of no prosecution, except in cases in which someone has succeeded in being declared as having been trafficked, but that applies to only a tiny minority of these poor victims. Many of them are also victims of psychological abuse.

I have tried to show the ways in which the abuse is widespread and serious. I do not want to accuse the Government of bad faith, but, having talked to people who participated in the ILO process, I was shocked at the way in which our national representative behaved during the negotiations as the agenda approached its conclusion. It suggested that our aim was not in any way to improve conditions for these vulnerable workers. Apparently, the UK often led European Union amendments to attempt to dilute the convention in areas such as working hours and occupational safety and health. I have described the working hours that migrant domestic workers frequently face. Will the Minister tell us what working hours he thinks are reasonable for workers in people's homes? Does he think that they deserve effective, not theoretical, protection in relation to working hours?

Even when all other countries had agreed on positions, the United Kingdom cited continued objections to the consensus, for example, on the working and living conditions of children. What protections does the Minister think that children should have when working in other people's homes? The United Kingdom stated that the final text of the convention would be unratifiable. Indeed, the Government intend not to ratify the convention and will not even vote for it, citing apparent conflicts with EU regulations. The EU bloc and all other major countries decided wholeheartedly to endorse and vote for the convention, so the United Kingdom representative was the only dissenting voice in the plenary voting session on the convention.

On 23 May, less than a month prior to the final decision, the Minister said in reply to a question asked by two hon. Members about the matter:

"The Government will seek a workable convention that can be ratified by as many countries as possible, and consequently protect vulnerable domestic workers worldwide".—[*Official Report*, 23 May 2011; Vol. 528, c. 469W.]

The Minister does, therefore, recognise that an international convention can protect vulnerable domestic workers worldwide. However, having abstained on the ILO vote, can the UK Government play a positive role in encouraging other countries to ratify the convention or protecting vulnerable domestic workers worldwide? We have completely lost moral leadership. Will the Minister tell us what contribution he thinks Britain can make to international action to protect this vulnerable group of workers?

Jim Shannon (Strangford) (DUP): I congratulate the hon. Lady on bringing this most important matter to Westminster Hall for debate. As far as I am aware, she has not mentioned the UK Border Agency and the role that it should play in relation to the convention. Does the hon. Lady feel that the UK Border Agency should be better resourced and equipped to help those migrant workers who, in reality, are slave labour? Perhaps there is a greater role for the UK Border Agency to play in the matter.

Fiona Mactaggart: That organisation should be better at dealing with the issue, but I am not sure that it is easy to do so properly at borders. That is one of the challenges. There needs to be an in-country resource to which vulnerable trafficked people know they can turn for help. Their fear is that if they turn to the authorities for help, they will be outed. Unfortunately, that happens too often as those concerned are classed as illegal. For many people, that is through no fault of their own. They are here without status and they are illegal because their owner—we must not forget that we are talking about a kind of ownership and slavery—has retained their passport unlawfully and has said, "Don't worry, I'll sort this out," and so on.

There needs to be an effective in-country recourse to which people in these circumstances can turn. Unfortunately, the national referral mechanism frequently fails to provide that because it does not consider its first priority to be protecting the individual. There is a laborious tick-box process and, because there is no real prospect of prosecuting someone for trafficking and getting a conviction, often the national referral mechanism will suggest that a person is not really trafficked. That is really sad.

Jim Sheridan (Paisley and Renfrewshire North) (Lab): Certainly we need to break the coalition's "Upstairs, Downstairs" mindset in relation to workplace issues. On the question of people having to report the horrific circumstances in which they live, does my hon. Friend agree that the trade unions' work on taking the evidence that was given—and I hope the Minister will arrange meetings with the trade unions to talk through the issues—is vital? If the trade unions had not been there to pick up these issues, I doubt anyone else would have done so.

Fiona Mactaggart: My hon. Friend is absolutely right. One of the powerful things about the ILO is that it is tripartite—it involves Governments, employers and trade unions. Where trade unions have picked up these issues, they have been brilliant. It has been difficult in some

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ways because trade unions have traditionally organised in big workplaces, and organising domestic workers has been a challenge for them. I had the privilege of speaking to a Nepali trade unionist who talked about how she had organised domestic workers in Nepal. Frankly, if someone can organise domestic workers in Nepal, they must be a genius organiser. It was wonderful to hear about their work in connecting to this vulnerable group of people. That was a strong piece of evidence about how trade unions can, by reaching out to people who are in these completely isolated workplaces, protect workers very well.

I want to draw my remarks to an end. I said that I would conclude by citing the Centre for Social Justice. When Gavin Poole, the executive director of that organisation, launched his very welcome inquiry into trafficking he wrote:

"Enslaved in homes across the UK are vulnerable domestic workers who want to earn money cleaning and cooking, but instead have their passport seized by their 'owner' and are forbidden to leave the house in which they live and work; sleeping on the kitchen floor and eating leftovers from the family meal is commonplace. We believe that whilst there is much good work going on in the UK to confront slavery, much of it led by the voluntary sector, there is a need for a strategic overview to detail how this hidden criminal activity can be defeated once and for all. For instance, it is essential that all government departments, the voluntary sector, the police and local authorities move in the same direction in order for the UK's response to be appropriate and effective...One slave in this country is one too many, and it is time for the UK to take a lead again. I encourage people who think slavery is a thing of the past to look again, and join the CSJ as we work to help build a different future for people trapped in this tragedy."

The Minister's coalition Government have borrowed many ideas from the Centre for Social Justice. I hope that they do not make this one an exception because, on this matter, what we see are words going in one direction and actions going in another direction. The Minister should change his mind. Let us have another U-turn.

9.57 am

Andrew Selous (South West Bedfordshire) (Con): I congratulate the hon. Member for Slough (Fiona Mactaggart) on securing this important debate. I, too, attended the launch of the Centre for Social Justice inquiry into modern-day slavery and human trafficking. When I first heard at that event that the United Kingdom had opted out of the convention, I must admit that I was worried. I did not know why we had done that. On the face of it, it sounded an odd thing to do and it concerned me greatly. However, I have to say to the hon. Lady and other hon. Members that, when I looked more deeply into the issue, I realised that there were reasons why the United Kingdom did so.

The hon. Lady concentrated heavily on the issue of human trafficking, which she and I have made common cause on and no doubt we will continue to do so. I point out to her that the United Kingdom has recently signed the European convention on human trafficking, and I am happy to admit that I was one of the Members who lobbied our Ministers heavily to do so because I thought it was the right thing to do. I join her in saying that slavery and human trafficking is a modern evil; it is a disgrace that it goes on in our age. Some 27 million people are in slavery around the world, not just in domestic labour, but in bonded labour in factories and in prostitution. She is right to be concerned about the issue.

From the hon. Lady's remarks, hon. Members might have gained the impression that the ILO convention would have an impact purely on those evil employers who traffic people to be their domestic workers. In fact, the implications of the ILO convention are much wider than that. The United Kingdom already provides significant employment protection for domestic workers; in fact, in general, it makes no distinction between domestic and other workers. It is worth reminding hon. Members that domestic workers benefit from being paid the national minimum wage. They receive sick pay, paid annual leave and protection from unfair dismissal. That already exists in United Kingdom law. We do not need an ILO convention. Those are rights enshrined in law by this Parliament. What we need is greater enforcement. We need to seek out and identify employers who are behaving badly.

Nia Griffith (Llanelli) (Lab): Is the hon. Gentleman saying that, if we have something that is better than an ILO convention, we should not sign up to it? That is what he seems to be implying. He is implying that, if we have something better, then we do not need it. Surely, if we have something better, it is not problematic to sign up to it.

Andrew Selous: If the hon. Lady will allow me to develop my argument a little further, she will understand what I am saying. I just wanted to make the point regarding the protections that all of us are rightly concerned about. I have taken to task many employers in my constituency and elsewhere who have not behaved properly towards their workers. We need to enforce the law that we already have. I am looking for reassurance from the Minister, as, I am sure, are many hon. Members. There is much in the text of the convention that he will be keen to apply. He will want to ensure that we root out evil employers who treat their domestic staff in the way described by the hon. Member for Slough. There is not one of us here, including me, who wants to see that continue.

There is much in the convention that is good, but there are one or two areas that are problematic. One problem in particular is that it applies to other groups of workers that the hon. Lady did not even mention in her remarks. She read out the list of countries that did not sign the convention, including the United Kingdom. What she did not tell us was that a number of countries did sign it, but then said that they were not going to ratify it.

The United Kingdom has, quite rightly, very high standards when it comes to international agreements. We are a country of our word. If we say that we are going to do something, we do it. We play cricket, we believe in the rules and we follow them. It is pretty dishonest of many other countries, which she did not name, to sign up to the convention and then say that they will not be ratifying this bit or that bit.

Fiona Mactaggart: Canada, for example, said that it would find the convention difficult to ratify. I read the whole of the report, but I did not read that any country

said that they would not. They said that they would struggle to ratify it, and I think that that was simply being honest.

Andrew Selous: I am making a slightly different point. Some countries ratified the convention, but then said that they would not enforce it. I just think that that is dishonest. The United Kingdom could have gone along and signed, got a pat on the back, not have had the aggravation of having this debate today, and then quietly not done anything about it. I am proud that, as a country, if we say that we will do something, we do it—that is important.

Jim Sheridan: The hon. Gentleman is right to identify the protection that workers have in this country. Does he understand, however, the frustration of people who are frightened to raise these issues with their employer for fear of losing their jobs? What would his suggestion be for people who are not being paid the minimum wage, and who are being mistreated in the workplace? What does he suggest that they do?

Andrew Selous: I am not sure that the convention actually gives them any particular rights that they do not have under employment law. I suggest that they contact Kalayaan, as the hon. Member for Slough said. There needs to be an education campaign. With evil people treating domestic workers like that, we need to find every opportunity to help them to realise what rights they already have.

Mr Davey: Before my hon. Friend moves on, his point about the number of countries that are members of the ILO not ratifying is very important for hon. Members to understand. Only one of the 25 conventions agreed in the ILO in the 20 years up to 2006 has achieved more than 30 ratifications, although there are 183 members of the ILO. That speaks volumes for how some member states approach voting on conventions and subsequent ratification.

Andrew Selous: I am grateful to the Minister for giving us those points of detail, so that they are now on the record.

The workers whom the hon. Member for Slough did not mention, and the reason that I have come to speak in this debate today, are people such as child minders, carers, housekeepers, cleaners and nurses who work for many of our frail and elderly constituents. The worry is that the imposition of criminal health and safety law in people's private homes could mean that some of our frail and elderly constituents could be forced out of their homes and into residential care. All I would say to hon. Members is that they can come here and share my passion, and the passion of the hon. Lady, against the evils of human trafficking—we are as one in this Chamber on that issue. If she looks closely, however, at the text of the convention and its implications, inspectors could come into our constituents' private homes, examine the rooms, gadgets and layout of the house, and perhaps tell a frail, elderly lady that her home is not fit to have a carer. That lady could be forced to move into a residential home.

The Government are right to be wary of some of the unintended consequences that they believe the ILO convention could have. As I said earlier, it is important for the Government to enforce those parts of the convention that are important and that we can agree on. There is, however, another group of perhaps 250,000 or 300,000 workers who we have not heard about—child minders, carers, cleaners and housekeepers. We have not heard what the effect on their employment could be if the enforcement of this ILO convention is not got right.

Mr Gregory Campbell: The hon. Gentleman is outlining potential consequences for the United Kingdom. Is there any evidence of any of those problems happening in the countries that have signed the convention?

Andrew Selous: This is a new convention that is being signed, so neither the hon. Gentleman nor I know what will happen. I come back to my general point.

The hon. Member for Slough was good enough to say that she was not necessarily impugning the motives of the Government. I am just trying to explain, as I understand it, the rationale for the United Kingdom to hesitate. It is not because the Government, or any members of it, are in favour of employers treating their staff wrongly. On the contrary, as a Government, my hon. Friend the Minister and my hon. Friends here today will say that we hold no candle for rogue employers. We want employers to treat workers fairly and properly, but we think carefully before we sign.

The hon. Lady spoke just about human trafficking. From her remarks, we would not have thought that the convention would apply to many of our constituents who work as carers, cleaners, nurses or housekeepers for our frail and elderly constituents who need extra help. All I say to hon. Members—who I think have come to the Chamber for honourable and proper reasons, and for reasons that I think we all share—is that there are wider implications to this issue. There could be unintended consequences. I will press the Minister to ensure that we enforce the convention—we can do this ourselves, we do not need to sign all parts of it—where we think that it is right, and where we think it bears down properly and legitimately on unscrupulous employers. I believe that he will be able to give me that reassurance when he comes to reply to the debate.

Several hon. Members *rose—*

Mr George Howarth (in the Chair): Order. It may be of assistance to those present if I point out that I intend to call the Opposition Front Bencher at 10.40 am. If those who speak in the meantime could keep their remarks within that time frame, we should be able to fit everybody in.

10.9 am

Jack Dromey (Birmingham, Erdington) (Lab): First, I pay tribute to my hon. Friend the Member for Slough (Fiona Mactaggart) for securing the debate.

May I start by telling a story? We need to bring alive the human face of what we are talking about. It is about a young Nigerian woman who was deserted by her father when she was five, went to live in Benin and came to this country as a domestic servant. She told, in her own words, of her experience:

> "I would wake up at 7 am to start the work, bring the 2 children to school and the youngest at 11.30 then picked them altogether at 3.00 pm. I did the general housework while the children at school. At night, I had to wait for my employer to open the door even at midnight though she had a key. I didn't remember any single moment that she wasn't angry, the moment I saw her, I felt very scared already."

[Jack Dromey]

She then talks about how her employer effectively held her captive:

"She took my suitcase, kept my passport. Bank card and National Insurance card and did not give my salary for 2 months which was £250 per month only. My employer shouted non stop at me and pulled me out of the house. As I had nowhere to go, I knocked and knocked the door but for three days and three nights, my employer never opened the door. It was raining and winter, I was cold, hungry and scared in the dark."

The teacher of the two young children then advised the young woman to escape from such a form of modern-day slavery. In her words:

"I had nowhere to go so I went to the Park and slept there for nights. I was very scared but there's nothing I could do, I was all alone in the dark, I thought of my mother and sisters. How I wish they were just near me that at least I could hug them. The sky was very dark, I could see the beasts coming out from the dark, they were wild and heartless creature living in a beautiful Rose Garden"—

she was hallucinating—

"they would come out and attack helpless life wandering around like me. I couldn't see any hope but I prayed and prayed, this was all I could do."

The young woman went to that admirable organisation, Kalayaan. She was then supported—I am proud to say this—by my former union, of which I was deputy general secretary; for many years, the old Transport and General Workers Union, now Unite, has championed the cause of domestic servants in this country.

I will cite figures from a union survey of hundreds of domestic servants in London, whose length of service varies, but whose answers reveal a depressing pattern. Fewer than half of them were issued with written terms and conditions of employment. Almost half received itemised payslips with their wages and, typically, they worked long hours, aggregating well beneath the national minimum wage. In terms of treatment in the home in which they are working, fewer than a third received sick pay, with the majority forced to work when they were unwell, and a third of them were injured in that workplace, their employer's home.

Andrew Selous: The hon. Gentleman has read out an appalling list of employer abuses, but does he not agree that they are already illegal? He went through a list, but we have legislation dealing with almost every issue that he read out. What we need is greater enforcement and vigilance to apply the law that we already have.

Jack Dromey: The law is not properly enforced but nor are our Government giving leadership. What message does it send if we are in a sorry minority worldwide in not signing up to the convention? I will come to the point made by the hon. Gentleman in a moment but, if we look at the grounds cited by the Government for refusing to sign the convention, they include objections on the basis of working time and health and safety, yet the evidence is absolutely clear: most individuals concerned work unacceptably long hours for less than the minimum wage and often in unsafe conditions, given the injuries they sustain.

All of this has a depressing pattern. In relation to the convention, the Government have failed to give moral leadership—that is what is necessary—or to show determination to enforce the law. They also dragged their heels over the European Union directive on sexual trafficking, and took a minimalist approach even when finally accepting their responsibilities. My hon. Friend the Member for Paisley and Renfrewshire North (Jim Sheridan) is in the Chamber. He led on bringing the Gangmasters Licensing Authority into being but, sadly, the effectiveness of another organisation with an outstanding track record in combating modern-day slavery is being watered down by the Government. Now, it is the ILO convention.

When the convention was debated, one of the TUC representatives was a woman called Marissa Begonia, who is a member of Unite. She and the other worker representatives hoped that our Government would accept their responsibilities, as had, she said, virtually all the other employer and governmental representatives. She thought, "Surely, our Government must share in this consensus that there must be effective action internationally and nationally." She was utterly dismayed that the country to which she is devoted failed to sign up.

In conclusion, it is utterly extraordinary that our Government, led by our Prime Minister, who quite rightly last week told China that it needed to accept its human rights responsibilities, did not sign up to the ILO convention, but China, America and virtually every other Government in the world did. We are in a sorry minority of those failing to accept their responsibilities. We are talking about desperate circumstances facing good women, of whom I have met many over the years. I remember a particular meeting, with 30 of them. They were people with bright eyes and hope on their faces, who had come here often to support their families or villages back home. They thought that coming to and working in this country would be a brave new world, but they came here and were treated utterly shamefully. This Government and this House should be on the side of such people. What this Government have done is to abrogate completely their moral responsibility.

10.16 am

Grahame M. Morris (Easington) (Lab): It is a pleasure to serve under your chairmanship, Mr Howarth. On the record, I thank my hon. Friend the Member for Slough (Fiona Mactaggart) for securing this important debate on Government policy on the ILO convention on domestic workers.

Many debates in this Chamber, such as on the issue we are discussing, might be lightly reported. Nevertheless, the Government decision on the ILO convention has significant consequences which will reverberate across the globe. It is significant because of what is being said to some of the most vulnerable people throughout the world as well as to potential traffickers. It leaves a stain on Britain's reputation as an advocate of basic human rights, casting a cloud over our democratic values.

So important is the decision, that the Government have been accused by many commentators of betraying Britain's 200-year history of anti-slavery and of isolating itself on the margins of the world stage. By abstaining from voting on the ILO convention on domestic workers, Britain has lined itself up alongside countries where workers' rights are routinely infringed. Press reports state that the Department for Business, Innovation and Skills does not intend to ratify the convention "for the foreseeable future", ruling out the application of the convention to British workers.

Catherine McKinnell (Newcastle upon Tyne North) (Lab): Does my hon. Friend share my concern that the Government's position seems to be at odds with their international development policies, which are stated to be working towards improving the support for and the working rights of marginalised workers? Britain is therefore put in a difficult position when trying to speak on the world stage on such issues.

Grahame M. Morris: My hon. Friend makes a good point well. I completely agree with her.

The decision to abstain has two damaging effects. First, it will leave domestic workers in the UK, namely nannies, cooks, cleaners and the like, vulnerable to the risks prevalent for them. Secondly, it will undermine the UK's standing and moral leadership on the international stage. For countries whose citizens, including domestic workers, have far fewer legal protections, Britain has abdicated its position as their champion. By neglecting their duty in this matter, the UK Government have tarnished their international reputation. People would be astonished to learn that workers who live with their employers in the UK and are treated as family are not covered by the working time or health and safety legislation, and are not entitled to the minimum wage. In fact, the ILO convention would have extended to those in domestic employment only very basic labour rights that are available to all workers—rights such as reasonable hours of work, weekly rest of at least 24 consecutive hours, a limit on in-kind payments, clear information on terms and conditions of employment, and some of the most basic rights of workers, including freedom of association, and the right to collective bargaining. Those are not extreme demands; they are moderate requirements.

ILO estimates of the number of domestic workers worldwide put the minimum at 53 million with the likelihood of the true figure exceeding 100 million. Domestic workers are often hidden behind closed doors, so they are all too often unregistered, and that higher estimate may be conservative. The ILO's Director-General, Juan Somavia, said:

> "Bringing the domestic workers into the fold of our values is a strong move, for them and for all workers who aspire to decent work".

Unfortunately, that modest move was too strong for our Government.

The improvement on gender equality has also taken a hit from the British Government's neglect because, as my hon. Friends have said, many of those workers are young women and girls. The ILO document "Questions and Answers on the Convention Concerning Decent Work for Domestic Workers" states unequivocally:

> "The impact is tremendous. The mere fact of stating unambiguously that domestic work is work is a very important step toward gender equality in the world of work, because domestic work mainly employs women."

The Government's position has been weak and disingenuous. They have claimed that domestic workers in this country are covered by protective laws anyway. The truth is that they are not treated like workers in any way at all. Many are poorly treated, as we have heard, and are paid nowhere near the minimum wage. Some are effectively prisoners in the homes where they work, and rely on their work for their home, shelter, food and livelihood.

Andrew Selous: On the minimum wage, does the hon. Gentleman agree that we do not need to sign the ILO convention because we already have legislation on that? It is already illegal not to pay the minimum wage, and rightly so.

Grahame M. Morris: My hon. Friends have indicated that many domestic workers feel intimidated, and are unwilling to resort to traditional means. I do not accept the hon. Gentleman's assertion. Many of his arguments were deployed against the UK Government signing up to the convention on human trafficking, and in relation to basic health and safety. I do not accept that domestic workers are already covered by effective legislation.

Jim Sheridan: Does my hon. Friend share my sadness at the suggestion of the hon. Member for South West Bedfordshire (Andrew Selous) that if the ILO convention were signed, old women would have their houses raided by inspectors to make sure that the working conditions and their houses are suitable for people to work in? That is ridiculous.

Grahame M. Morris: I am grateful for my hon. Friend's intervention. The point made by the hon. Gentleman is a scare tactic. I remind hon. Members that basic health and safety regulations apply in the workplace, so it is nonsense to suggest that signing up to the ILO convention would somehow disadvantage the groups identified.

It is appalling that the CBI voted against the convention, but no more so than the fact that the British Government abstained. The only way for the Government to restore their credibility, not just here in the UK, but internationally, is to lay out their plan to ratify the convention for the benefit of domestic workers in Britain. I am aware that the TUC has set up a campaign for ratification in alliance with domestic workers and several charities and non-governmental organisations. I hope that hon. Members will take note of that, and that those who follow our proceedings will support it.

I know that other hon. Members want to participate, but before finishing I want to touch on one of the progressive moves that set the ball rolling on improving rights, particularly for migrant domestic workers. The visa for domestic workers was introduced in 1998 for the specific purpose of protecting migrant domestic workers from abuse and exploitation. It recognised their vulnerable position in the under-regulated work environment, their isolation from co-workers, and their absolute dependency on their employer for finance, accommodation, immigration status, and information about their general rights.

Signing the convention would be a first step in putting the employment relationship, visa demands and working choices in the hands of migrants to some degree. Migrant domestic workers could, for the first time, enforce their rights. I hope that the Minister will not simply read out the line on the Government's absolutely unacceptable position. Instead, I hope that he will reflect on what has been said today, and that he will take steps to rectify the damage that has been done to our international reputation and standing on workers' rights, taking the cause of domestic workers backwards and aligning the British people with some of the most deplorable regimes, which have been labelled an axis of evil—I do not

[Grahame M. Morris]

know whether that is a fair assessment—and which would make many decent people in the United Kingdom ashamed.

Will the Minister review the Government's position, and dissociate themselves from the CBI on this issue? Will he also lay out a plan for Britain to ratify and abide by this internationally backed convention?

10.27 am

Nia Griffith (Llanelli) (Lab): I congratulate my hon. Friend the Member for Slough (Fiona Mactaggart) on securing the debate. She has a long track record of vigorous campaigning on this and related issues. She has explained the reason for the debate: to call the Government to account for their decision to abstain on the vote a fortnight ago on the International Labour Organisation's convention on domestic workers. Detailed preparation of the ILO's landmark convention continued for some time—indeed, since last year—with opportunities for countries to contribute to the work in progress in readiness for the vote on the convention at this year's ILO international labour conference in Geneva some two weeks ago on 16 June.

Many people were taken aback to discover that although 173 Governments voted for the convention and only one, the Swaziland Government, voted against, the UK was one of eight countries that abstained from voting for the ILO's convention on domestic workers. It is even more surprising that given the recent media reports about abuses in other countries and inexcusable treatment of domestic workers, the UK has, in abstaining, aligned itself with El Salvador, Malaysia, Panama, Singapore, Thailand, the Czech Republic and Sudan. The USA Government voted for the convention, and with the exception of the Czech Republic all EU countries voted for it. As we know from our previous discussions on the European working time directive, there is a plethora of different opt-out arrangements in many EU countries, but that has not prevented them from signing up.

Only last week, *The Times* reported on the

"abusive conditions endured by domestic workers...and their powerlessness".

I believe that the Government have, by remaining silent, condoned that. We have heard horror stories today, and it is now clear that our Government are sending out completely the wrong message to millions of domestic workers around the world. When trying to help and protect them, they are often among some of the hardest to reach, particularly if they have recently arrived from abroad, live in, and have little knowledge of where to find help. Since 1998, following legislation by the then Labour Government, the UK has offered the overseas domestic worker visa, which provides workers with the possibility of independence from their employers. Will the Minister tell the Chamber what plans the Government have for the future of the overseas domestic worker visa, and whether there is any truth in the suggestion that they are looking to scrap it? I remind the Minister that the visa was introduced in 1998 with cross-party support, and that scrapping it would be a backwards step.

In 2008, the Labour Government set up the vulnerable worker enforcement forum, recognising that there was still much to be done to tackle hidden exploitation, and that vulnerable workers need an awareness of their employment rights and to know what to do if they suspect that those rights are being breached. My right hon. Friend the Member for Wolverhampton South East (Mr McFadden), then the Minister responsible for employment relations, set up and chaired a fair employment enforcement board. Campaigns were run to raise awareness of employment rights and encourage the reporting of abuses. Some £6 million of extra funding was provided to supply information about workers' rights. As the hon. Member for South West Bedfordshire (Andrew Selous) suggested, that educational role is important and we must get information about workers' rights to the relevant people. That campaign included outreach work using buses, but domestic workers are particularly difficult to reach, and both the carrot and the stick are important. We need education, but also the Gangmasters (Licensing) Act 2004, the temporary and agency workers directive, and now the domestic workers convention.

The ILO stated that

"this instrument sends a very strong political signal."

By not backing the convention, the Government also send a strong political message, but of a different order. I am disappointed with the decision, and hope that the Minister will explain what he is doing to ensure that Britain protects its work force, no matter what jobs they do.

Let us look at some of the detail in the convention. Before the meeting in Geneva, the UK Government expressed concerns about three areas of the draft text: first, the articles covering working time; secondly, the potential application of health and safety regulations to private dwellings where domestic workers are employed; and thirdly, those sections of the convention that call for greater regulation of private employment agencies.

Considerable preparation went into the drafting of the convention, and if we look at how it is worded, we see that its articles refer repeatedly to bringing the law concerning domestic workers into line with existing national laws for the rest of the work force. For example, article 10 states:

"Each Member shall take measures towards ensuring...normal hours of work, overtime compensation, periods of daily and weekly rest and paid annual leave,"

which should not be less favourable than those provided for workers generally in accordance with national laws and regulations. In other words, as would be expected for an agreement that is prepared for endorsement by countries across the globe that have different laws and traditions, the convention allows countries to refer back to their own national laws and regulations. Legislation already in place for workers generally can be extended to domestic workers.

Mr Davey: Will the hon. Lady explain why the previous Government never extended the working time directive to domestic workers?

Nia Griffith: We could have an entire debate on the working time directive, but I am not going to get too distracted by that. I remind the Minister that we had an interesting discussion the other day in a European Committee, and it became apparent that most of the 27 countries in the EU operate various types of opt-out from the working time directive. Our original opt-out

has been copied in many different ways, but each country has its own ideas. It is recognised that we need a full and frank discussion about what happens next; the picture across the EU has been a little confused and when we look at our domestic law, we need to ask what is appropriate, including for domestic workers. It is clearly not appropriate for people to work seven days a week, 24 hours day. We need to look at best practice and ensure that we follow that type of model.

Jim Sheridan: My hon. Friend should not be so modest. The Leader of the Opposition has said clearly that mistakes were made by the previous Government that we need to rectify. Although we recognise that, it is not an excuse for the current Government to bring in legislation.

Nia Griffith: Absolutely, particularly on issues that have taken years of discussion to get to our current position.

Let us return to how the articles in the convention are worded. They state that we should try to make national laws that apply to the general work force apply to domestic workers. That is not easy because domestic workers are often the hardest to reach. Nevertheless, we need to educate people and use the stick as well as the carrot.

The Government have said that they

"do not consider it appropriate or practical to extend criminal, health and safety laws, including inspections, to private households employing domestic workers. It would be difficult, for instance, to hold elderly individuals employing carers to the same standards as large companies."

Let me remind the Minister of two parts of the convention: article 13 and the relevant recommendation. Article 13 states that each member should take appropriate action,

"with due regard for the specific characteristics of domestic work".

It is clear that the convention views work undertaken by corporations and that carried out in people's homes as different, and does not demand that they be treated similarly.

Mr Davey: The hon. Lady argues that the convention would not require health and safety legislation to be extended to homes where there are domestic workers. Is that her position? It is certainly not the legal advice we have received.

Nia Griffith: It is certainly not my position. Article 13 states that appropriate measures should be taken,

"with due regard for the specific characteristics of domestic work".

We all know the benefits of health and safety provisions. For example, when students come to do work experience with me I receive a form from the school, asking about fire exits and smoke alarms. Those are sensible and routine questions that every office should be able to answer appropriately. Exactly the same should be the case with domestic workers. We would not want people to work in circumstances that are not safe. We now have higher standards than we used to have—thank goodness; those standards have considerably reduced the number of accidents at work. The convention states that although what is appropriate in a home may be different from what is appropriate in a corporation, that does not mean that protection should not exist.

Mr Davey: Is it therefore the Labour party's position that the Health and Safety at Work, etc. Health and Safety at Work, etc. Act 1974 should be extended to households where there are domestic workers?

Nia Griffith: It is appropriate to endorse what is in the convention. The convention seeks to sort the issue out and find what is suitable.

Fiona Mactaggart: The Health and Safety at Works etc. Act 1974 does apply to domestic workers. The only exception relates to criminal legal sanctions. We know that in practice the Act is already enforced differently for small employers and large employers. Therefore, in response to the hon. Member for South West Bedfordshire (Andrew Selous), it would be perfectly proper for the Act to be imposed more lightly in a domestic workplace with only one worker than it would be in a big workplace with dangerous machinery and many workers. That is already the case in Britain. My view is that the Government are trumpeting an excuse.

Nia Griffith: I thank my hon. Friend for her excellent explanation. Let us move on to recommendation 20, which states:

"Members should consider additional measures to ensure the effective protection of migrant domestic workers' rights, such as...providing for a system of visits to households in which migrant domestic workers will be employed".

The emphasis in the recommendation is on looking into and trying to find out the best way to deal with the matter. What has the Minister done, for example, to find out what happens in Finland or Ireland? What has he done to find out what happens in other countries, so that we can learn from those models, look into the best ways of dealing with the matter—best practice—and achieve improvements in standards?

The Government's actions so far send a stark message to the world. By not supporting the convention, the Government are sending a bleak message to domestic workers not only in the UK, but throughout the world—perhaps 100 million people, who in some countries constitute up to 12% of the work force. The UK still commands considerable respect in the world, but at a time when the convention has been supported by 173 countries, including the US and almost all of the EU bloc, the Government seem to be suggesting that they will not stand up for the idea of extending to domestic workers the same basic rights as those enjoyed by workers throughout the economy. That is sending a very gloomy message to the world.

I would like to ask the Minister a few questions before I finish. Will he explain exactly why the UK chose to abstain from voting for the convention? It would have formed the basis for the UK to improve protection for domestic workers in the UK and would have shown leadership to the many countries in the world that still respect the UK and whose Governments may be trying to ratify the convention in very challenging circumstances.

Media reports quoted the Minister's Department as saying that the Government would not be ratifying the convention to bind the UK by its rules "for the foreseeable future" and so they felt that it would be wrong to vote for it at all, but why do they not intend to ratify it for the foreseeable future? Is it just a low priority? Is it that no

[Nia Griffith]

one in the Government wants to work out how existing UK law can be extended to cover domestic workers? That is what the convention is about—extending existing UK law. After all the times that hon. Members on both sides of the House have raised the related issue of the EU directive on human trafficking, are the Government still not aware of how much concern there is about this issue?

Will the Minister explain why a spokesperson for his Department is quoted in the press as saying that the Government "strongly support" the principles enshrined in the convention and that the UK

"already provides comprehensive employment and social protections to domestic workers"

when there is clearly plenty of evidence to show that, in reality, domestic workers do not always enjoy such rights and benefits?

What is the real reason behind the Government's decision? Is it a complete phobia of anything that might look like a regulation, and the hollow-sounding promise on regulation? This year, it has been a case not of one in, one out, but of 53 in and three out. Are the Government succumbing to the constant demands from their Back Benchers, the hon. Members for Shipley (Philip Davies) and for Christchurch (Mr Chope), who regularly propose scrapping the minimum wage and heap ridicule on measures to protect workers from exploitation? I sincerely hope not.

Now that the UK has not voted for the convention, what do the Government intend to do to improve the rights of domestic workers in the UK? Having abstained in the ILO vote, how can the UK Government play a positive role in encouraging other countries to ratify the convention? Can the Minister confirm whether it is true that in the negotiations, the UK also asked to be officially disassociated from an agreed EU position on encouraging countries to consider adopting voluntary codes to cover incidents of abuse of domestic workers by their diplomats while posted abroad? I ask that in the light of a report this week in *The Guardian*, which states:

"The US state department has expressed concern about the abuse of domestic staff working in foreign embassies in London, saying repeated allegations of mistreatment have not been addressed by the government."

That is a very serious accusation indeed.

If the legislation and the reality are already better than what is required by the convention, what is the problem with signing up to it? If we are saying that our existing laws are too good to be extended to domestic workers, I find that disgraceful. If we are not yet in a position to meet all the demands of the convention, surely it would be an aspiration to work towards and we should look towards ratifying it. Will the Minister explain why the Government have chosen to put us in an extremely embarrassing position in the world by not signing up, sending out a very negative message to workers both in this country and abroad?

10.44 am

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Mr Edward Davey): I congratulate the hon. Member for Slough South East (Fiona Mactaggart) on securing a debate on this important subject. She spent quite a lot of time talking about trafficking, and I understand her campaigning role on that and her record, but we do want to talk about the text of the convention, so I thank her for the opportunity to explain why the Government abstained on the vote on the convention while strongly supporting its principles.

A key factor in understanding our position is recognition of how the convention would or would not have changed our domestic laws for domestic workers. In the UK, we already have a legal framework of basic employment rights and social protections for employees and workers, including domestic workers. So, like other workers, most domestic workers benefit from the national minimum wage, statutory sick pay, paid annual leave and protection from discrimination and unfair dismissal, as well as other protections. My hon. Friend the Member for South West Bedfordshire (Andrew Selous) was completely right about that: the key question is enforcement.

Fiona Mactaggart: The Minister says that most domestic workers benefit from paid annual leave.

Andrew Selous: They should.

Fiona Mactaggart: I am sure that they should. I want to know how the Minister knows that most actually do, because in my experience, it is very likely that most do not. I do not know how he knows that most do.

Mr Davey: This is a question of the law. The law says that those workers are entitled. Signing the convention would have made no difference to that. The question that my hon. Friend the Member for South West Bedfordshire raised was about enforcement. The hon. Lady should understand that. It is about enforcement.

Nia Griffith: If the issue is about enforcement and we already have existing legislation, what is the problem with signing up to the convention? Of course we need to improve our enforcement. We need to do that in many areas. However, if the legislation is sufficient, in the Minister's view, to meet the convention, what is the difficulty?

Mr Davey: Of course I will come to that point as it is central to my speech, but let me say for the record that I am undertaking a review of enforcement and compliance rights in the UK to try to improve enforcement in the UK. I hope that my hon. Friend the Member for South West Bedfordshire would welcome that.

Domestic workers have the same access as other workers to mechanisms for enforcing their rights. The national minimum wage and statutory sick pay, for example, are enforced by Her Majesty's Revenue and Customs, and those and other rights can also be enforced by individual workers, if necessary by taking a case to an employment tribunal.

If the domestic worker is an agency worker, they have additional protections under the Conduct of Employment Agencies and Employment Businesses Regulations 2003. Those regulations prohibit agencies from charging work-finding fees; require agencies to pay workers for all the hours worked; and provide other protections. They are enforced by my Department's employment agency standards

inspectorate, which responds to complaints and, additionally, carries out a programme of proactive, risk-based inspection.

The pay and work rights helpline, set up by the previous Government, provides an accessible single point of contact for all workers—and, indeed, employers—seeking advice about or wanting to report abuses. It covers basic employment rights, such as the national minimum wage, working hour limits and the special regulations applying to agency workers. A translation service is provided in more than 100 languages for those who need it.

As required by the convention, our child employment regulations are robust. Children under the minimum school leaving age can only do light work, and there are strict rules on when and for how many hours children can work.

For egregious offences at the serious, criminal end of the spectrum, the UK has recently introduced a new offence of holding someone in slavery or servitude or requiring a person to perform forced or compulsory labour. The offence builds on existing statute and will in some circumstances make prosecutions easier.

Signing the convention would have made no difference to the measures that we have in the UK. It would have made no difference to stopping slavery or human trafficking. Why? Because we already, rightly, have some of the strongest laws in this area. There is no question, then, about the Government's commitment to the principles behind the convention. In almost all respects, our laws already match the requirements set out in the convention.

I come now to the question posed by the hon. Member for Llanelli (Nia Griffith): if we already comply with almost all of the convention, why did we abstain? The main sticking point for us is the convention's approach to health and safety in private households. The wording does not provide sufficient flexibility to meet the UK's long-established approach. Nor does it match our principles of proportionate regulation based on risk. Indeed, because it is inflexible and disproportionate, it could, if implemented, have damaged the interests of vulnerable people. I am sure that the hon. Member for Slough South East would not want that.

Fiona Mactaggart: I am not Slough South East; I am all of Slough.

Mr Davey: I apologise to the hon. Lady.

Let me explain the position in detail. Article 13 of the convention requires each member to take

"in accordance with national laws, regulations and practice, effective measures, with due regard for the specific characteristics of domestic work, to ensure the occupational safety and health of domestic workers."

For the UK, that requirement to take effective measures would, in practice, mean extending the Health and Safety at Work, etc. Act 1974 to private households employing domestic workers. I ask colleagues to consider what that would entail.

Fiona Mactaggart: As I understand it, the Act does apply to private domestic workers, with the exception of section 51, which provides a specific exclusion in relation to criminal prosecution. It is not usual for people in a small workplace to go to criminal prosecution without previously having been advised by inspectors, unless there has been a death or serious injury. As I said in my speech, perhaps the Minister can give us an example of where criminal prosecution has taken place in a small workplace.

Mr Davey: I have to tell the hon. Lady that domestic workers are excluded from part I of the Act, which covers health, safety and welfare in connection with work and the control of things such as dangerous substances, and which includes some general duties. There are protections under civil law, and I will come to them in a second, but I am afraid that signing the convention would have meant extending the Act to private households employing domestic workers.

Anyone employing a domestic worker such as a cleaner, a home help, a child minder, a carer for an elderly or disabled person, a gardener, a nanny or an au pair—it is a long list—would have been covered by a range of health and safety regulations, and, in particular, by the 1974 Act. Hon. Members might ask what is wrong with that, but they should consider the implications. The Act would place specific duties on such employers to ensure the health, safety and welfare of domestic workers in so far as that was reasonably practicable, and individual householders would have to familiarise themselves with the law. According to the Act, they would need to consider the information, training, instruction and supervision that their helper needed. They would need to assess the helper's tasks and any risks from equipment and substances to which the helper might be exposed. The householder would also have to carry out a wide range of risk assessments, which would be different for each home.

The sanctions for non-compliance would be criminal. Householders failing to comply with the law would be subject to criminal penalties providing for unlimited fines and imprisonment for up to two years.

Nia Griffith: Does the Minister not think that it would be highly desirable for the workplace to be made safe? Does he really want people to be exposed to all sorts of dangers, particularly when a large number of accidents happen in the home? What is his objection to strengthening the health and safety situation of domestic workers?

Mr Davey: I will come to the evidence for not applying the provisions in a second, but if I may, I will continue my remarks, because I want to answer the hon. Lady's questions.

The Act would place a serious regulatory burden on individuals and create a fear of criminal liabilities if things go wrong. That speaks to the point made by the hon. Member for Slough, who says that there are not many prosecutions of small and medium-sized enterprises and that lots of advice is provided before such things happen. We could, of course, contest that, but what she fails to recognise is the fear of prosecutions, so let us look at the implications of that.

There would be new and significant disincentives to employing domestic workers in a private arrangement. Individuals may cease to employ the additional help they need, which could have serious social consequences. Elderly or disabled individuals, for example, could be

[Mr Davey]

deterred by the increased burden they would face from employing carers in their homes, potentially forcing them into residential care.

I assume that hon. Members, like me, visit constituents who are unable to come to their advice surgeries. I have two advice surgeries a week, but I also go to the homes of disabled and elderly people who are not able to come to see me. I have gone into many constituents' homes, and my understanding of the health and safety legislation is that those homes would have to be significantly improved and changed. I do not believe that the people I visit would welcome inspections of their homes, which would be very intrusive.

Jim Sheridan: The Minister is a decent man, and I do not believe that he is reading out the script he has been given to scare people, but does he honestly agree with the hon. Member for South West Bedfordshire (Andrew Selous) that old women's houses will be raided to ensure they comply with health and safety provisions? Is he seriously suggesting that will happen?

Mr Davey: I am not suggesting that, because health and safety inspectors do not raid people's homes.

I ask colleagues to reflect carefully on the legal implications of the position they are taking. The convention would undermine the Government's policy to support independent living, which includes offering personal budgets in the form of direct payments to people receiving state-funded care. In line with Government policy, social care is increasingly being delivered in the recipient's own home, and more than 150,000 people are currently working as social care personal assistants in private homes. That policy was begun by the previous Government, and we support it.

Andrew Selous: I am glad that my hon. Friend has mentioned the personalisation agenda. Does he agree that many of our vulnerable constituents who employ people are quite worried about their obligations as employers anyway? They are not evil people, and they just want their care, but they are quite worried about the implications of being an employer in their own homes.

Mr Davey: Indeed. That is why previous Governments, understandably, did not choose to extend domestic law in the way proposed in the convention; they had the choice, but they did not do that.

Nia Griffith: Is the Minister not aware of the many local authorities and private care companies that provide care? Their arrangements could be replicated in the independent care packages.

Mr Davey: Of course, those would be covered if we went down this route.

What would be the benefit of extending health and safety laws to individuals and increasing the scope of our criminal regime? Why would we want to give health and safety inspectors a new right to visit millions of homes? Why would we want to pass quite an intrusive law, which the previous Government baulked at? The evidence of the need for such a change is weak, to say the least. Despite what the hon. Member for Llanelli said, households are low risk in health and safety terms. If there is any increased vulnerability for domestic workers, it arises not from health and safety concerns, but from issues such as their treatment by their employers, which is already covered in other legislation.

Of course, we could have voted for the convention and then not ratified it.

Fiona Mactaggart: Before the hon. Gentleman leaves health and safety, will he answer the first question I asked him? I asked for a specific example of a small employer, none of the employees of which had died and which was not suspected of putting customers at risk, but which had been prosecuted.

Mr Davey: I do not have such an example at my fingertips. I will write to the hon. Lady. However, she fails to address the fear that introducing these provisions would engender, which my hon. Friend the Member for South West Bedfordshire addressed.

If we had voted for the convention and then not ratified it, what would that have said about the UK? We have heard a lot about our reputation, but other ILO members undermine the ILO by not going ahead and ratifying conventions they have voted for, which is no good for the ILO or labour rights. In the negotiations, we tried to come up with a convention that we could have voted for and ratified—that is what we want. We worked very hard on that and we supported the development of the convention because we see it as important. We rightly meet our legal obligations and do not run away from them.

That is a conventional approach to the ILO, and it is one the previous Government took. Let me explain that by giving some examples. The previous Government abstained in an ILO vote on the maternity protection convention in 2000. I think they would have supported the convention, but it no doubt had some burdensome implications in domestic law. The previous Government also abstained in the 2006 vote on the ILO's recommendations on employment relationships. That was probably not because they were against the principles, but because they realised that the provisions would have an impact on UK legislation. In other words, we are taking exactly the same approach as the previous Government.

During the debate, it has been suggested that we are letting the rest of the world down and sending a signal that we do not care about these issues, which is one of the more outrageous suggestions I have heard, given the records of the previous Government and this Government. This Government are leading the world in taking practical action to combat human trafficking and to help exploited workers around the globe. Members should consider the Department for International Development's funding for the Salvation Army anti-child trafficking project in Malawi or its new programme aimed at reducing human trafficking in south Asia, which focuses on helping women and girl domestic workers and garment sector workers. Members should also consider our support for other Governments' anti-trafficking efforts, such as the Bangladesh police reform project, which established a specialised police unit to combat human trafficking. Above all, Members should consider the increase in the overseas aid budget, which comes when other budgets at home are being cut.

I therefore totally reject the suggestion that we are not showing leadership in the fight against some of the awful crimes we have heard about. We are showing leadership here, and we showed leadership on the convention. We regret that we were unable to vote for it, because others were unable to give member states more flexibility in a sensible and measured way.

Kirkstall Forge Railway Station

11 am

Rachel Reeves (Leeds West) (Lab): I am pleased to have secured this debate, which means an awful lot to my constituency. The prospects for Kirkstall Forge are hugely important to local residents, who have been waiting a long time for them to advance. My predecessor worked hard on the issue, and I too have devoted a lot of time to it as the Member of Parliament for Leeds West. It would be reassuring to hear some answers about the future of Kirkstall Forge today.

If you will indulge me slightly, Mr Howarth, I want to explain some of the history of the site, which gives an important context to the issues I want to raise. The site lies between the A65 and the river Aire, one of the major routes in and out of Leeds. The A65 runs along the valley floor, past the remains of the Cistercian abbey. Hon. Members may have seen the production "Frankenstein's Wedding" that took place there, on the BBC recently. It is one of the best preserved abbeys in the country, and as well as playing host to fictional weddings it is the home of an annual festival, which will take place next week, live concerts, plays and, recently, a farmers market.

The monks of the abbey commenced work on the site of the forge more than 800 years ago, and until its closure at the turn of the century it could lay claim to being the longest operating forge in the country. The monks powered their forge through a mill race diverted from the river, which remains today. More recently the forge was turned to heavy industrial use, seizing the opportunities of first rail and then road transport to manufacture axles for trains and motor vehicles. The forge employed an army of workers, who were housed in Hawksworth wood, just up the hill from the site. Its economic success depended on a stop on a railway line at the forge site.

Now that has all gone. The high wall that once hid a hive of activity is now a barrier between the community and derelict space. Since the forge closed it has been purchased by a developer, laying the groundwork for a major project that could mean the forge being brought back into the heart of the Kirkstall community. The plans for Kirskstall Forge are exciting. They offer the prospect of more than 2,000 jobs and more than 1,000 new homes—regeneration for an area much in need of investment. Crucially, however, they also offer improved sustainable transport into Leeds city centre in the east and Bradford to the west, because a new station is integral to the plans. That is why this debate falls within the remit of the Department for Transport.

High-speed rail and the southern entrance to Leeds city station are welcome developments in transport infrastructure in our city. I know that they will bring Leeds significant benefits. However, the project I am outlining, incorporating improvements to stations and the development of two stations—at Kirkstall Forge and at Apperley Bridge—is part of the Leeds rail growth package. When decisions were made about investment in major transport projects in October, there were three categories: supported projects, unsupported projects and a rather more ambiguous development pool in the middle. Kirkstall Forge fell into that uncertain hinterland,

[Rachel Reeves]

where 22 schemes must find extra money if they are to be successful. Those schemes have sat in limbo since then.

The Secretary of State for Transport told the House that schemes in the development pool would be

"challenged...to consider the scope of the scheme, its cost, lower-cost alternatives and their ability to contribute more locally."—[*Official Report*, 26 October 2010; Vol. 517, c. 179.]

The Secretary of State also referred to a further 34 schemes that would be considered as candidates for the development pool, but which had not quite made it that far. The Government have invited improved funding offers, and indicated that final decisions about support for schemes would be made by the end of 2011. I would appreciate it if the Minister would today confirm the timetable for making those decisions, so that we can have some clarity about the process, and tell us the number of schemes in the development pool at the moment, their combined value and the money that is likely to be available for them.

People in Leeds West want to know what is happening to the forge site, and developers, councillors and local transport officials need to start putting plans in place.

Stuart Andrew (Pudsey) (Con): I congratulate the hon. Lady on securing this important debate. Does she agree that the benefits are far greater than just for the site itself? The massive developments in my constituency, in Aireborough and Pudsey, could also benefit enormously.

Rachel Reeves: The hon. Gentleman is correct. He has been a big supporter of the development, and I appreciate that. The benefits of the Kirkstall Forge site, including the jobs and housing that it will bring, will have an effect across Leeds but also, I believe, as far away as Bradford.

First and foremost among the scheme's benefits are its transport benefits. The forge site used to depend on a rail halt to distribute axles around the country. Now, the development that is planned depends on a rapid link into Leeds city centre, and to Bradford. The construction of a station at that point would offer journeys of five minutes into Leeds city centre, a vast improvement on the prospects when travelling by bus or car on the busy A65, which can take as long as 30 minutes, as I know well. The new station would be linked to both Kirkstall and Bramley, and would encourage more sustainable transport for both those communities. Does the Minister agree that we should be encouraging a shift away from cars, particularly in busy urban areas where traffic jams are a common problem, with big environmental, business and economic costs?

As well as offering sustainable, efficient transport, the Kirkstall Forge development promises major opportunities for Kirkstall. It would lever in £350 million of investment in the area, and support 2,400 jobs, in construction and then on site permanently in offices, shops and leisure venues. That is hugely important to an area that has for a long time missed out. Average earnings in my constituency are £18,000—two thirds of the national average—and unemployment stands substantially above the national average. The Hawksworth Wood estate, initially built to house workers on the forge site, now has no major local employer, and residents look to the city centre for work, when it exists. The take-up of free school meals at the local primary school runs at 60% —among the highest in the country. Does the Minister recognise that the scheme could bring multi-million pound investment to an area much in need of regeneration, and will he take that into account when considering the funding allocation for the scheme?

Housing is also a big issue. The proposed development includes living space for 2,600 people. It would make use of brownfield land that is currently lying empty to develop houses that would not impinge on Leeds's green belt, or demand that residents use cars to get to or from work. From my constituency surgeries I know about the huge demand in that part of Leeds for social housing, but also for housing to buy and rent in the private sector. The pressure on developments just a couple of miles away from my constituency in the green belt is also well known to the hon. Member for Pudsey (Stuart Andrew) and other MPs in the area.

When I have raised the issue in the past, I have been told that local support is important. In a letter to me, the Minister of State said:

"We are happy to support the re-opening of new railway stations where the relevant Passenger Transport Executive believes that this is the best way to meet local transport needs and where the scheme demonstrates value for money and is affordable."

I can confirm, as I have done in the past, the support of Metro, the West Yorkshire passenger transport executive. Leeds city council, local councillors and MPs of all parties across Leeds support the plans, as do the chamber of commerce and local businesses. Crucially, the Minister also knows that the development has strong support in the local community: I have received a significant number of letters and e-mails in support of the project, including from residents' associations and community groups. I know that many residents will be watching proceedings today or following them later in *Hansard* to see where we stand. Will the Minister recognise those factors in the decision-making process?

I accept that developments need to be affordable; and cost savings have been made to the scheme. Metro has found approximately 20% in savings through changes to the scheme, and it has also been in discussion with the developers to increase their contribution to the station. At programme entry, the developer had pledged £4 million towards the overall £23 million cost of the Leeds rail growth package. That in itself is a considerable investment on top of the wider investment in the Kirkstall Forge site. The funding requested from the Department for Transport will have fallen by more than 30% since the development pool was initiated, and the station will now cost the Department between £12.3 million and £12.9 million. The local contribution will be over £5.5 million, or more than 25% of the total cost of the project, reflecting an additional £2.6 million investment, subject to agreement.

Will the Minister outline the extent of private contributions to other schemes in the development pool, in comparison with contributions from the private sector and locally for the Leeds rail growth package and the Kirkstall Forge development? Does he believe that this extensive contribution reflects the developer's commitment to the scheme, as well as the commitment of Leeds city council and the passenger transport executive?

Kirkstall Forge can again play an active part in the life of the local community, as it has done in the past. The Minister's Department holds the key to unlocking

that potential, and the railway station is integral to the development. Without the station, the economic benefits of new business space and housing will be much less clear, as the site will be poorly connected to the urban hubs of Leeds and Bradford. Moreover, the impact of the development on the local community will be significantly enhanced if local people can benefit from improved transport links, and if roads are not congested because of the new homes—and new commuters.

The original Kirkstall forge powered jobs and growth in Leeds and Leeds West, and the new development could play a huge role in the economic future of the area, encouraging more sustainable transport, as well as sustainable housing and sustainable jobs. It has major financial backing, it has widespread local support and it fits the Government's criteria for rail development. Will the Minister clarify the future of Kirkstall Forge railway station, and its place in the Leeds rail growth package?

11.11 am

The Parliamentary Under-Secretary of State for Transport (Norman Baker): I welcome the chance to engage twice in one week with the hon. Member for Leeds West (Rachel Reeves), and I congratulate her on securing this debate. It is on a subject that is of great interest to her existing constituents and to those who may contemplate moving to the Kirkstall Forge area in the years to come, as well as to my hon. Friend the Member for Pudsey (Stuart Andrew) and others in the area.

I assure the hon. Lady and her constituents that the coalition Government have rail at the heart of their transport strategy. We recognise that railways can contribute fundamentally to the key overarching objectives of the Department for Transport, which are to foster economic growth and reduce the carbon emissions of the transport sector. The railways can also help to reduce our fiscal deficit, if the money is appropriately deployed. Given the significant pressure on public spending, we are determined to maximise the value of that expenditure, as people would expect.

Investing in our rail network will help to cater for the rapidly growing number of people making rail journeys in all parts of the country. Our rail network is essential in allowing millions of people to get to and from work every day, and in moving people around the country for business and for leisure or pleasure. Between 1994 and 2009, the number of miles travelled by rail passengers in Britain every year nearly doubled from 18 billion to 32 billion, and that growth shows no sign of slowing. It has been resistant to the problems in the economy of the last three or four years.

Transport did well in the comprehensive spending review, and over the next four years we will invest over £30 billion in transport projects across Britain, with £18 billion being committed to the railways. There is significant pressure on public spending, so we are determined to maximise the value of our expenditure.

The Government welcome the publication of Sir Roy McNulty's independent study on rail value for money. The study found that although performance and safety have improved markedly over the last decade, our railways are 40% more expensive per passenger mile than those of our European competitors. The Government are considering the recommendations that are directed to them, and will deliver their response later this year.

In parallel, the Government are developing a wider rail strategy to ensure an affordable, sustainable, safe and high-quality railway that will deliver a better deal for taxpayers and for fare payers. That strategy will clearly set out the roles of Government, both central and local, of the train operators and of Network Rail in securing the future of the railway.

The Government have ambitious plans for investment in rail infrastructure and rolling stock. That is possible only because the Government have taken the tough decisions necessary to protect future investment in the UK's rail industry. Over the next four years, we will provide £14 billion to Network Rail to support capital maintenance and infrastructure investment. We are funding and delivering the Thameslink programme, virtually doubling the number of north-south trains running through central London at peak times. About 600 new carriages will be provided for the Crossrail project, and up to 1,200 new carriages will be procured for Thameslink. A further 650 carriages will have been delivered to the network by March 2014.

On 1 March, the Secretary of State announced that Scotland, Wales and northern and south-west England are to get a fleet of new trains, and more reliable rail links to London. That will create thousands of jobs, boost the economy and improve services for passengers. He gave the go-ahead for the £4.5 billion intercity express programme and for the plans to electrify the Great Western main line between Cardiff, Bristol and Didcot.

Subject to consultation, the Government will proceed with plans for a national high-speed rail network, spending over £750 million during the period of the spending review. When complete, that will dramatically reduce journey times and increase capacity on routes between Britain's major population centres; it will bring Birmingham within 49 minutes of London by rail, and Manchester and Leeds—the latter will be of particular interest to the hon. Lady—to within about 80 minutes. Connections to existing lines will also be included, allowing direct high-speed services to our major towns and cities. The capacity released on existing lines would allow an expansion of commuter, regional and freight services.

Mr George Howarth (in the Chair): Order. I have been listening carefully to the Minister, and I realise that he is setting out the context of Government expenditure on transport. However, at some point soon he needs to speak on the specific subject of the debate, which is Kirkstall Forge railway station.

Norman Baker: Indeed, Mr Howarth. However, as the hon. Lady finished five minutes early, I have taken the opportunity to put the matter into the general context of our rail policy.

Suffice it to say that we are driving out inefficiencies on the railways and reducing costs. However, we are making what I believe is the biggest investment in rail, including in the Leeds area, that we have seen since Victorian times. That should give the hon. Lady some comfort. There is a hard-nosed economic and environmental case for investing in rail. I turn now to Kirkstall Forge.

A new station at Kirkstall Forge has been a high priority for Metro, the West Yorkshire passenger transport executive, for many years, and I know that considerable progress has been made towards achieving that objective.

[Norman Baker]

The coalition Government are committed to localism, and that determines our approach to local rail. We realise that local rail networks have to adapt in order to serve new and expanding communities, which is why we welcome PTEs taking the initiative. PTEs, working with local enterprise partnerships, where they exist, are best placed to identify the needs of local areas, and to identify and secure funding for new lines, new train services or stations, if they believe that that is the best way to meet local transport needs and the wider objectives of economic growth, housing growth and carbon reduction.

The development at Kirkstall Forge is a large one, and in the spirit of localism it is entirely right that Metro should take the lead in developing solutions to the transport issues that the development will give rise to. Metro has a good record in identifying sustainable transport solutions. For example, we welcome Metro's and Leeds city council's commitment to more sustainable solutions for the city region, as set out in the local transport plan 3, "My Journey". We have backed their judgment by providing £12 million towards the cost of the Leeds station southern entrance, which will do much to improve access to new major housing and commercial developments to the south of the city centre.

The proposed Kirkstall Forge station will complement the A65 Kirkstall road quality bus corridor, to which the Department will be making a contribution of £19.8 million, and that is on track to open in 2012. It is a busy and congested corridor that is heavily used by commuters, so these two schemes will help to provide a sustainable alternative to car commuting.

The hon. Lady asked specifically about the shift from the car. The Department recognises, first, that we have to use transport to drive economic growth. Secondly, however, we have a responsibility to use transport in a way that reduces carbon emissions. We are certainly keen to secure a reduction in carbon emissions, and that could mean a modal shift from car to rail, particularly until the road transport network has been decarbonised, which is some way off.

Metro is seeking funding from the Department's budget for local authority major schemes. The outcome of the spending review is testament to our commitment to such schemes. We recognise that well-designed proposals can make a big contribution to economic growth.

We plan to spend more on local authority major schemes in this spending review period than the average spend over the past 10 years. Nevertheless, that cannot fund all the schemes from the previous regional funding allocations process that promoters wished to deliver, and we will need to rationalise. Put simply, we inherited a completely unrealistic pipeline of schemes, and we have had to rationalise those as best we can. For the future, we want to move away from a top-down approach to determining local transport needs, working towards a more devolved system for funding local authority major schemes, with local enterprise partnerships taking on an important role. However, for this spending review, we need to rationalise the previous Government's programme, so we have invited final bids from the promoters of 45 schemes from the previous programme. The Leeds rail growth package is one such scheme, and we believe it will now consist of new stations for both Kirkstall Forge and Apperley Bridge. Metro will submit a final bid in September to the Department, which we will consider alongside the others we expect to receive, including bids for maintenance for the Leeds inner ring road and the New Generation Transport trolley bus scheme, and will make an announcement in December 2011. I hope that that helps to confirm the timetable which the hon. Lady asked about.

Although I cannot indicate how successful the Leeds growth package bid might be, because it is a competitive process and obviously the bids are not in yet, we will look favourably on schemes for which promoters have reduced their funding requests to the Department. I can confirm that, and I note the comments that the hon. Lady made about increased private contributions. I am aware that a developer contribution has been secured towards Kirkstall Forge station and that Metro is scaling down the size of the bid by removing some additional car parking schemes at stations elsewhere.

In its bid, Metro will also have to demonstrate that the scheme provides value for money and that there is no ongoing cost to the Department arising from the stations' introduction. That is an important point, as our policy is that new stations should cover their ongoing costs from newly generated fare income. However, I understand that Metro is confident that over time that will be achieved.

It is proposed that Kirkstall Forge and Apperley Bridge stations will be served by inserting calls in the services that run between Bradford Forster Square and Leeds stations, which have spare capacity to accommodate the new users from the stations. It is for Metro to discuss with Northern train operating company and Network Rail how those calls are to be accommodated within the timetable, given that the additional stops will increase end-to-end journey times by about four minutes in each direction. The good news is that we have recently agreed to fund the provision of additional carriages on the electrified routes to the north-west of Leeds, so Metro and Northern are now in a better position to determine whether further rolling stock will be required to enable the calls to be made.

I have tried to cover the points that the hon. Lady raised. She explicitly asked whether I would take into account wider economic factors in determining applications—yes, we will absolutely do that. The Secretary of State recently published a new transport business case appraisal system, which was announced to Parliament through a written ministerial statement. The hon. Lady may want to get a copy of that. She will be able to see the factors we now take into account to determine transport projects. Broadly speaking, the changes made to the valuation process have increased the value of carbon, so, on the face of it, they marginally benefit public transport schemes and marginally disbenefit road schemes.

The hon. Lady asked about private contributions to other schemes in the development pool. That information is simply not available yet, because we do not know what the final bids from the other schemes will be. The deadline for all bids is September, and obviously we will not be able to make a judgment until they all come in. I reiterate that private contributions are important. We are looking for buy-in, not only from the local transport authority, but from the wider community. Private contributions are therefore important, not simply to reduce the call upon the taxpayer, but to demonstrate

commitment to the particular project for which an application is being made. In all the bids that come forward, we will be looking for details of private contributions, the support of the local community, and evidence that there have been sensible attempts to reduce costs wherever possible.

The hon. Lady appears to be confident that Metro has addressed those issues, and if it has, that will count in its bid's favour, as and when it comes in.

Rachel Reeves: I welcome the answers the Minister has given.

To return to the wider economic benefits of the development, a point that I tried to get across was about deprivation in that part of Leeds West, particularly on the Hawksworth Wood estate—I mentioned the proportion of free school meals—and in Bramley, which has one of the highest proportions of young people not in education, employment or training. As well as the aggregate externalities and economic benefits that would come from the development, will the Department look at the importance of economic regeneration and how the returns in areas such as Kirkstall or Bramley might benefit some of the most deprived communities when compared with developments in areas where there are already good jobs and low levels of unemployment?

Norman Baker: As a Government, we recognise the need to support areas where there is economic deprivation. If we applied a simple economic test to everything, there would frankly be a lot of investment in south-east England, because it has a very good rate of return, and not a lot elsewhere. We do not do that. We try to ensure that we take into account a wide range of factors and ensure a modal balance of transport investment, as well as a regional balance. The hon. Lady is right to put those points on the record. They have been noted for when the Department considers the matter, as and when the bid comes in from Metro.

The Secretary of State's approach to developing a package of bids to be approved has been successful in driving down costs on the bids that have been agreed so far. That has meant that the number of bids that have been able to be approved so far has been greater than if that discipline had not been applied. By driving down costs, we have been able to approve more schemes than would otherwise have been the case, so we have been able to make more progress than many dared hope given the unrealistic pipeline we inherited. That approach is not simply good value for money for the taxpayer, but helpful in spreading the money as widely as possible.

In conclusion, I am grateful to the hon. Lady for raising the issue. I know that there is genuine concern in her constituency and others that the proposed station goes ahead without delay.

Rachel Reeves: I have some more questions before the Minister concludes. What is the total pot of money available for the 45 schemes that remain in the development pool? I recognise that due to savings and increased private sector contributions costs may have fallen since the projects went into the development pool, but how much were they worth then? What is the difference between the amount of money in the pool and how much the schemes were bidding for? Does he have that information?

Norman Baker: I am not sure that I can give that detailed information now, but I shall write to the hon. Lady. The amount of money available is about £700 million—that is a rough figure for her to consider. I will drop her a line to give her the specific information she asked about.

The debate has been useful. I look forward to receiving a final bid from Metro in September. It will be properly and objectively analysed according to the criteria that Metro has been notified about, which I have referred to today. Decisions will be made known to MPs and others in December.

11.27 am

Sitting suspended.

Coal-fired Power Stations

[MR GEORGE HOWARTH *in the Chair*]

2.30 pm

Mr Mark Spencer (Sherwood) (Con): I am pleased to have secured this debate on what I consider one of the most important issues the country faces at the moment. It is also a pleasure to serve for the first time under your chairmanship, Mr Howarth.

I have a number of concerns that require a great deal of attention. Principally, our nation's ability to ensure energy security is very important. Will we be able to keep the lights on in the future? Many customers and constituents are keen to ensure that the Government are focused on that question. How are we to keep the lights on, without becoming completely reliant on our European neighbours? Although we have a European market and many nearby nations are able to supply electricity, I am concerned about how secure that supply is, and how amiable their taxpayers will be about giving British people electricity when they may run short at the same time.

Throughout history, this nation has been served well by coal-fired power stations. Coal as an energy source to generate electricity is flexible, reliable and dependable. However, there are a number of pressures, such as the requirement to reduce our carbon footprint, that are calling that into question.

Mr Marcus Jones (Nuneaton) (Con): I congratulate my hon. Friend the Member for Sherwood (Mr Spencer) on securing this important debate. Does he agree that it is not just an issue of energy security? There is also an issue in relation to facilities such as Daw Mill colliery in my constituency, where nearly 700 people work. In addition to issues around energy security, should we not be concerned to ensure that we still use the coal that is under our feet in Warwickshire, so that we are not exporting carbon emissions abroad and are supporting UK jobs?

Mr Spencer: I will come to that point later. I should put on record that some of my constituents in Nottinghamshire travel to Warwickshire to work at Daw Mill. That we have so much coal under our feet is pertinent, as is the fact that so many constituents rely on the coal industry for employment.

I will start by outlining the current usage and how we generate power. Coal produces more than 35% of the UK's base load of electricity during an average year. In recent winters, when the weather has been cold, that base load lifted to 50% of the supply generated by coal. That emphasises not only how dependent we are on coal, but how flexible it is, responding to the requirements of the British public. On a cold Christmas day when everyone is trying to cook their turkey at the same time, we need a great deal of flexibility in the supply chain to be able to respond. I want to touch later on the fact that, unfortunately, the wind does not blow harder on Christmas day than on any other day of the year. We need that flexibility to respond to demand.

Fossil fuels as a whole account for 80% of our energy supply: coal being 25%, gas 21% and petroleum 34%. In addition, nuclear provides 6.5%; hydro 2.2%; and biomass waste 11%. Only 0.4% of global energy demand is met by geothermal, solar and wind. Estimates suggest that world demand for coal-fired generation will increase by 70% in the period up to 2030. China is currently constructing the equivalent of two 500 MW coal-fired power stations a week, a capacity comparable to the entire UK power grid each year. Those figures are quite pertinent and put in perspective where the UK fits into a global generation market. About a third of UK electricity is generated from coal but it currently emits more CO_2 per unit of electricity than all other forms of generation. That is something we need to address.

The UK has installed electricity capacity of 77 GW. By 2016, it is expected to face a shortfall of 32 GW, as older coal, nuclear and oil plant is closed down, as demand rises. That is crucial and key to the debate today. Government policy is currently to introduce a floor price for carbon. Many of the coal-fired generators recognise that that is going to put enormous pressure to be economic on their business. In the medium to short term, it will not be possible to secure nuclear power stations that deliver the energy that we require. Generators that produce power via coal are working their units very hard to secure as much return on their investment as possible. There will be a period when our ability to generate power will be short, and the Government need to look long and hard at how we will close that gap.

As my hon. Friend the Member for Nuneaton (Mr Jones) suggested, coal is currently plentiful. It is relatively cheap, flexible and able to respond quickly. We are not prone to outages, and coal is not vulnerable to geopolitical risk. Coal generates about 40% of the world's electricity, with about 10% each for gas and nuclear. Coal burned by major electricity generators, which account for 80% of total coal use, was up 3% in 2005. Coal burned in UK power stations was 23% higher in the third quarter of 2006 than in the same period in 2005. Coal demand is rising. That demonstrates not only how reliant on coal we are in this country, but the pertinent fact that use is increasing.

UK pits and mines are pretty efficient. We have heard about Daw Mill. Thoresby colliery in my constituency is very efficient in its coal production. I am delighted it has now had permission to explore another seam, which will secure the future of that colliery for at least the next 10 to 12 years.

Given current global energy consumption, it is estimated that there are enough recoverable coal reserves to provide the entire planet with all its energy for the next 600 years, at the current rate of usage. Britain is estimated to have 7 gigatonnes of coal left. In power stations performing carbon capture and storage, we could deliver a sustainable and reliable approach to energy production.

Julian Sturdy (York Outer) (Con): I thank my hon. Friend the Member for Sherwood (Mr Spencer) for securing the debate. He is right about the importance of energy security, especially over the next 10 to 15 years. Does he agree that we need a balanced energy market and security of supply, in which, as he says, coal will play a key role? He touched on carbon capture, which will be the key way potentially to keep many of our coal-fired power stations burning and supplying energy over the short term of 10 to 15 years.

Mr Spencer: I thank my hon. Friend for that intervention. That point is fundamental to the debate: coal is recognised as being flexible, but we need to embrace the technology

of carbon capture and storage. That is something that I want to explore in more detail later. It is interesting that my hon. Friend touches on carbon capture and storage, because those are new clean technologies that have been proven to work. Powerfuel's new development at Hatfield, Yorkshire, is backed by Friends of the Earth. It is a good example of how new clean coal plant can be developed and can work in practice.

I turn to the environmental side of the argument. Despite legally binding targets to reduce greenhouse gas emissions, in 2008 91.5% of UK energy supply was met by the use of carbon-intensive fossil fuels. We need to address that figure seriously if we are to, first, meet our energy demands and, secondly, reduce this nation's carbon footprint.

EDF Energy has said that, between now and 2016, 13 GW of coal and oil baseload plant will close. Other ageing coal plants may also close by 2016 and 7.5 GW worth of nuclear closures are scheduled by 2015. EDF Energy reached its figure of a 32 GW shortfall by factoring in the expected closures, the expected growth in demand for electricity and the expected growth in line with the renewables obligation. That figure of a 32 GW shortfall will be a terrifying one unless we find ways of plugging the gap that do not necessarily involve laying cables across the channel so that we become dependent on our near neighbours.

If the UK coal-fired power stations were replaced over time with clean coal plants, the UK would stand at the head of an energy revolution, we would be secure in our energy supply and we would also be comfortably within the environmental emissions targets. I hope that the Government can find a way to support investment in clean coal technology so that we can achieve some of those goals.

Carbon dioxide capture and storage—CCS—is the critical enabling technology that would reduce CO_2 emissions significantly while also allowing coal to meet the world's pressing energy needs. It is important to recognise that this is a global issue. While we are considering UK energy generation, it would be foolish not to observe what is happening on the rest of planet Earth. I have already mentioned China and the number of power plants that it is producing. If we can find, develop and enhance CCS technology, we could position ourselves well in the world.

Mr David Hamilton (Midlothian) (Lab): I congratulate the hon. Gentleman on raising this very important issue. Given the timetable before us—the site contract is to be signed by Scottish Power by 2011, but we will not see any real production until later—is he as concerned as I am that there will be a gap in the energy market and we will not be able to fulfil the energy requirements of this country? How will we overcome that problem if we do not move the energy agenda forward?

Mr Spencer: I thank the hon. Gentleman for that intervention and that is exactly the point—there is this gap and we must find a way to fill it. A Government of whatever colour have to address this issue quickly and grab it with both hands, because we cannot afford to be in a position where that gap increases and we cannot keep the power on. I therefore commit myself to supporting him in lobbying Government to ensure that we fill that gap. I hope that the Minister will reassure us at some point that we can fill it.

CCS is a means of mitigating the contribution of fossil fuel emissions to global warming. The process is based on capturing CO_2 from large point sources, for example power stations, and storing it in such a way that it does not enter the atmosphere. CCS can also be used to describe the "scrubbing" of CO_2 from ambient air as a geo-engineering technique. Although CO_2 has been injected into geological formations for various purposes, the long-term storage of CO_2 is a relatively new concept. The first commercial example of its use was at Weyburn in 2000.

I want to explore the three groups into which CCS can be split: post-combustion; pre-combustion; and oxyfuel.

Andrew Percy (Brigg and Goole) (Con): I congratulate my hon. Friend on securing this debate, not least because I live opposite Drax power station, which is the most efficient, cleanest and biggest coal-fired power station in the country. Is he aware of the consultation that is going on in my own village of Airmyn today, between 2pm and 7pm, which relates to the National Grid's proposal for a CCS pipeline that would serve the steelworks at Scunthorpe as well as the power stations across north-west and south Yorkshire? As I say, that consultation is going on at the moment. That pipeline is an exciting prospect and it offers the possibility of extending the life of some of our power stations.

Mr Spencer: I thank my hon. Friend for that intervention. In fact, I have the Drax report here in front of me and I know that he is working very actively to ensure that his constituents are well represented in that consultation. Drax is a very good example of what can be achieved. The work that it has done in blending biomass with coal to improve its carbon footprint is an example of how we can improve things with the technology that exists today. Also, working with other industries, such as the steel industry, is quite an exciting prospect and I welcome that happening; in fact, I recognise that that good work is ongoing.

Flue gas desulphurisation is not a new technology. It has been used for some time. Ratcliffe-on-Soar, the largest power station near my own constituency, has introduced a great deal of new technology to capture the sulphur emitted from the power unit. FGD is simple, actually. It basically works by mixing limestone with water, which is then sprayed into the power station chimneys through which the flue gases pass after the coal is burned. The sulphur in the flue gas reacts chemically with the injected spray and forms calcium sulphate, with only a small proportion of the sulphur being ejected into the atmosphere. The resultant slurry is then pumped away, dried and made into gypsum, which is beneficial to the power station and can be used to generate income for it. FGD equipment also allows coal-fired plants to meet the requirements of the EU large combustion plant directive.

The second group of CCS technologies is integrated gasification combined cycle, which is a pre-combustion technology. IGCC is a near-zero-emissions clean coal solution for the UK. It would significantly reduce CO_2 emissions as well as providing pressurised gas for injection

[Mr Spencer]

into North sea oilfields, thereby enhancing the recovery of oil reserves, which is known as enhanced oil recovery. Powerfuel is now constructing one of Britain's first IGCC clean coal power stations in Yorkshire, again using British coal from an adjacent colliery. I will try to put the process into simple language. It sometimes becomes very difficult to extracf crude oil from wells and there is a technique whereby the CO_2 can be mixed to reduce the viscosity of the oil, allowing the oil to be removed from the wells more easily.

Super-critical power plant is a type of clean coal technology whereby it is possible to retrofit this technology to the power stations that we already have. The benefits of operating a super-critical power plant over a conventional plant are clear. Conventional boilers have an operating efficiency of about 30%, which means only 30% of the energy in the coal is converted into electricity with the rest being lost as heat. Super-critical boilers have efficiency levels of around 42% to 46%, so more energy is directed to turning the turbines to generate electricity and therefore less greenhouse gas is produced per kilowatt-hour. Improving the efficiency of boilers used in coal-fired power stations not only reduces CO_2 emissions, because less coal is needed to generate the heat energy that turns the steam turbines, but it results in higher generator efficiencies in the provision of the electricity. The boilers are available commercially and can be retrofitted to existing coal-fired plants, which means no major retraining of staff, faster deployment and reduced capital costs with greater efficiency. It seems like a win-win situation to me.

Doosan Babcock Energy has stated that Britain could cut the cost of reducing greenhouse gases by £3 billion if it fitted such clean technology to its ageing power stations. Lobbying goes on for Government to introduce a form of incentive for power generators—one similar to the renewables obligation certificates—to invest in clean coal technology. Creating such an incentive seems the right thing to do and I hope that this debate will assist the Government in some of their thinking, and perhaps we can consider supporting this technology.

Doosan Babcock Energy says that applying this technology to existing coal-fired power stations would be the equivalent of erecting 7,000 to 10,000 wind turbines. Members in Westminster Hall today who have had the pleasure of a local application for a wind turbine will be relieved that we could reduce the number of those applications, one of which I currently have in my constituency. Typical construction costs for current coal-fired power station designs are in the region of £700,000 to £900,000 per megawatt. More advanced integrated gasification combined gas cycle plants cost between £900,000 and £1.3 million per megawatt, although lower capital costs of £750,000 to £900,000 per megawatt are predicted as technology moves forward and we become better at fitting it. The 2002 energy review by the performance and innovation unit put the costs of coal-fired power stations in the 3p to 3.5p per kilowatt-hour range by 2020. That would make coal competitive with nuclear power, if the costs of decommissioning nuclear power stations were included.

Briefly, I want to explore carbon abatement capture. The idea of carbon capture is simple and powerful. The CO_2 must be segregated from the fossil fuel combustion products and deposited in a place where it will remain. The CO_2 emissions from a clean coal plant will be reduced to virtually zero if the plant has been designed to store the carbon. The CO_2 can then be disposed of in, for example, the emptying fields of the North sea, where it can consequently extend the life of those oil fields by applying pressure to an old and difficult-to-extract reserve, thereby prolonging production. I shall try to put that into layman's terms. The gas is pumped into the hole where the oil is coming from, which assists in removing some of the oil, and stores the CO_2 back underground, where the carbon was for millions of years. It is a three-step process, of capturing the CO_2 from the power plant, transporting it—as my hon. Friend the Member for Brigg and Goole (Andrew Percy) said—to another place via a pipeline, and finally storing or using it.

The British Geological Survey estimates that the potential carbon dioxide storage in the UK sector of the North sea is 775 gigatonnes. That is a considerable amount, given that worldwide CO_2 output is 8 gigatonnes annually, and it means that in the North sea alone there could be almost a century's worth of CO_2 storage for the whole world. That is a fantastic statistic, which proves that we have the storage available as long as we can embrace it and find a way, via the technology, to make use of it.

Carbon capture and storage in a coal-fired plant would cost just over £20 per tonne of CO_2, while the figure for a gas-fired plant is about £30 a tonne. It could be argued that that is because a coal plant produces more, but coal is certainly cheaper per tonne than gas for CO_2 emitted. Using CO_2 for enhanced oil recovery can generate revenue that offsets the other costs of CCS. The cost of storing CO_2 in aquifers is close to £1 per tonne, and the cost of storing it in oil and gas field plants ranges from £1 to £20 per tonne. Therefore, as well as being fairly reasonable, this method could generate income if we can get it right and make it work. Depleted oil and gas fields are the first sites to be considered for storage capacity because they are known to be equipped with infrastructure such as pipelines and platforms, and are almost ready to run now.

The other area that I really want to explore, and which I know my predecessor as MP for Sherwood, Paddy Tipping, and his predecessor Andy Stewart explored, is underground coal gasification. This is a method of converting unworked coal into a combustible gas, which can be used for industrial heating, power generation and the manufacture of hydrogen, synthetic gas or diesel fuel. The basic UCG process involves drilling two wells into the coal, one for the injection of oxidants and another—some distance away—for bringing the product gas to the surface. I acknowledge that the process involves a number of challenges, not least of which is whether once the process has been started it can be controlled, and there are also the impacts on subsidence above surface level, depending on what happens to the coal below ground. Nevertheless, we should consider using UCG for reserves under the sea. Cost estimates of UCG clean gas stand at £2.50 a gigajoule, whereas the current price of national gas is £6 a gigajoule.

As for the economic merits, clean coal is competitive, with an estimated generating cost of between 2p and 3.5p per kilowatt-hour. Wind power, for example, costs between 3.7p and 5.5p per kilowatt-hour. The Government

seem fairly committed at this moment in time to wind power, but when the costs are added up and the subsidies stripped out it is not as competitive as some of the other available technology. Clean coal is also more acceptable to constituents than erecting large wind turbines in the vicinity of their homes.

Graham Stringer (Blackley and Broughton) (Lab): I am listening carefully to the hon. Gentleman as he makes his powerful case for coal. Is he not overplaying, however, the role of wind power? He indicated earlier that, when wind is needed most, in the cold weather when there are anticyclones, it is not there, so we have to have the coal-fired capacity, and if the wind blows too much, we again have to have that capacity. Wind power is irrelevant to the security of energy supply in this country.

Mr Spencer: The hon. Gentleman is absolutely correct, and I will cite some statistics later that support his view. Offshore wind has a role to play in assisting electricity generation but we do require that base load. I do not want to overemphasise this, but when the World cup final half-time whistle goes or when everyone wants to cook their turkey on Christmas day, we have to have the capacity to lift that generation. However, the Government currently do not have the power to control the wind and can rely only on what is available.

Andrew Percy: I have issues with onshore wind, but I never miss an opportunity to sell the Humber for its offshore wind capacity, particularly in front of the Minister. Is it not a bit of a false argument that we are in favour of either one technology or the other? What my hon. Friend and the Government are saying is that we want a broad mix. A technology that is not as far advanced as perhaps it should be is tidal, to which I understand the Government have just committed some money. It is not about being on one side of the argument; it is about being on all sides and having a balanced energy mix.

Mr Spencer: It is true that we need to take a balanced view and ensure that we explore the new technologies. I think that tidal and wave power are great, and if they work they will contribute a small amount to this nation's energy security. The important thing to note though is that it will be a small amount, because those technologies do not have a large enough share of the market. The number of areas where we could secure a tidal scheme—the Severn estuary is one example—is small, and there are no opportunities to generate enormous amounts of electricity via such schemes. I acknowledge that we need a mixed portfolio, but that works only if there is something there to pick up the base load. The crux of my argument is that the only methods that can be used to pick up the base load are nuclear power and coal-fired power stations, and we are not in a position to build nuclear power stations fast enough to plug the inevitable gap.

On the merits of clean coal technology for the environment, the biggest long-term problem for coal is its carbon dioxide level. Approximately 90% of the CO_2 produced by a coal-fired power station could be captured with CCS, and CCS could help to make up to 20% of the global cuts in emissions that are needed by 2050. Therefore, if we can find the technology that will work, we can sell it to the world, continue to use coal and at the same time cut the amount of CO_2 being released into the atmosphere.

Owing to their substantial carbon emissions, coal-fired power stations are currently considered environmentally unacceptable. That is simply because we are looking at the technology of the 1960s and 1970s, rather than at what is available now and might be available in future. Coal-fired power gets a bit of a poor press, but some of what is said about it is not true.

The UK has the opportunity to be at the forefront of developing clean coal technology. That would not only be beneficial to the UK, but be a very effective way of helping developing countries, notably China and India, to take advantage of their own coal reserves in a way that is considered environmentally acceptable. We find ourselves in a situation in which the Department for International Development is funding the World Bank, which in turn is funding electricity generation in other parts of the world, and those countries are spending that cash on coal-fired power stations, which are not as environmentally friendly as they could be. If we can find a way to make the technology work and embrace it, we could sell it to other parts of the world or donate it as part of our aid programme to the more challenged parts of the world, which would benefit the planet and those more challenged countries as well.

It is vital that we are at the forefront of development. That could lead to a whole new industry. Selling the technology and building it for the world would generate enormous amounts of cash and jobs for the UK. If we are not at the forefront of its development, other countries will jump ahead of us and we will lose the opportunity. This great nation of ours has always been at the cutting edge of technology, and certainly of engineering, and we need to maintain that tradition if we possibly can.

The process of coal gasification can capture 90% of CO_2 emissions for storage and can also produce a synthetic gas, known as "syngas", which is 99.5% pure hydrogen. The beauty of that fuel is that, once fired through a conventional gas turbine, the only emission is water vapour. Although cleaning up the existing plants is welcome, it will not have the impact that those who want to reduce our CO_2 emissions significantly require, nor will it capture any CO_2 for alternative income generation. Coal gasification is the only process that changes one form of energy—coal—into another flexible energy source—hydrogen—but without a clear Government energy policy, IGCC technology will not happen. To be viable, the new IGCC plants require the same allocation of CO_2 allowances as existing coal plants, but at present they receive the allowances for a CCGT-fired—combined cycle gas turbine—power station.

So far, generating electricity from coal has failed the environmental test because of its carbon emissions, but clean coal offers a number of strategic advantages, including the ability to ensure sustainable and competitively priced electricity and to offset security issues and the cost of importing from volatile countries in the middle east and Russia, which is key. In the past, when I challenged Ministers who said that they were more than comfortable with our arrangements with overseas suppliers, they pointed me to the fact that we have imported a vast amount of our food over the past 50 years and we have certainly never been too concerned about that. The arrangement has worked very well, but it is important

[Mr Spencer]

to recognise that that has been during a period in which food production has been on an enormous scale and food has been plentiful. The situation may change the second we reach a position where we are short of food.

Russia decided last year not to export a single grain of wheat. That had an enormous impact on global wheat prices overnight. I can see us in a situation in which a very similar thing happens to energy. We all remember images on the news of French lamb farmers blockading their ports and stopping imports of British lamb. Such images stick with me. Can we really depend on our neighbours when we are up against the wall? Will they look after their own taxpayers and can they look after British taxpayers at the same time? That makes me very nervous. Such situations make me think that we should ensure that we are on a secure footing and that we have enough energy in the UK to supply ourselves.

Mr David Hamilton: The hon. Gentleman does not need to turn to food for an example, because only a few years ago the Russians turned the gas off to the country next to them, and prices spiked right after. If that happened over a long time and more countries did it, it would really harm our energy requirements.

Mr Spencer: I thank the hon. Gentleman for that intervention because he makes a pertinent point. The other areas with which we are dealing, for example those in the middle east, are not as politically stable as they could be. We can easily foresee circumstances in which our ability to source energy from those parts of the world is compromised by political upheavals similar to those happening now. That could leave us exposed. I hope that we can find a way of securing our energy. We must meet rising electricity demand and smooth the less predictable output from renewables. We need to foster and promote a high-growth, low-carbon economy.

I shall now address the point raised by the hon. Member for Blackley and Broughton (Graham Stringer) on wind power and explain why I feel that wind power is not adequate to support our needs. Fitting clean coal technology to the UK's 16 power plants would cost an estimated £6 billion. In comparison, 2,000 wind turbines will be put up in the UK over the next six years at a cost of £9 billion. The Government's renewable energy policy is currently over-dependent on wind energy. That imbalance is largely the result of the renewables obligation, which provides no clear boundary as regards the merits of various renewable technologies, so the cheapest option in terms of start-up costs—wind power—has been pursued, irrespective of its failures on grounds of unreliability and secure energy.

The dangers of over-relying on wind power were demonstrated in Ireland on 4 December 2003, when the electricity regulator had to take emergency measures to reduce the amount of wind power on the Irish electric grid following major concerns about the security and stability of the power system. Simply because the wind blew too hard, too much power was being generated, so pretty quick action had to be taken to resolve it.

In contrast, Demark has the most intense concentration of wind generation in Europe. At peak output, Danish wind farms can account for nearly 64% of Danish peak power demand. That rarely occurs, but it does happen on occasion. Last year, Danish carbon emissions rose, because the Danish grid fell back on older fossil fuel generation to plug the gap left by underperforming wind farms. Danish power stations used 50% more coal than in 2005 to cover wind's failings and wind turbines generated 21.7% of electricity, which is down from 29.4% in 2005. To put it in simple terms, when the wind does not blow, the turbines do not move and the power is not there. As the Danes have to have a stopgap base load, they use coal. Ironically, during that period the use of fossil fuels rose, which demonstrates the frustrations with the system that we are pursuing.

Graham Stringer: I agree with the hon. Gentleman completely, but the situation is actually worse in Denmark. The Danes have stopped investing in wind, because it is too expensive and destabilises the grid. When the wind is blowing, they are effectively subsidising energy in Germany and surrounding countries. They have made a terrible mistake and it would be a great pity if this country carried on subsidising wind farms—quite frankly, it would be insane given the economic state we are in.

Mr Spencer: I thank the hon. Gentleman for that intervention. The irony of the situation is that the German energy the Danish are reliant on is often produced with brown Czech coal, which is worse in terms of carbon emissions than UK coal. It does not make much sense at all.

I am conscious that I am taking up quite a lot of time, and I know that other Members wish to speak, so I will try to conclude as quickly as possible. If we look at the international competition, it is clear that we need to step up and ensure that we keep up with, if not stay in front of, the competition in terms of producing clean coal technology. In 2009, the Australian Government produced a White Paper entitled "Securing Australia's Energy Future", which backed the use of clean coal technology with coal from indigenous reserves, and UK climate change economist Sir Nicholas Stern recently told an Australian audience:

"I think Australia will be at the forefront of that technology".

In the US, coal production is at full capacity. In 2005, 951 million tonnes were produced from indigenous reserves for energy supplies and for industrial use in steel and associated industries. President Obama said:

"We need to act now and make the US a leader in putting in place the incentives that ensure developing countries also embrace clean coal."

The EU is also adopting a positive attitude towards clean coal technology, with President Jose Manuel Barroso stressing to an audience in February 2007 the need for

"an acceleration of the commercial use of clean coal".

The UK must demonstrate a firm commitment to clean coal technology if it wishes to influence the behaviour of other nations, such as China and India, where rising CO_2 emissions from fossil fuels will otherwise dwarf any savings made in the UK. By 2020, China's consumption of electricity is forecast to increase sixfold and to be 30 times that of the UK.

What is the Government's role? Ensuring our energy security currently appears to involve laying cables under the channel, and I am concerned about how secure such an arrangement is. I can see how it could work in the

short to medium term, when energy is in plentiful supply, but, as I said, I do not think French taxpayers would like their country to move to a three-day week to keep the lights on in southern England. As I said, comparisons are made with the food supply, and it is difficult to understand why we are exposing ourselves to the issues involved, when we could do better.

The Government have said that we will continue public sector investment in carbon capture and storage technology for four coal-fired power stations, but the criticism levelled at us is that we have thus far completed only the first of those four. We really need to speed up and get on with things.

In conclusion, I hope the Minister can lay some of my concerns to rest. We must keep the lights on; it is fundamental that we keep the electricity coming to this nation of ours. All the issues that we fall out about in this place will become insignificant if there is no power. Wind turbines may be of assistance, and offshore wind certainly has a role to play, albeit a small one, but I am concerned about how dependable such turbines are. Fundamentally, the base load must come from nuclear or coal, but the nuclear power stations we need to build will not be on stream in time. We are behind the game, and we need to act now to catch up and secure Britain's energy supply, if we are to keep the economy running and the lights on.

3.13 pm

Mr David Hamilton (Midlothian) (Lab): I did not intend to speak in the debate, because I did not think I would be here, but another meeting was cancelled. I have nothing much in the way of technical details to add to the 40-odd minute speech by the hon. Member for Sherwood (Mr Spencer), so I will not try.

Many people would assume that I naturally support coal because I am an ex-miner, but there is much more to it than that. I was in the pits for 20 years, although there is not a single pit left in Scotland. We now deal with open-cast mining in Scotland, and there are still one or two pits in England and southern Wales.

If we drive the market through carbon capture, that will give deep mining in the UK long-term security. We do not want to talk about carbon capture and then import all the coal that feeds the power stations. There is therefore an issue about creating employment opportunities in the UK and beginning to develop a strategy for developing our coalfields, which have millions of tonnes of coal. We are fortunate that we have more coal reserves than anywhere else in Europe. That is an important issue, which we must address.

My view is quite specific. Four or five years ago, I changed my opinion about something that had been close to my heart all my life. Until then, I had been anti-nuclear all my life, but I began to realise that this country's security of supply is far more important than any view that I might or might not have about nuclear energy. When it comes to this country's energy requirements, everything should be on the table. That is an important issue, which we have to address. This is not a matter of one thing or the other.

I accept the point about wind power and all the problems with it, and I agree with many of the points made by the hon. Gentleman and my hon. Friend the Member for Blackley and Broughton (Graham Stringer). However, we need a big mixture, although the base load must come from a few sources. We cannot rely on Russia for fuel, and we should not rely on the middle east, because the supplies can be stopped at any time. Every week in Parliament, we debate the middle east, and things there could blow up at any time; our energy supplies could be cut off at any time, which would mean another price spike.

China is the engine house of the world. Although it was going through a difficult time, it is coming back. That means that we will have to compete with it when it starts to make gains in terms of power. When it buys the power, we will have to pay astronomical prices, because it will determine what is pulled in. It is building power stations and opening up collieries because that provides quick and easy access to energy supplies.

If we are not careful, our leading position on carbon capture and development will be quickly lost, and we will be overtaken. America is putting a lot of money into carbon capture development, and China is doing the same. Indeed, it already has a project that is supported by Germany and others. We are at the tail end.

I was part of the previous Government, and I know the Minister is supportive of coal. The issue, however, is the timing as we move forward on carbon capture projects. The contract at Longannet has to be signed by the end of the year, but the project will not take off until some years later. We also need to get the other three projects up and running. If we want to be at the forefront, we must be able to develop our strategy quickly. I make a plea to the Minister to sign the contracts by September and to bring the other three projects online as soon as possible for the sake of everyone in this country.

We can have all the arguments we want about clean coal technology, sulphur content and everything else, but if the lights go out, not a single person out there will thank us; indeed, my constituents will drum my door down. The bottom line is that we are here to protect and support the people we represent, and we are here to support industry and this country. The only way we will do that is by ensuring that our energy policy utilises everything we have. This is, therefore, an important debate, and I hope that the Minister takes it on board.

Before I sit down, I have one other thing to ask the Minister. When he has his discussions with the Scottish Government, will he ensure that they invest the same amount as us in the Longannet complex? If that fateful day ever happens and Scotland goes independent—I hope it never does—I would not like this country to be putting money into Longannet, when the Scottish Government are not putting a penny in. I would therefore like to hear what the Minister has to say about the Scottish Government putting money into that important project.

Jackie Doyle-Price (Thurrock) (Con) *rose—*

Mr George Howarth (in the Chair): Order. Before I call the hon. Lady, I should point out that I intend to call the first of the Front-Bench spokespeople at 3.30 pm, and I ask the hon. Lady to bear that in mind.

3.18 pm

Jackie Doyle-Price (Thurrock) (Con): I will be brief, Mr Howarth. First, I congratulate my hon. Friend the Member for Sherwood (Mr Spencer) on introducing

[Jackie Doyle-Price]

this extremely important debate. A compelling case for coal has been made by hon. Members on both sides of the Chamber, and the debate is all the better for that.

I fully endorse my hon. Friend's comment that energy security is hugely important and that coal must play a major role in it. That said, I want to make a few points about the other opportunities for coal-fired power stations through reference to the Tilbury power station in my constituency.

Tilbury has been running for 50 years on its current site. Until March this year, it was a coal-fired power station, but thanks to investment by RWE npower, it is now becoming the world's largest biomass-fired power station. That gives the opportunity of a new lease of life for some of our older coal-fired power stations, which will have to be decommissioned because of the EU directives. I therefore beg the indulgence of hon. Members today, while I give the story of Tilbury.

At its peak, Tilbury employed 750 people. Today it employs 250, in highly skilled jobs. It was facing closure in 2014, which would have left a big hole in the economy of Tilbury, which is quite a small town. The power station generates more than 1,000 MW—enough to power 1 million homes. It has never breached its environmental licence, in 50 years of operation. Looking at the debate from the point of view of climate change and environmentalism, it is worth bearing that in mind, particularly as the general manager tells me that when sulphur emissions in the locality have been measured at dangerous levels it is not because of the power station but, generally, when there is traffic congestion on the A13 and the M25. That raises the question whether we are looking at the right things, in our rush away from coal.

RWE npower, which runs the station, originally intended to construct a new cleaner coal power station at Tilbury and its plans were far advanced, but it had to reconsider the decision in November 2009. That was because of the cost, in the economic climate at the time, but also—and this reinforces the point made by my hon. Friend the Member for Sherwood—because of the unclear regulatory status of investment in cleaner coal. It is important to lay the foundations to establish a clear regulatory picture so that companies are prepared to make the investment. Considerable amounts of money are involved.

Having decided not to go ahead with that plan, the company was still wedded to the site at Tilbury—it is a very responsible company and wanted to maintain the relationship. It decided to investigate the burning of wood pellets instead of coal. There was a lot of scratching of heads, but the management decided to have courage and invest money in trying it out. It was a great success.

In March this year the power station burned coal for the final time. I lament that, but what is happening now is very exciting. The company is converting the existing station to burn wood pellets for the remainder of the hours that will take it to 2014; it also intends to invest in creating a new biomass generator beside it. The new arrangement is not quite as efficient at generation as coal. In comparison to the previous figure of 1,000 MW, the wood pellet scheme reaches 750 MW, but it is still an efficient system and it will contribute massively to the national grid—much more than the wind turbines that we have been hearing about, in relation to investment.

The power station will begin generating and contributing to the grid from December. I encourage the Minister to visit the plant. It is exciting and groundbreaking, and gives an opportunity of a new lease of life to some coal-fired power stations. RWE npower deserves to be congratulated on having the courage to make the investment and see whether it would work. It has proved the process, which means that other power stations will find it much less risky.

I endorse the comments made by hon. Members on both sides of the House about coal, which must play a role in this country's future energy supplies. I reiterate that we should do everything we can to encourage investment in the carbon capture technologies that my hon. Friend the Member for Sherwood so lucidly articulated.

3.23 pm

Graham Stringer (Blackley and Broughton) (Lab): I am grateful for the opportunity to speak, Mr Howarth, and am aware of the time; I did not intend to speak. I congratulate the hon. Member for Sherwood (Mr Spencer) on bringing this important matter before the House.

I have two or three things to say. The policy of the Government—this was true of the previous Government as well—is based on two illusions. One is that what this country does, both in relation to carbon dioxide, and industrially, will affect anyone else in the world. It will not, and the hon. Member for Sherwood developed that argument with his statistics, and illustrated it effectively.

The second illusion is that there is a shortage of fossil fuels in the world. If we read what environmentalists say and look at what is happening, we can see that the real problem will be a huge surplus of fossil fuels in the world in the next 300 or 400 years, not just because of the figures on coal and oil, but because of the new source of shale gas that is being developed, which has already dropped the price of fuel in north America by up to 50%.

That is the background against which this country must consider energy policy. There must be a hierarchy of priorities in thinking about energy policy, and security of energy supply must be at the top. At the moment we are staring at the prospect of a huge problem in three or four years' time. The Minister shakes his head, and he may or may not be in his post in three or four years' time, but European obligations at the moment put an absolute limit on the amount of coal that can be burnt in our power stations. If we get another cold winter and they burn twice as much coal as they intended, those power stations will have to be switched off. There will be a gap before we can build new nuclear power stations. Like my hon. Friend the Member for Midlothian (Mr Hamilton), I spent most of my life opposed to nuclear power stations, but in the world we now live in, the facts, and my opinions, have changed.

We must put the facts together. It will take shale gas some time to come on. Because of the dominance of Russia in the gas market, that is insecure. We know what is happening in the Arab world at the moment and we could be in for a real problem. Rather than putting vast subsidy into wind farms, which are likely to destabilise the national grid as they are put in, and to industrialise the countryside—not just because of the wind farms themselves, but because of the power lines, which will

have to be taken at huge cost from the wind farms to the grid—we should be bringing the nuclear power programme forward and considering how to develop shale gas in this country. We have some of our own deposits in the north-west. We should also be thinking about how to develop the coal industry.

Unfortunately, because much energy policy is based on illusions, the Government are not focused on the world and the energy market as they are now. They are focused on what the Labour Government saw as priorities 10 to 15 years ago. The Government need to look objectively at the world and think about how to deal with the energy gap that will exist in four, five or six years' time, and how to get the best value for money out of the investment we make in energy.

3.27 pm

Luciana Berger (Liverpool, Wavertree) (Lab/Co-op): It is a pleasure to serve under your chairmanship for the first time, Mr Howarth. I congratulate the hon. Member for Sherwood (Mr Spencer) on securing the debate and speaking eloquently on behalf of his local colliery.

Many hon. Members have spoken today of serious concerns about capacity and a future energy gap in the UK. My hon. Friends the Members for Midlothian (Mr Hamilton) and for Blackley and Broughton (Graham Stringer) spoke about the urgent need to deal with the issue, and several hon. Members have spoken about carbon capture and storage, which I shall mention later. I want to focus my remarks on how coal-fired power stations fit into Britain's transition to a low-carbon future, and the integral role that clean coal has to play as we reconcile the competing demands of reducing the country's greenhouse gas emissions and ensuring that enough energy is generated. I want also to highlight some of the challenges that we face.

It is clear that a low-carbon future will not be realised without some contribution from fossil fuels. The urgent challenge that we must overcome is how to ensure through the use of technological innovation that the fossil fuels that we use are cleaner. The UK must be a world leader in investment, research and development, infrastructure and planning across our energy portfolio; but the window of opportunity is closing. We have drifted from 2010 to 2011, still awaiting crucial decisions: from the re-banding of ROCs, to grid investment, to the detailed sign-off on the first CCS project.

At the UK coal conference in February the Minister said that detailed sign-off for CCS1 would be confirmed by July, but when the Energy Bill was in Committee he referred instead to the summer. I would be grateful if he clarified when we will have detailed sign-off of that crucial first CCS project.

At the risk of stating the obvious, it is worth explaining why we are where we are. A quarter of the UK's energy generating capacity will close by 2018, and as much as 30% will need to be replaced by 2020. Without prompt action, we face an electricity generation gap in the next 10 to 15 years as our nuclear and coal-powered stations are retired. World energy demand is rising and highly politicised. As North sea reserves decline, we are increasingly reliant on imported oil and gas, and UK electricity demand is forecast to double over the next 40 years. Adapting to that increase in demand will require a rapid decarbonisation of our electricity supply and a diversification of the energy sector, moving us from a reliance on fossil fuels and unabated combustion, to an increased use of low-carbon and decentralised energy.

We need a new energy mix, combining renewables, new nuclear and clean coal, but to achieve that mix and meet our climate change targets we will be required to urgently develop carbon capture and storage technology alongside renewables. We will need to create sufficient capacity to meet electricity generation needs at all times, and we will need to put the necessary supply chains in place. We will require the development of smart grid and electricity networks to meet the needs of a reconfigured, smart and diverse electricity infrastructure and, of course, investment in coal and gas infrastructure. All that does not come cheap. Depending on what we read, it could cost between £200 billion and £450 billion to achieve. I have only touched upon the future of coal in the UK energy mix, but it has a strong future.

In 2009, coal-fired power stations produced approximately 28% of the UK's electricity supplies, using 40 million tonnes of coal in total. Last November, the Minister said that the UK

"will rely on gas and coal for years to come",

and he is right. Coal is the most abundant worldwide energy resource, yet, unabated, it is also the most polluting. Without finding a way to reduce its harmful effects, we will not be able to tackle climate change.

The question we therefore face is: how do we ensure that the lights do not go out while at the same time meeting the need for greenhouse gas reductions of at least 80% by 2050? In government, Labour committed to funding the first commercial-scale CCS demonstration plant, so we welcomed the coalition's decision to continue it. As I mentioned earlier, however, we are still waiting for the detailed sign-off of that project.

In addition, many questions remain unanswered in relation to how the crucial second, third and fourth projects will be funded. The Government have committed to funding them from general taxation, but can the Minister give us more detail about where the money will come from? When does he expect the Treasury to release the funds to pay for the project?

It is not just the direct funding for CCS that is required. We need to build the right infrastructure, conduct further research and development into CCS projects, and develop innovative financial mechanisms to devise solutions to the financial challenges facing CCS. We are encouraged that the current CCS demonstration already includes support for nascent infrastructure that will be needed to support the deployment of CCS, but more needs to be done to develop the infrastructure of pipelines and encourage clusters of those facilities in certain areas beyond the demonstration phase.

What work has the office of carbon capture and storage at the Department of Energy and Climate Change done to ensure that those coal-fired power stations that may come forward are able to share infrastructure, such as pipelines and capture plants, with industry, to reduce the overall cost of CCS and to make those plants more economically viable? How will the electricity market reform proposals ensure that a viable supply chain can develop to deliver CCS retrofits to a time that is compatible with our decarbonisation trajectory, as set out by the Committee on Climate Change?

[Luciana Berger]

If CCS is to be an integral part of our future energy security and carbon reduction—although we have to prove the technology on a commercial scale first—and if we wish to be at the forefront of the technology, so that we capture the benefits for the domestic and export markets in the future, from China, to India, to Brazil, to the US, we must provide the means. In fact, we have a duty to develop this technology, alongside our European neighbours, because with rising global use of electricity generated by coal, the downsides of delay are significant.

Any delay in the roll-out of CCS will mean higher atmospheric concentrations of CO_2, which in turn will mean that subsequent attempts to limit temperature rises to less than 2°C will be harder to achieve. Some calculations suggest that for every year that widespread global deployment of CCS is delayed after 2020, the long-term atmospheric stabilisation level of CO_2 increases by one part per million. Therefore, if we delay by more than a decade, the stabilisation of atmospheric concentrations of CO_2 at lower levels becomes near impossible. According to the International Energy Agency, without CCS and if we were to rely on other technologies alone, the costs of tackling global CO_2 emissions will rise by more than 70% each year. In simple monetary terms, it is a cost of $1.3 trillion annually by 2050.

During the deliberations of the Energy Bill Committee, the Minister referred to emissions performance standards, but I hope that he will provide more detail today. What will the introduction of EPS mean for the future of coal-fired power stations, and what representations has he received on the issue from industry? Will next month's electricity White Paper identify the level at which the EPS will be set? What effect does he envisage the EPS having on the British coal industry? As the EPS applies only to new-build coal-fired power stations, is it the Minister's intention that the carbon floor price will be the mechanism to incentivise a reduction in CO_2 emissions from plants?

Despite concerns from those representing coal-fired power stations, particularly about the burden of an extra layer of legislation and the fact that it will apply to new-build stations, the right EPS, for example, could help drive investment in carbon capture and storage, but only if it is set at an intelligent level. In written evidence to the Energy and Climate Change Committee in January, energy solutions company Alstom said:

> "An EPS at a technology-neutral level from, say, 2020, could provide support to the deployment of CCS, increasing the diversity and security of supply by enabling continued, but decarbonised, use of coal."

As such—and while recognising the positive intention of the EPS to ensure that no new coal-fired power station should be built in the UK without CCS, and the danger, highlighted by Alstom, of the wrong EPS level resulting in no new coal builds—this makes it even more critical that the Government drive on with the four CCS projects, pre and post-combustion, with urgency.

Planning is another big and obvious problem for coal and other new generation capacity. Undoubtedly, with the closure of many coal-fired power stations over the next decade, many planning applications will be made for new coal and gas-fired power stations, alongside applications for new nuclear build, onshore and offshore wind, biomass plants, and so on. What will happen, therefore, now that the Infrastructure Planning Commission is being scrapped? Will there be adequate resources and expertise in the Planning Inspectorate to avoid it being overwhelmed by the resulting workload, or will it simply become a rebranded version of the IPC?

Before I finish, I wish to raise a few issues that I hope the Minister will address in his wind-up. What discussions has he had with the coal industry about the carbon floor price mechanism and capacity payments? What impact does he expect those mechanisms to have on the future of coal-fired power stations?

The European Union's emissions trading scheme is a cap and trade system. If less CO_2 is produced in the UK, is the Minister concerned that, as fewer CO_2 allowances are used, the introduction of a carbon floor price will simply result in the migration of the carbon to elsewhere in Europe? That point was raised by the hon. Member for Nuneaton (Mr Jones) during an earlier intervention.

Will the proposed single tax rate under the carbon price mechanism disadvantage UK-mined coal against imported coal? There is concern that it will have a detrimental impact on UK coal producers, potentially leading to the closure of more pits, particularly deep mines, and resultant job losses.

Co-firing biomass with coal is a recognised renewable technology and receives renewables obligation support. The hon. Member for Thurrock (Jackie Doyle-Price) has made a powerful case in support of her local plant. However, concerns have been expressed about whether the technology receives sufficient funding. Can the Minister update us on the banding review of renewables obligation certificates? What is his intention in relation to co-firing biomass with coal?

In conclusion, coal is important to the UK's energy future—as clean coal—to provide the bridge over our energy gap and to a low-carbon future. However, we face significant challenges and must move quickly to develop the required technology to overcome them, if we are to tackle the dangerous threat posed by climate change. I would be grateful if the Minister addresses in his closing remarks the issues I have raised.

Thank you, Mr Howarth, for your stewardship this afternoon. I also thank the hon. Member for Sherwood for securing the debate and all the Members whose eloquent contributions have ensured that we have had an informed discussion.

3.39 pm

The Minister of State, Department of Energy and Climate Change (Charles Hendry): It is a great pleasure to serve under your chairmanship this afternoon, Mr Howarth. I congratulate my hon. Friend the Member for Sherwood (Mr Spencer) on securing the debate and on the manner in which he introduced it. If there were any doubt about it, he has proved today that he is a very fine heir to the seat of Sherwood. The bipartisanship, expertise and understanding that he has shown on the coal industry and wider energy issues are certainly traits that Paddy Tipping and Andy Stewart had. I very much welcome the debate that he has instigated. It would also perhaps be appropriate to put on the record that the hon. Member for Ogmore (Huw Irranca-Davies) would normally reply to such a debate for the Opposition. He is understandably not here today because of family circumstances and our thoughts and prayers are with him and his family at a very difficult time.

As I say, we have had an important and useful debate. There should be no doubt that we recognise that coal has been and will continue to be an integral part of our energy infrastructure. As my hon. Friend the Member for Sherwood reminded us, coal makes up on average 35% of our electricity generation, but on a cold winter's day that figure could readily be 50%. It is therefore vital to our energy security. As we have heard during the debate, coal is also the most carbon intensive form of electricity generation, producing around twice as much CO_2 per unit of output compared with a gas-fired power station, together with other environmental pollutants. He put the issue in an international context and outlined the role that coal is likely to play internationally over many years to come.

The imperative of tackling climate change means that we will need to decarbonise our electricity system. In the future, our energy supply will have to be diverse, adaptable and clean. The technologies that can help to deliver that are: nuclear, which should be built without public subsidy; renewable, including biomass, to which I shall return; and fossil fuels with the use of carbon capture and storage. I absolutely agree with the hon. Member for Midlothian (Mr Hamilton) that this should not be a debate about one technology versus another. We need to secure a tremendous amount of investment in our energy infrastructure, and we should be encouraging that to come from a wide balance of resources. I hope that we can agree that our energy security is enhanced by the breadth of that investment portfolio.

As my hon. Friend the Member for Sherwood mentioned, there is certainly a case for having back-up at times when the wind is not blowing, but that would not necessarily have to be coal; it could be gas. At the moment, the investment case would be much stronger for a new gas power plant than for coal with CCS because of the relative costs. That back-up supply could also be provided through interconnectors. For example, an interconnector to Norway could provide a huge amount of potential clean electricity and there could also be additional interconnectors to France or Iceland. They could be part of that process. During this decade, other storage technologies have been developed, such as battery, the use of hydrogen, compressed air or heating hot water. Those are all ways in which one can enhance the reliability of the renewables sector. Nevertheless, we recognise—and the structure we are looking to put in place recognises—that there will also need to be back-up power plant available.

We should also recognise the continuing role for gas in the mix, which has often been missed out in many of these debates. We have increased the expectation of the likely role that gas will play, which picks up the point made by the hon. Member for Blackley and Broughton (Graham Stringer). The world outlook on gas has changed beyond recognition in the past few years and it is right that energy policy should evolve to take account of that reality. When he noted that I was shaking my head, I was not disagreeing with him about the fact that there is an energy crunch, but about the time scale. My expectation is that the problem will not arise in four or five years, but towards the end of the decade.

A lot of new investment is coming through in gas plant. I opened a new Staythorpe 2 GW plant recently in the east midlands and there is also a new 2 GW plant coming onstream shortly in Pembrokeshire. A lot of new investment is coming through in gas; indeed, of the 20-plus GW of consented plant, 60% is gas. A great deal of new plant is coming through, but when we consider that we will lose a third of our coal plant by 2016—it may be more by the end of the decade—and much of our nuclear plant during this decade, there is a real urgency to secure new investment. During this decade, we are talking about an investment figure in excess of £100 billion in terms of electricity generation and the associated infrastructure.

The hon. Member for Liverpool, Wavertree (Luciana Berger) said that we had been drifting in terms of some targets, but I believe it is hard to see that drift. She talks about drifting on the CCS time scale, but in fact, we will secure that first project much quicker than was anticipated under the previous Administration. She talked about us drifting on the renewable obligation review; in fact, we have brought that forward by a full year from the time scale we inherited precisely to give clarity to investors. Where there was ambition before, we have decided to match that with a delivery programme, and put in place a road map for the development of carbon capture and storage, a dedicated Office of Carbon Capture and Storage and a developers forum to identify the barriers to investment, so that we can directly focus on those. I hope that we are putting in place a clear programme whereby we are saying, "We understand what the challenges are. How do we make dealing with those a reality?"

As I said, coal generation remains an important part of our energy mix. UK coal production to date is much stronger this year than last, with surface mine output up 400,000 tonnes and deep mine output up by almost a million tonnes. Consequently, this year, there has been a significant drop in the volume of imports, which I think we would all be pleased about. That is partly a result of destocking and partly because of a steady output from Daw Mill colliery—I was pleased that my hon. Friend the Member for Nuneaton (Mr Jones) was here to pay tribute to that. We very much welcome the development plans that UK Coal has announced for Thorseby and the extension of its life that that might bring about.

Total production in 2010 was up on 2009 at a little over 18 million tonnes, and total coal use was also up. The net effect of contributions from indigenous production and the use of stocked coal was to reduce UK coal imports from 38 million tonnes to 26.5 million tonnes, which is a significant fall of 30%. The generating sector continues to be the main market for coal from all sources, particularly from indigenous production. Some 80% of the coal we consume is used in electricity generation. I want hon. Members from all parties to be in no doubt whatsoever that I, and the Government, believe that there is an important continuing role for coal, including indigenous coal, in the energy mix. We need to put in place the right structure to secure the investment that will bring that forward. Indeed, we also need the right approach to carbon capture and storage.

We know that a third of our coal plant is closing as a result of the large combustion plant directive and that the industrial emissions directive will result in the closure of additional plant. If we reduce the sulphur oxide and nitrogen oxide emissions, it will improve air quality and bring environmental benefits.

I question my hon. Friend the Member for Sherwood when he calls flue gas desulphurisation a simple technology. I have been to Drax to see it. The technology may,

[Charles Hendry]

indeed, be simple from a chemical and engineering point of view, but it is vast. It covers many acres and costs many hundreds of millions of pounds. The companies that are looking at such technology have to think carefully about the long-term viability of their plant before they decide to go through that process.

It is clear that the market structure as it currently stands will not enable enough new investment to come through in these low-carbon technologies. That is why, during the past year, we have started the process of electricity market reform. Although the old market structure brought benefits to consumers—we had some of the cheapest electricity and gas prices in Europe, although it did not always feel like that—it did not attract important investment in low-carbon technology.

The key elements that make up the electricity market reform process are, first, long-term contracts for low-carbon generation through a feed-in tariff—a contract for difference—linked with a capacity mechanism. That could be used to provide for the additional plant that is needed on stand-by for those cold days when the wind does not blow, for half-time during a world cup football match or whenever additional capacity is required. Alternatively, we could find better ways of spreading the demand more evenly across the day and using that additional plant more sensibly.

The electricity market reform process will also look at the emissions performance standard, which the hon. Member for Liverpool, Wavertree raised. We will set out our plans on that in the forthcoming White Paper. We have listened carefully to the industry. I agree with her that if we set the EPS at the right level, it could be a strong steer towards new investment. Such an approach will make this country more attractive to investors because they will know what is expected of them over the longer term—for example, what the approach to grandfathering will be and when the reviews might happen. The EPS could be a very important steer and plus point in terms of attracting investment into this country, although I think I heard her indicate that there may be a case at this stage for applying it to gas as well. My anxiety about that is that we are not in the position to turn away investors who want to invest in gas at this time, too. We need to be very clear and careful about how it is introduced. The main drivers for low-carbon technology would be less from the emissions performance standard, and more from the feed-in tariff arrangements that we will introduce. We have also said that we will introduce a carbon floor price in 2013, and increasing gradually to 2020. That gives an early and credible long-term signal to investors that we are serious about encouraging investment in low-carbon technologies.

I understand absolutely the point made by the hon. Member for Liverpool, Wavertree. We have been talking closely with the coal industry and other people who are intensive energy users. We have to balance the urgent need to bring forward investment at twice the rate in this decade than was achieved in the previous decade, to meet the security of supply requirements that this country faces, and to do so in a way that does not create carbon leakage. It would not be sensible to drive away from the United Kingdom industries that can be a critical part of our manufacturing process—carbon emitters and heavy energy users. That would only result in that carbon being produced somewhere else in the world. There would be no net gain to the world. We would lose the jobs and have to import the products at the end of it—there would be no gain. That is why we have committed, over the course of the rest of this year, to put in place a series of measures to protect critical industries that are energy intensive users.

That lays the foundations for a sustainable economy, and will help to bring billions of pounds of investment into the United Kingdom through greater certainty. It will help to safeguard jobs, and will help to bring some of that supply-chain investment to this country, too. That is a right and proper target and objective for the Government. It also means that we have to develop carbon capture and storage.

Carbon capture and storage is not a luxury add-on; it is a fundamental part of our energy approach. We recognise the role that coal and gas will play for many years. That is possible with CCS in a way that could not happen without the development of CCS technology. I am pleased to see the progress in this country at a time when we see CCS deployment slipping back in other countries—Norway has put it back to 2018, and Holland is just delaying it, as are other projects elsewhere in the world. Britain remains one of the leaders on this. The £1 billion is the largest contribution that any Government anywhere in the world has committed to a single project. We have built on the work of the previous Government. Paddy Tipping referred to this as the competition without end, because it was going on for so long. I am glad that, in the course of the next few months, we hope to bring that to an end, although it is a complicated process.

The issues raised by the hon. Lady on shared access for infrastructure all need to be tied up in legal contracts with a variety of partners. We want to bring that to a close as soon as we can, ideally in these summer months.

Mr David Hamilton: Will the Minister encourage us to find out just exactly what contribution the Scottish Government are making? I believe that the Scottish Government are entitled to make a contribution, if that is the first big project of its kind to go. Of course, never shall the day come when we have separation—because I am a Unionist through and through—but surely it is right for this Government to check and make sure that the Scottish Government make a contribution if that day ever did come.

Charles Hendry: Energy remains a retained power. Clearly, the Scottish Government have decision-making powers on planning. That is why they have ruled out such things as new nuclear in Scotland. Nevertheless, energy policy is driven from Whitehall and Westminster. We therefore believe that if this is something that we want to achieve as a national Government, then we should be in the driving seat. If the Scottish Government were to say, "Here is a few million pounds to make it happen", we would of course be very enthusiastic and grateful to them, although there are not many indications so far that the cheque is in the post. Nevertheless, this will be taken forward by us, as a Government and as the Department of Energy and Climate Change, with a cross-party approach here, and I hope that we can find that agreement in the course of the next few months.

We have a range of technologies, an issue touched on by my hon. Friend the Member for Sherwood. This should not just be about post-combustion technology.

We need to look at oxy-fuel combustion and pre-combustion technologies, and that is what we want to see coming forward. In the course of the rest of this year we will set out the nature of the competition for the remaining projects—projects 2 to 4—and look at where we would like that to add to our knowledge, the type of technology that we may wish to see coming through with that, and to apply that to gas, too. Again, the world outlook on gas has changed a great deal and we need to take account of that.

I would say to my hon. Friend the Member for Sherwood that this is a technology that is still in its infancy. We know that the individual parts of it can work. We know that it can be separated—we have seen that done on a small scale. We know that it can be transported and we know that it can be injected into the sea bed. However, nobody in the world has done that at scale, so we do not yet know what the challenges are of doing that at scale, or what the costs will be. In terms of a time scale, to have four projects running by 2020 is extremely ambitious. We are not going to arrive at a stage where we can move it beyond that. We can absolutely see this technology moving forward in the 2020s. Global ambition suggests perhaps 100 projects by 2020, but 3,000 projects by 2050. This is therefore a process that will inevitably start carefully, but then build up dramatically over time. Everything that we are doing here is determined to ensure that the United Kingdom can be in a real leadership position. What we also see from industry shows that it wants to be part of that process. The NER300 process is a European competition, and almost half of the schemes coming forward for CCS are in the United Kingdom. That shows the appetite among our industry, our universities and our whole supply chain to help lead in this area.

Mr Spencer: I am grateful to the Minister for giving way, as I have taken up more than my quota of time. Given that the new technology will not be on the street until 2020, we will not be in a position to build nuclear power stations to that time scale, and renewable energy will not be large enough to make the shortfall, does he anticipate that the only way we can supply the nation will be by importing that power from our neighbours?

Charles Hendry: No, I do not, although I see it as being an important contributor. The investment in gas that we are seeing shows that the energy company industry is keen to invest in the gas infrastructure, too. We want to see that bid grow out of renewables, but some of those technologies for UK tidal would be in the 2020s. We want to see offshore wind ramping up in the course of this decade. My hon. Friend is absolutely right that nuclear is towards the end of this decade, but as we start to deal with the crunch to which the hon. Member for Blackley and Broughton referred, we need to see additional gas infrastructure, too. We should not rule out interconnecters as part of that process.

Finally, I want to come to the issue of biomass. I am grateful to my hon. Friend the Member for Thurrock (Jackie Doyle-Price) for the point she made on that. Electricity from biomass is important to our renewable energy targets, because it brings security of supply benefits. It is dispatchable; in other words, when we need more power, we can generate more power. It can be turned up and it can be turned down. It is one of the few renewable energy sources that is genuinely adaptable in that respect. Large-scale dedicated biomass has the potential to develop significant levels of renewable electricity by 2020. Electricity from dedicated biomass is cheaper than some other large-scale electricity sources. If biomass generation needed to meet the renewable energy target was displaced by more expensive technologies, then inevitably there would be a higher cost to consumers.

It is encouraging to see the interest from Drax, which is developing dedicated biomass. The work at Tilbury is ground-breaking and I join my hon. Friend the Member for Thurrock in paying tribute to RWE npower for the work it is doing to make that happen. Part of the renewables obligation banding review, which, as I said, we have brought forward by a year, will be to determine the appropriate level of support to bring forward either biomass conversion or co-firing, because of the contribution that they can make.

In conclusion, we believe, without any doubt, that coal can play an important role in our electricity-generating mix in the future, but only if its carbon dioxide emissions can be reduced significantly. Electricity market reform will provide the commercial incentives to deliver new low-carbon plant, and our CCS demonstration programme will ensure that there is a cost-competitive solution to the emissions from coal.

I congratulate my hon. Friend the Member for Sherwood. This has been a long-overdue debate, and one that has been extremely constructive. I rejoice at the fact that we can talk about coal, with Members on both sides of the House talking about its opportunities and its importance. I welcome that—it is a big step forward.

Local Rail Services (Bristol)

3.59 pm

Charlotte Leslie (Bristol North West) (Con): This debate is on the future of local Bristol rail, an issue that affects not only my constituency of Bristol North West and the city of Bristol but, because the south-west is so important a part of Britain, our nation as a whole.

Bristol is a significant city facing enormous developments, but the transport infrastructure is poor. Traffic congestion at our key motorway junctions can stifle the city and—not unrelated—bus fares are among the highest in Europe. Indeed, instead of being the gateway to the south-west, Bristol and its region can be described as the tourniquet of the south-west. The city is not standing still, however, with a new deep-water port at the port of Bristol making the docks of greater national and international significance, the possible sale for commercial use of Filton airfield in the constituency of my hon. Friend the Member for Filton and Bradley Stoke (Jack Lopresti) and the substantial housing development across the northern arc of Bristol. They are all opportunities but, unless the city's transport infrastructure is capable of supporting them, opportunities could represent burdens. I asked for this debate to emphasise to the Government the importance of supporting long-term transport infrastructure in Bristol, and to point firmly towards rail providing the bedrock of that transportation.

I am delighted that electrification of the Bristol to London line is going ahead—a major boost for the city—and it paves the way for the kind of long-term thinking we need.

Stephen Williams (Bristol West) (LD): I agree with my hon. Friend that the electrification of the Great Western main line is a fantastic announcement by the coalition Government. Does she agree that that announcement will be enhanced if we could get a commitment from the Government for the Severn Beach line, which is merely a small spur off the main line, to be electrified at the same time?

Charlotte Leslie: My hon. Friend makes an extremely good point, which anticipates what I was going to say. He has done a lot of work lobbying for electrification, and I thank him for that.

The electrification is fantastic and, as I said, long-term thinking is massively important, not that the current smaller schemes for improvement are not welcome. However, unless we also think long term, and think big, those improvements will merely scratch the surface and we will not have the available infrastructure to maximise the effects of the small schemes. I am tempted to draw an analogy with Joseph Bazalgette's building of the great London sewer system. There is no more time for devising more effective ways of throwing waste out of the window. For transport in Bristol, we need to devise a structural system that completely changes the way we do things.

When we come to the solution, there is good news: the bare bones of that new structure for transport in Bristol already exist. Disused and used freight lines lace the city, in particular in and around my constituency of Bristol North West, in the north of the city, and there are disused stations such as Henbury. The city of Bristol is sitting on a dormant giant of rail travel.

I have campaigned with the Friends of Suburban Bristol Railways and others for a Henbury station and a Henbury loop line. The solution is a no-brainer: the resurrection of our local lines in Bristol, to complete the circle line around the city that we partially enjoy already with the Severn Beach line. A Henbury loop circle line could link with the major stations of Bristol Temple Meads and Bristol Parkway, and could provide a reference point for shuttle transport to major visitor destinations such as the Mall at Cribbs Causeway, in the constituency of my hon. Friend the Member for Filton and Bradley Stoke. He cannot be here today because he is opening the new St Peter's school in Pilning, but he has rightly said that, given the likely commercial and residential development if the sale of Filton airfield goes ahead, the case for examining existing rail provision and the possibility of resurrecting mothballed stations such as Filton would be really strong. With section 106 moneys coming from the significant housing development in the area, investment for such infrastructure does not seem out of the question.

In Bristol, which in the past I have talked about in terms of "A Tale of Two Cities" because of the deep socio-economic divides running through it, a circle line could open access and economic regeneration to some of the more deprived pockets of our great city, but the economic benefits do not end there. I understand that some Ministers have already travelled on the Severn Beach line, which runs from Temple Meads station up the west side of the city. That suburban line provides a demonstration of the untapped need and desire for local railway infrastructure, and the benefits of pump-priming investment. Since welcome investment by Bristol city council in 2008, which my hon. Friend the Member for Bristol West (Stephen Williams) was active in campaigning for, introducing more frequent services on the Severn Beach line, passenger numbers have rocketed by about 60%, enabling a long-term subsidy decrease as the service becomes economically more successful. Were the circle line circuit complete around the city, that percentage of passenger increase and revenue would likely be an awful lot higher—but what we need is joined-up thinking.

Among parliamentarians, I am delighted there is broad and energetic consensus on the need to work together for the future of rail in our region. Sadly, in the past, however, a certain lack of co-ordination has led to our region missing out on some major transport investment opportunities. That is why I take this opportunity to back strongly the creation of an integrated transport authority for the region. Other areas, such as West Yorkshire and Merseyside, have seen a major resurrection of their local suburban rail services and they have something significant in common: an ITA. So I congratulate our local paper, the *Evening Post*, and a one-man campaigning army, Dave Wood, on making the case for an ITA so energetically.

An integrated transport vision is as central to the beating heart of our city as a circulation system of veins, arteries and capillaries. With a strong, united voice, bids for projects such as the reopening of the Portishead line and the Henbury loop line can be more effective. If other regions can do it, why cannot we? The strong progress of our local enterprise partnership gives further hope and might provide a great basis for more joined-up thinking. So the big vision is a circulation

system of rail around Bristol, linking with cycling and bus routes, and park and ride, to make all the schemes more effective.

More specifically, a major structural concern is to secure quadruple tracking up the Filton bank to Parson Street station, to alleviate the significant bottleneck which limits services locally. Failing to secure that now is a false economy, holding us back for the future, in particular given the existing demonstrable demand for more services. The electrification of the Bristol to London route is incredibly welcome, not only in itself but for the further opportunities it will provide, but any update from the Minister on how far the electrification will extend—for example, to Yate or Weston—would be most appreciated. Such an extension would open enormous opportunities for the suburban lines, with greater flexibility in rolling stock, new routes and diversionary routes for electric trains when needed. A 30-minute service from and to all stations in the former Avon area would be transformational, although it is quite a modest vision when compared with other major cities around the country.

As I said, the reopening of the Henbury loop and Portishead lines are particularly important specific proposals. An issue worked on and frequently raised by the hon. Member for Bristol East (Kerry McCarthy) is the safeguarding of Plot 6 at Temple Meads for a bus and train interchange. In the more immediate term, I seek clarification from the Minister about additional carriages for crowding relief in Bristol; more rolling stock is badly needed, which is an indication of the appetite for rail travel and the enormous unmet demand. I ask him to consider that seriously.

A Henbury loop line circuit is big thinking indeed, but rail gets to the core of tackling the underlying problems of Bristol's transport system. Rail infrastructure for Bristol would be an absolute game changer for all the other methods of transport that we need to improve, freeing up the roads for buses and cyclists and transforming the park-and-ride potential. The idea has backing—indeed, the scheme is recommended in Network Rail's route utilisation strategy—and I ask the Minister to look specifically at backing the scheme with practical financial support. Yes, the thinking is ambitious and long term, but I argue strongly that long-term strategic thinking and infrastructure investment is exactly what is needed if the entire Bristol region is to meet the real, pressing and ever-increasing transport challenges of the future. I called for the debate today because the future comes sooner than we think.

Chris Skidmore (Kingswood) (Con) *rose—*

Mr George Howarth (in the Chair): Order. Before the hon. Gentleman starts his speech, I should point out that I intend to call the Minister at 15 minutes past 4.

4.10 pm

Chris Skidmore (Kingswood) (Con): I thank my hon. Friend the Member for Bristol North West (Charlotte Leslie) for securing this extremely important debate, and I am pleased to see my hon. Friend the Member for Bristol West (Stephen Williams). It is rare to be able to talk about local issues in Parliament, and this debate is a great opportunity to do so. It is a shame that more hon. Members could not be present, but I want to give a personal apology from my hon. Friend the Member for Filton and Bradley Stoke (Jack Lopresti) who, as my hon. Friend the Member for Bristol North West said, is in his constituency. It is a shame that the right hon. Member for Bristol South (Dawn Primarolo) and the hon. Member for Bristol East (Kerry McCarthy) are not here, because we would then have had a full complement of local MPs to discuss transport issues in our local area.

As the MP for Kingwood, I do not specifically cover Bristol rail matters, but they are vital for my constituents in terms of integration, and I fully support the development of the rail networks: the West of England Partnership and local enterprise partnership have done excellent work in pressing the case, as the Minister knows, for rapid transit links to the northern fringe. My hon. Friend the Member for Filton and Bradley Stoke asked me to read out a statement that he would have made if he had been here:

"The Henbury loop line, presently a freight line used by coal trains from Avonmouth, will become a very important line for the local area with expansion of the Avonmouth Docks. It is also a very important diversionary route; there is a lot of residential and industrial units being constructed in North Bristol so this line needs to be opened up as a passenger line.

To achieve this a new station could be built at Henbury, and the closed North Filton station could be rebuilt with a park and ride site perhaps on land near the now closed airfield.

Filton North station is next to the A38 main road. Airbus, Rolls Royce, GKN Systems, Royal Mail and countless other firms are based in the near vicinity and the re-opening of this station could alleviate some of the rush hour traffic problems that the local area currently experiences.

With the closing of Filton airfield, land which is likely to be redesignated to residential and commercial needs, we must get the local transport infrastructure right to ensure that we can avoid serious traffic problems stifling the local area."

Although my constituency lies outside Bristol, all those issues affect the greater Bristol area, and as united coalition partners we want to ensure that we regenerate Bristol for the better. I again thank my hon. Friend the Member for Bristol North West, and look forward to the Minister's reply.

4.12 pm

The Parliamentary Under-Secretary of State for Transport (Norman Baker): I congratulate my hon. Friend the Member for Bristol North West (Charlotte Leslie) on securing this debate, and my hon. Friends the Members for Bristol West (Stephen Williams) and for Kingswood (Chris Skidmore) on contributing to it. The subject is important and timely.

My hon. Friend the Member for Bristol North West set out with great clarity the importance of the rail network in Bristol to the local economy, and how it can contribute to helping to address congestion problems in and around the city. She said that Bristol is the gateway to the south-west, and the Government fully recognise that in our planned investment in the inter-city rail network to Bristol. Indeed, it would not be possible to discuss local rail issues—I will return to them later—without referring to the significant developments that are planned for the network over the next five to 10 years, and which will transform Bristol's links with London and the south-east.

The announcement that the Great Western main line between London, Bristol and Cardiff will be electrified has been warmly welcomed in the west of England, and

[Norman Baker]

I am pleased to hear hon. Members' support for that project today. The line will be equipped with brand new inter-city express trains, and the current proposal is for four trains an hour to run between Bristol and London, two an hour via Bath and Chippenham and two an hour via Bristol Parkway. Those via Bristol Parkway will transform the links between the constituency of my hon. Friend the Member for Bristol North West and London, given the proximity of Bristol Parkway station.

Both routes into Bristol will be electrified and, with electrification of the Severn tunnel route through to Cardiff, three of the local routes—Cardiff to Bristol, Bristol Parkway to Bristol, and Bath to Bristol—will be able to accommodate electric trains. There are no plans to electrify the line to Weston-super-Mare or the Severn Beach line. However, because some of the new inter-city trains will be bi-mode trains and able to run on electric or diesel power, some inter-city trains will continue to operate to Weston-super-Mare, as they do today, and will switch seamlessly—at least, I hope so—from electric to diesel power at Bristol Temple Meads.

Another recent announcement is significant for the area. The Secretary of State has announced that the Thameslink route through London will receive new rolling stock from about 2015. That means that, as far as Bristol is concerned, there will be a pool of electric rolling stock available to operate some Bristol area local rail services should the operator of the new Great Western franchise choose to use them. I realise that capacity is an issue. We are currently negotiating with First Great Western for provision of additional diesel carriages, but I cannot confirm at the moment when they will arrive or what the exact number will be. However, the prospect of electric trains will ease the position considerably.

I said that this debate is timely, and there are three reasons. First, detailed planning of the electrification scheme is now under way, and there may be opportunities to add to the scheme better to meet the needs of the local area if funding can be identified locally. Secondly, First Great Western has recently announced that it is taking up the option that the previous Government made available to it under the terms of the franchise of terminating it in 2013 rather than 2016. Therefore, detailed work will have to be carried out on the specification for the new franchise. Local authorities need to be ready to input into the process, and to discuss their ideas with bidders when they emerge in due course. For the avoidance of doubt, we welcome local people's views of the new franchise arrangements which we are putting in place throughout the country. Thirdly, we are keen to explore the scope for devolving further aspects of rail to local authorities, and a good time to do so is when a franchise is due for renewal and the area is set to benefit from major investment.

The electrification scheme creates major opportunities for the local rail network around Bristol. Electric trains are cleaner, quieter and have better acceleration than diesel trains, so they are ideally suited to providing local rail services in densely used urban areas. The journey-to-work area in Bristol is expanding, as my hon. Friends know only too well, so now is the time for the local authorities to consider how the local rail network can be adapted to maximise the benefits of electrification. That may require some reconfiguration of local services, but the local authorities are well placed to understand passengers' needs. For example, we are aware that the West of England Partnership is keen to see the local rail service extended from Bristol Parkway to Yate. We would welcome local input into matters such as whether a short extension of electrification from Westerleigh Junction to Yate would offer value for money. Likewise, new stations have been suggested for the Bath route, and now is the time for the partnership to consider such issues.

We are keen that proposals for infrastructure enhancement are robust and based on sound evidence. It is in nobody's interest to promote unsustainable or undeliverable schemes or schemes that have little chance of securing funding. It is therefore important that work is undertaken to understand the viability of those options. I want to make it clear that the Government are pro-rail. We have a major programme of investment in the rail network. Indeed, it is reasonable to conclude without hyperbole that our rail investment programme is the biggest since the Victorian era.

In the Bristol area, the local authorities work closely together as the West of England Partnership. Although they are free to consider whether there might be benefits in forming an integrated transport authority—my hon. Friend the Member for Bristol North West referred to that, and some people believe that there would be significant benefits—it is not essential that they do so for the purposes of securing improvements or investment in local rail services. If local people want to consider forming an ITA, we will pay close attention to that. The partnership has a number of plans for rail, and there are no institutional barriers preventing them from achieving them.

We are keen to see the local authority partnership aligned with the local enterprise partnership, and together to play a leading role in determining the future of the local rail network. For example, that structure could deal with the safeguarding of Plot 6 at Bristol Temple Meads. The West of England Partnership already takes an active role in transport, and has established a rail protocol with train operators and Network Rail. I understand that the local enterprise partnership has plans for regeneration around Temple Meads station.

The West of England Partnership has created the concept of a Bristol metro network of regular-frequency local rail services, and has been very supportive of North Somerset council's efforts to reopen the Portishead line. The next step will be to identify how those enhancements could be delivered and, more importantly, funded. The reopening of that line would require the reopening of passenger services on a freight-only line from Parson Street junction to Portbury junction, and the reinstatement of track from Portbury junction to a new station at Portishead. Our rough estimate is that reopening would cost £35 million to £40 million. Steps are obviously under way to make Network Rail more efficient, and to drive down costs, but that is our present estimate. Such a move would require the provision of new train services, perhaps every half hour during peak times and every hour off-peak. At the moment, that would need an ongoing subsidy, which is an important consideration when working out the economics of any reopening.

Reference was made to the possibility of reopening the line to passenger services between Avonmouth and Filton Abbey Wood. That would create a north Bristol circle line that would run from Temple Meads via Clifton Down to Avonmouth, and back to Temple Meads via a reopened Henbury station. I am sure that such a circle line would be more reliable than the one I use on a regular basis, which runs not far from this Chamber.

Stephen Williams: I share the vision of that north Bristol circle line with my hon. Friend and neighbour the Member for Bristol North West (Charlotte Leslie). It would also provide the opportunity for new stations along that route. My hon. Friend mentioned some stations that she would like in her constituency, and I will add Ashley Hill station to that list. It would be on the Filton Bank line and serve about 20,000 residents either side of where the station used to be—the platform is still there. It would also serve Gloucestershire cricket club and Fairfield high school.

Norman Baker: My hon. Friend has long campaigned very strongly on these issues and I welcome his involvement. Objectively, if we are to reopen a line it is a good idea to attract as many passengers as possible, and the provision of extra stations could be a useful way to achieve that. A cost-benefit analysis would be carried out for each station to look at whether reopening it would make sense to the project as a whole. My hon. Friend has given several examples of why he believes that would be the case for the station that he mentioned.

Although the line between Filton Abbey Wood and Bristol is intact, we would need to increase its capacity, and Network Rail is considering how to accommodate the extra trains. There would also be the question of how to serve the branch line from St Andrews road to Severn Beach. In the first instance, the West of England Partnership will determine whether that scheme should be a priority, although to date it has provided no indication that it would seek to explore that proposal, given that the Bristol metro and the Portishead line appear to be higher priorities. Hon. Members from the Bristol area may wish to pursue that point with the West of England Partnership. Bristol city council funds additional services on the Severn Beach line, which has contributed to a significant growth in the usage of the line. Perhaps that model could be employed elsewhere in the area.

Let me take the opportunity to congratulate the community rail partnership. It has done tremendous work in improving stations, promoting the network around Bristol and, importantly, involving local people in its schemes. That has produced a tremendous sense of pride and ownership in the local rail network. My right hon. Friend the Minister of State for Transport recently visited the line and was impressed with the achievements of the community rail partnership. She was keen for me to refer to those achievements in my remarks today.

Conditions already exist for local authorities to take on greater responsibility for local rail services. The Department for Transport will be happy to discuss ways of achieving that with those local authorities, and help as best it can. As I have already mentioned, there may be scope to modify the electrification scheme to take account of local needs and aspirations, and as we have seen, local authorities are already able to finance rail services and schemes using funds available for local transport. We believe it is important that decisions on local priorities are made by local authorities rather than central Government, so there are currently no plans to establish a central fund for local rail schemes. Instead, local authorities should identify which local funding sources are most appropriate for a rail scheme, and decide whether such a scheme should have a higher priority than, for example, a highway or bus scheme.

Although the coalition Government's current priority must be to reduce the budget deficit, we are making available a significant amount of money—£560 million—through the local sustainable transport fund. That is more money for local transport than was provided over the past four-year period, despite the difficult economic climate that we face. We are also making a contribution to the regional growth fund to enable some schemes to proceed before 2014. All that is in addition to the major local transport schemes budget, and in September the West of England Partnership will make five bids to the Department for schemes linked to the development pool. We will make decisions on those schemes around Christmas. The area has already had one scheme approved for the Greater Bristol bus network, which is nearing completion. The West of England Partnership has made a key component bid and a large project initial proposal to the local sustainable transport fund, and an announcement on the key component bid will be made shortly.

We will soon be consulting on a more devolved approach to major local schemes that will be in place from April 2015. Such an approach will provide the opportunity for groups of local authorities, working with local enterprise partnerships, to consider once again the transport priorities for their area that the fund might help to meet. That is particularly important for the reopening of the Portishead line, which has been frequently mentioned in this debate, through correspondence with the Department, and in other forums.

The aspiration is to reopen that line by 2017, but it is essential to first establish that that is the best way to meet the needs of the area and a priority for investment among other potentially competing claims. The local authority has carried out important work with Network Rail through the governance for railway investment projects process—GRIP. It also, however, needs to establish demand for the scheme and to demonstrate that there is a business case and that ongoing financial support is affordable. Initially, that must be demonstrated locally and not by the Department. We will respond to that local pressure.

To conclude, electrification brings opportunities for improvements to the local rail network around Bristol. There is an important role for local authorities, working together through the West of England Partnership, to carry on the good work and seize the initiative by taking advantage of such schemes. The Department will be happy to provide advice and guidance to hon. Members, councillors and others in the Bristol area, to ensure that people are able to maximise the opportunities in their area. Ultimately, however, it is for local people to lead on such matters, and the Department will have a supportive role.

Computer Games Industry

4.26 pm

Jim McGovern (Dundee West) (Lab): It is a pleasure to serve under your chairmanship, Mr Howarth, and I thank the House and the Speaker's Office for giving me the opportunity to raise an issue of great importance to my constituency: the computer games industry.

As hon. Members will be aware, calls for the Government to provide more support to this important industry have been made for some time, and during both the previous Parliament, and this Parliament, I and many of my colleagues have asked the Government to act. The previous Labour Government committed themselves to introducing tax breaks to encourage start-up companies and overseas developers to establish operations in the UK. The election of the coalition Government saw that policy scrapped, despite the support of Liberal Democrat and Conservative Front-Bench spokespeople before the election.

The UK computer games industry is a substantial contributor to investment in the UK. In Scotland alone, £30.2 million is invested in salaries and overheads, £27.5 million is contributed to the Exchequer, and a direct and indirect contribution of £66.8 million is made to UK GDP. In the UK as a whole, those figures rise to a £1 billion contribution to GDP, and £400 million a year that goes to the Treasury.

In Dundee, the arrival of a successful games developer has been a major factor in the revival of the city's fortunes, following the loss of major manufacturing industries in the 1980s and '90s. The computer games industry has contributed to help Dundee fast become a destination of choice for investors. Millions of pounds have been invested into the city and much-needed high-quality jobs have been created. Such investment has also provided an opportunity for young graduates, many of whom studied in Dundee, to pursue graduate careers in the city when before they would have left to work elsewhere. That has had a tremendously positive effect on the city.

All that, however, is now at risk. Like many major industries, the computer games industry operates in a globalised economy and faces stiff competition from abroad. In that environment, just as in many others, global competition is squeezing British industry. Like ship building, general manufacturing and steel production before them, UK creative industries are being tempted away by countries that offer ever more enticing business environments. Canada is a particular threat. Last week the Entertainment Software Association of Canada produced a report highlighting the fact that Canada's computer games industry has significantly benefited by poaching companies from the UK. It estimates that because of tax breaks, the industry will grow by 17% over the next two years. Between 2008 and 2010, the Canadian games industry grew by 33%; over the same period, the UK's games industry fell by 9%.

We have seen recent evidence of that phenomenon in the UK when a games developer in Warrington closed and staff were offered positions in the company's Canadian office. There is more bad news for the UK industry. The US state of Pennsylvania announced this week that it is to introduce a 25% tax break for games developers. That makes it the 17th US state to offer such support. Alongside that, the Irish Culture Minister, Jimmy Deenihan, announced at the start of this month that the Irish Government were looking to implement tax breaks to encourage games developers to move to Ireland. That is all the more concerning given what we know of Ireland's ability to attract high-investment technology companies to its shores—its banks notwithstanding. I am referring to companies such as Microsoft and Apple.

That is why I am calling on the UK Government to reconsider their approach to Government support for the industry. There is a significant risk that our industry will be further outmanoeuvred by countries such as Canada, Ireland and the United States and we will lose the investment that communities such as those in my constituency cannot do without.

Jim Sheridan (Paisley and Renfrewshire North) (Lab): I congratulate my hon. Friend on securing this debate, which is important for jobs in Dundee. As he rightly identified, just five weeks before the general election, both coalition partners promised that they would introduce tax breaks for the industry. Has my hon. Friend had any indication as to why that policy has changed?

Jim McGovern: I thank my hon. Friend for his intervention. I can quote from the evidence taken by the Select Committee on Scottish Affairs, which conducted an inquiry into this subject. It was said in that Committee that on 29 March—just five weeks before the general election—the then shadow Minister said that the Conservatives were

> "going to support tax breaks for the video games industry...We are fully behind game tax breaks. This is my unequivocal statement. It's been approved by George Osborne."

However, in the very first Budget, in June 2010, they scrapped that. I have never heard a reasonable explanation of why that happened. Perhaps this afternoon we will hear one.

Lindsay Roy (Glenrothes) (Lab): I, too, congratulate my hon. Friend on securing this very important debate. As I understand it, the Government tell us that the key to recovery is growth and support for small and medium-sized enterprises. Is my hon. Friend saying that we are entering this competitive field with one hand tied behind our backs?

Jim McGovern: I thank my hon. Friend for his intervention. The Government seem to be saying that differences in corporation tax and research and development tax credits are good enough to support the computer games industry. My view and that of TIGA, the association that represents the computer games industry, is that a one-size-fits-all policy is not good enough and there should be a specific solution for specific industries, such as the computer games industry.

The one policy difference between the UK and our competitors is a scheme of tax incentives for games developers. Canada offers tax breaks of 17.5% to 37.5% on labour expenditure. As I said, Ireland is investigating how best to implement tax breaks, and Pennsylvania is offering a 25% tax break, which is similar to that offered by the other 16 US states that offer such support. It is clear that the UK is being outdone by those tax

regimes. That is why I am calling on the UK Government to introduce a tax incentive scheme that rivals those other countries' schemes.

As the Minister will be aware, the Scottish Affairs Committee investigated the current state and benefits of the computer games industry in Scotland. Its conclusion on tax breaks was clear. It said that there were compelling reasons to introduce tax breaks and that the UK Government should begin a consultation process to see how best to achieve that. That is additional to recent calls by major international developers. Three of the largest—Activision Blizzard, THQ and Ubisoft—have publicly stated that tax breaks in the UK would make them much more likely to invest here. There are many reasons why they do so now.

Justin Tomlinson (North Swindon) (Con): I thank the hon. Gentleman for giving way on that point in this very important debate. Has there been an estimate of the long-term tax revenue that could be generated if the UK's share of the market was to grow through the use of tax incentives?

Jim McGovern: There has been an estimate. TIGA reckons that tax breaks would help 2,500 new jobs to be created and would maintain and protect 3,000 current jobs.

Mike Weatherley (Hove) (Con): Does the hon. Gentleman agree that we need to think not just about the short-term position, but the long term? Given that this is such a transient product, which can go from border to border, we need to think about how the whole market is developing. Therefore, tax breaks are important in our thinking about how we can maximise revenue going into the future, not just in the short term.

Jim McGovern: I certainly do agree. We do need a long-term strategy. Everyone involved with the computer games industry—it is a big thing in my constituency of Dundee West—agrees that a long-term strategy is required, but in the short term, to prevent companies from going bust or moving to Ireland or Canada, tax breaks would be very important. They would be a big factor in helping companies to survive.

I and many others are deeply disappointed that the present Government have ignored the call for tax breaks and stubbornly remain of the view that that is a policy they choose to disregard. The Government's one-size-fits-all approach to tax incentives simply is not working. While the UK Government remain outwitted by our international competitors, it is highly likely that inward investment will be lost. As with other major economic sectors previously, the UK will lose out because of a Government who choose to ignore the calls of industry, rather than listen.

I will move on to another way in which the UK Government can support the industry. This is a case not just of tax breaks, although they are fundamental, but of the range of measures that developers feel would support them. The Scottish Affairs Committee stated in its report that the Government must work with industry bodies to best determine how to better publicise the availability of R and D tax credits and to introduce a more targeted R and D scheme to the industry.

I welcome the recent changes to R and D tax credits, but the Government could do much more in that regard. Only some of the recommendations have been met. I call on the Government to extend that programme to make the available tax credits more generous and to work with the industry to discover how best the scheme could be tailored to its needs.

That brings me to the third way in which the Government could make the business environment more attractive to games developers. Start-up developers face serious trouble in securing loans and financing from the banks. I know that that is a wider problem experienced by small and medium-sized enterprises throughout the UK, but I ask the Government to redouble their efforts to ensure that the banks grant the finance required for start-ups to get going.

Research conducted on behalf of the Department for Business, Innovation and Skills and the Department for Culture, Media and Sport by Dr Stuart Fraser of Warwick business school and IFF Research in May highlights the worrying extent of the difficulties that creative industries face in securing financing. They are much more likely than other industries to be turned down by the banks. That was highlighted in the Scottish Affairs Committee report on this subject. According to research by the trade body TIGA, the majority of 104 surveyed games companies reported either that there was no difference in their ability to borrow from their bank or that the situation had got worse in the course of last year.

The Government have committed themselves to improving the access to finance from banks from the all-time low that we experienced due to the banking crash. Clearly that has yet to produce any results for the computer games industry. As with many creative industries, there is risk associated with games developers, as the sad demise of Realtime Worlds in my constituency illustrates. A product that fails to sell can have a dramatic impact on a company. However, without some risk being taken, industry and the economy simply will not grow. I ask the Government and the banks to work in partnership with the industry to see investment increased and jobs created.

Lindsay Roy: Is it not ironic that the Government have invested heavily in Abertay university to enhance the skills profile? If these jobs are not available, we will see a drain from that investment overseas.

Jim McGovern: I thank my hon. Friend for his intervention. He is absolutely correct. When we took evidence at Abertay university, we were told that, every day, students there who are studying the computer games industry and will graduate in that subject are receiving phone calls from France, Ireland and Canada saying that they will be offered a job there. Most of the students who study computer games do not end up employed by a company in the UK; they end up starting their own business. It is extremely galling for people in Dundee, who want to locate in Dundee, to find that it is much easier to move abroad than to stay in the UK, so I thank my hon. Friend for that point.

On that subject, if we stifle young companies with a lack of finance, we cannot hope to see economic growth. We must return to rewarding those who take appropriate, but not reckless, risk in starting and running businesses.

[Jim McGovern]

There are other proposals that the UK Government could implement to support UK games developers. TIGA has called for the creation of a creative content fund. That would allow for funding on a pound-for-pound basis up to £100,000 for companies that produce highly creative content. The UK Government must acknowledge that computer games developers and other creative industries have specific requirements that are not being addressed. The creation of a creative content fund would target funding on those industries, and show that their needs were catered for. It would encourage investment, growth and job creation. I ask the Minister to draw up plans to consult on introducing these measures, and to work with the industry and the Treasury to put in place a policy that encourages and rewards creative investment.

As for the value of higher education and of a skilled work force for the industry, I am well aware that higher education spending is a devolved matter, but the Government could do a number of things. A major requirement for developers is a highly skilled and trained work force. The industry is populated largely by graduates and, as I mentioned earlier, securing jobs for Dundee graduates has had a great effect on the city.

I welcome the Government's decision earlier this year to award funding to Abertay university. However, it remains a small sum compared with the support that could be offered. The Scottish Affairs Committee's report highlighted the real concern that there are too few mathematics and computer science graduates to sustain the industry. Abertay has led the way on this, and I urge the Government to work with universities and industry to ensure that we have the work force and skills base that the economy needs. Abertay has acted as an experiment on what can be done in partnership between higher education institutions and the private sector. I ask the Government to work with the Scottish Executive to develop working relationships of that sort, and to ensure that public spending cuts do not harm access to higher education or the quality of teaching and research.

The theme that runs through my speech today is a call for a more coherent and aggressive growth strategy from the Government. I well understand Ministers arguing that we need a simplified tax incentive structure. I am sure that we would all agree that unnecessary complication would be a hindrance to economic growth. However, we sometimes need an element of necessary complication. The temptation to find simple solutions to complicated problems can be far too alluring; instead, we should accept that there is a case to be made for having specific solutions to specific problems. Individual industries require tailored support to meet their needs. Whether it is tax breaks for the UK film industry or tax breaks for games developers, the Government must introduce policies that actually work for the many important industries that we have in the UK.

Mike Weatherley: The hon. Gentleman is generous in giving way. Does he agree that it is important not only that the Government are behind the financial incentives but that there is copyright protection for those who produce the product?

Jim McGovern: I certainly would not disagree. As I said earlier, the Government could do much more. The hon. Gentleman makes a valid and important point.

I sincerely fear that we have an overly simplistic one-size-fits-all solution that does not address the differing needs of UK businesses. Economic growth is stagnating, inward investment has fallen sharply since the crash and remains low, and computer games developers say loudly that the Government are paying no attention to the problems that they face. That is why I ask the Government to think again about their broad-brush and overly simplistic attitude to supporting business. They must get stuck in and get their sleeves rolled up, working out appropriate solutions for UK business and taking on the job of creating economic growth. Their do-nothing strategy is simply not working.

The best place for The Government to start—I hope that I do not flatter myself—is to commence work on the proposals that I have outlined today to support the UK computer games industry. Constituencies such as mine of Dundee West, and constituencies throughout Scotland and the UK, suffered when the last Conservative Government failed to stand up for UK business, allowing us to be outwitted by foreign competitors. I strongly ask this Government not to make the same mistake.

4.43 pm

The Parliamentary Under-Secretary of State for Culture, Olympics, Media and Sport (John Penrose): It is a pleasure, Mr Howarth, to see you in the Chair and looking after us this afternoon. I thank the hon. Member for Dundee West (Jim McGovern) for initiating the debate. As he says, the computer games industry is an important part of our national economy. It is responsible for many high-quality and high-skilled jobs, and it is also part of the knowledge economy. The debate is therefore most timely, and I congratulate him on securing it.

I start with a brief apology, Mr Howarth. You may have noticed that I am not the Minister who was supposed to have answered this debate. The reason is that the Under-Secretary of State for Business, Innovation and Skills, my hon. Friend the Member for Wantage (Mr Vaizey), is currently at an OECD conference in Paris—some people have all the luck, you may say—on the subject of broadband and the internet. I am therefore standing in for him. I toyed with the possibility of getting my ministerial colleague to represent himself by Skype, possibly by superfast broadband, as he is also Minister with responsibility for the digital economy, but I thought that might be a step too far even for the newly modernised House of Commons. I therefore stand in his stead.

I am not sure that the hon. Member for Dundee West and I will agree on all points of industrial strategy—I suspect not—but I shall respond to some of the points that he made. In particular, I respectfully take issue with his comment that the Government are pursuing a "do nothing" strategy. We are doing a great deal, although not necessarily precisely what he suggests. I shall say what we are doing, and then we can debate whether there is room for additional activity.

I am sure that we agree that the economic and cultural value of the UK video games industry is high. The long-term potential of the global market is exciting. PricewaterhouseCoopers suggests that the global market for video games will grow from $56 billion in 2010 to $82 billion in 2015; that is an 8.2% compound annual

rate of growth. The hon. Gentleman and I have also said that games companies are typically knowledge-intensive and high value, and offer high-quality jobs. They fit well with our aim to rebalance the economy, both in terms of sectoral ability and geographical coverage, and to move away from the historic over-reliance on things such as the financial services industry and the south-east.

Lindsay Roy: I understand that different approaches are taken for the film industry and the video games industry, but they both have huge opportunities for creative development. Why do we have that differential?

John Penrose: I think that the hon. Gentleman is referring to the fact that a tax break is already in place for the film industry, but we do not have quite the same system for the video games industry. There is a piece of history here, which I offer as an explanation.

The film industry has an existing state aid exemption; it is an acknowledged piece of state aid that is registered with EU authorities and anyone else who needs to know. We are registering it under the next iteration of those rules, which is coming up. The reason is that it seemed at the time—we continue to agree—that it was an important piece of cultural ambassadorship as much as a business opportunity. We cannot necessarily say that for "Grand Theft Auto", important though it may be for the UK industry and for jobs. The film industry does both jobs. It fulfils the role of cultural ambassador; the video games industry is economically important. That is the historic explanation. The shortage of money, which I intend to deal with in my response to the hon. Member for Dundee West, is why we are where we are; there is no money to extend such provision, even if we could.

Jim McGovern: I thank the Minister for giving way. The figures given to the Scottish Affairs Committee during its inquiry suggest that the tax breaks received by the film industry cost in the region of £110 million a year. The previous Government committed themselves to tax breaks for the computer games industry worth £55 million a year. However, the computer games industry generates more for our GDP than the film industry. Further to that, the Committee said that calling them video or computer games was rather misleading, as the industry is also involved in medical research and architectural science. It is not just people playing "Grand Theft Auto" or "APB".

John Penrose: The hon. Gentleman is quite right to say that there is a broader aspect to the matter. I was using "Grand Theft Auto" as a quick example rather than a widely based covering comment.

As for the numbers cited by the hon. Gentleman, I say this. Businessmen should always face many more ideas that would produce a positive return on their investment than they can afford. That is a fact of life in any industry, and certainly in the creative industries. There might be 100 options that could increase the bottom line, but they will not be able to afford to use them; they will not have the cash, the people or resources in general. That is the case with the Government. We inherited a terrible fiscal position, and the country's balance sheet was in a very bad state. There are all sorts of things that might create a positive return, but we physically do not have the cash for them.

One of the major points of difference between the hon. Gentleman and me in our approach to macro-economics in general and to the industry—and also on a micro-economic basis—is that I am unsure where we would find the money to do some of the things that he suggests, such as tax breaks here and there. I respectfully suggest that he will need his own Treasury Front-Bench team to sign up to what he suggests. I suspect that those Front Benchers will be leery of doing so, because they would then have to explain which bits of other budgets, such as health or education, they would cut in order to release money for this, which taxes they would raise to pay for the additional tax breaks, or how they would persuade the financial markets, on the day that Greece is voting for its austerity package, that we should be borrowing more money for this, that or the other. This is an essential piece of macro-economic prudence, and I suspect it is a fundamental difference of approach between us. I understand where he is coming from, but I am trying to explain where we are.

Justin Tomlinson: I understand 100% the point the Minister makes about the constraints in the financial sector. However, he also referred to the fact that this is a growing market and there is an opportunity. Can we at least have an assurance that the Government are continuing to consider ways to support the industry and that, as and when opportunities arise, they will be considered?

John Penrose: I can absolutely make that assurance. I would like to go back to some of the things that we are already doing, which I hope will bring a significant benefit to this industry and others.

Jim McGovern: The Minister said that I should ask my Front-Bench colleagues to sign up to this. Obviously, they have: they made a commitment prior to the general election that they would give tax breaks to the computer games industry. The Minister's party also supported that, as did the Liberal Democrats and the Scottish National party. I am not looking for a U-turn; I am looking to the Government to honour their commitment. The Minister makes the point about the Labour legacy, which I think everybody is getting a bit scunnered listening to. If that is the case, why can Ireland offer tax breaks but the UK cannot? Ireland is held up as an example of a country that is economically worse off than the UK.

John Penrose: That brings me neatly to one of the other points made by the hon. Gentleman. He accused us of having an over-simplistic, one-size-fits-all policy. The difference between here and Ireland is that, over 13 years under the previous Government, the UK developed one of the most complicated, long, difficult, baroque and over-ornamented systems of business taxation in the developed world. We start with an incredibly complex taxation system, so moving gently towards a slightly simpler approach does not mean we are becoming over-simplistic or deciding that one size fits all. We would have to go a long way to get anywhere near the scenario the hon. Gentleman describes. Ireland is not starting from that over-complicated position. It has all sorts of other constraints. It has major macro-economic and public finance problems, as he rightly says, but it is not starting from one of the most complicated and baroque business tax systems in the world, as we are.

[John Penrose]

We need to move to a simpler system. It is difficult to argue that decisions on whether to invest in this or that part of a business will be driven effectively and productively by a system that requires encyclopaedic PhD-level knowledge and understanding of business taxation. What actually happens in business—and having been in business, I can vouch for it—is that one makes the right decision on the basis of what customers want and what is affordable and one tries to position the business in that way. One then turns to the bloke who runs the finance department and says, "Can you retro-fit any of this into some kind of useful tax break that the Government have already introduced?" That does not drive decision making, unless it is a very large and particular kind of system, of which there are few.

Therefore, that kind of over-complicated tax system is fundamentally less effective than it should be in driving investment decisions. That is why one needs to move to a simplistic system with straightforward incentives: if someone invests and does the right thing for customers, they will earn more money, it will drop through to the bottom line and investors will do well. That is the thinking behind it.

That said, as I mentioned to my hon. Friend the Member for North Swindon (Justin Tomlinson), we are trying to do a series of things that will help the industry and others. I will lay out some of those, as the hon. Member for Dundee West challenged me to do so. I want to ensure I respond, to show that we are not a "do nothing" Government. However, he is right to say that the UK faces strong competition for video games investment from overseas, particularly from Canada, which offers targeted tax incentives for games producers. I am aware, of course, of the trade association TIGA's campaign for the introduction of a specific tax relief to support video games production in the UK. Its job is to campaign for such things; it would not be doing its job well if it did not make that argument. In someone else's famous phrase, "They would say that, wouldn't they?"

The Chancellor of the Exchequer, as I have mentioned before, keeps all decisions on tax policy under review. However, we believe that in general providing a low corporate tax rate with fewer reliefs and allowances, as I have explained, will provide the best incentive for business development and promoting economic growth. Many games companies in the UK will benefit from the reforms announced in Budget 2010 and Budget 2011. To remind hon. Members, the UK's main rate of corporation tax will fall to 23% by 2014. That means we will have the lowest rate in the G7 and the fifth lowest in the G20, ensuring the UK remains a competitive place to do business.

The hon. Member for Dundee West said that businesses are leaving. It is worth pointing out that many major global games companies choose to locate their European headquarters in the UK, and continue to do so. For example, we have Sony Computer Entertainment, Sega, Disney Interactive and Activision all here in the UK.

The Government have also made major reforms to the R and D tax credit. From 1 April 2011 the rate of tax relief for small and medium-sized enterprises increased from 175% to 200% of qualifying tax relief. From 1 April 2012 that will rise further to 225%, subject to state aid approval. I know that many in the games sector have warmly welcomed those reforms as a boost to innovative video games businesses in the UK.

The Government also announced changes to the schemes that help to incentivise equity investment in small, high-growth companies. The hon. Gentleman mentioned the importance of those to this industry, and many others. Those schemes are the enterprise investment scheme and venture capital trusts. We welcome the news that consultants Olswang plan to work with others on an independent analysis considering how measures such as EIS and VCTs can be exploited by games developers and the investment community to boost levels of investment in the sector.

I should also say that it is not just a matter of tax policy, although that is important, and the hon. Gentleman rightly focused many of his remarks in that area. There are other things that can and need to be done to improve the environment for enterprise in this country. For example, the enterprise finance guarantee will provide up to £600 million of additional lending to around 6,000 viable SMEs in 2011 and, subject to demand, over £2 billion in total over the next four years. For the enterprise capital funds, the Government are increasing their commitment by £200 million over the next four years, providing more than £300 million venture capital investment into the equity gap for early stage innovative SMEs with the highest growth potential.

The regional growth fund has made £1.4 billion available over three years for projects or programmes that deliver the fund's objectives to stimulate enterprise by providing support for projects and programmes with significant potential to drive economic growth.

Lindsay Roy: Is there not a criticism that there is a lack of strategic focus on the video games industry? I strongly support the investment in the Abertay graduate programme, but evidence indicates that the majority of young people who graduate from there are going abroad. They are not staying in the UK, whether they are from Dundee or south of the border.

John Penrose: That is a fact of life in an increasingly globalising market. This is a globalising market, not just for the product of video games, but for the staff. Many other industries are already incredibly globalised, everything from financial to medical services. This sector will be going the same way. I am sure we will all be delighted to see British brains and talent travelling the world. It is true to say that many people come back to the UK later in their career and start up businesses here or join at a senior level.

I am conscious of time so would like to draw to a close by saying that I fear the hon. Member for Dundee West and I are not going to agree on a fundamental point about macro-economic policy. I hope I have, none the less, laid out that the Government are doing a series of things. Unfortunately, they are not precisely what he recommends. However, it is not true that we are a "do nothing" Government; we are doing a great deal. I fear that he and I will have to disagree on precisely what that should be.

Question put and agreed to.

4.59 pm

Sitting adjourned.

Westminster Hall

Thursday 30 June 2011

[MR DAVID AMESS *in the Chair*]

BACKBENCH BUSINESS

Co-operatives and Mutuality

Motion made, and Question proposed, That the sitting be now adjourned.—(*Mr Newmark.*)

2.30 pm

Mr Adrian Bailey (West Bromwich West) (Lab/Co-op): Thank you, Mr Amess, and I welcome you to the Chair. I think that this is the first time that I have spoken in a debate that you have presided over. I suspect that this debate will not be the most difficult debate that you will ever have to adjudicate on. All the same, I am sure that you will handle whatever comes up in your normal equitable and even-handed manner.

Before I go into the substance of my remarks, I should declare an interest. Like other Members here in Westminster Hall today, I am a Labour and Co-operative Member of Parliament. Indeed, prior to entering the House, I was employed for 18 years by the co-operative movement. I will not detain Members today with a résumé of those 18 years working in the movement, but there are obviously a number of things from my past experience that I want to draw on.

Before I do that, I should thank the Backbench Business Committee for allowing this particular debate. My hon. Friend the Member for Islwyn (Chris Evans) and I originally asked for it because we are in co-operatives fortnight, which runs from 27 June to 9 July, and therefore it seemed appropriate that we used this particular window of opportunity to have a debate that would highlight the contribution that the co-operative movement makes at this time, not only to the total economy but to thinking in community and Government policy circles. It is also an opportunity to test and if necessary challenge the Government on those areas of their policy that they say are supportive of co-operatives, to get some idea of what progress is being made.

I will start off with a somewhat philosophical question, "What is a co-op?" Perhaps 30 or 40 years ago, there would have been a fairly simple response to that question—"It is a company registered under the Industrial and Provident Societies Act." At that time, one's local Co-op store would immediately come to mind and I suspect that Members of my generation, if not perhaps newer Members, can easily quote their parents' divvy number. It was something indelibly etched on our memories.

Of late, however, the term "co-operative" has come to embrace a number of corporate structures, including the mutual building society and other structures in the financial mutual sector, friendly societies and in some cases employee share-ownership companies. Not all of those have a traditional co-operative structure but the values that underpin them are very similar in each case to those of the co-operatives and they also have certain basic principles in common with co-operatives. They are, of course, democratic ownership and participation; one member, one vote; and the reinvestment of surpluses. These organisations are intended to make profits, but it is the distribution and allocation of those profits that distinguish them from other forms of proprietary corporate structures. They may also demonstrate a higher commitment to what is measured as "ethical trading", value for money and a certain level of community involvement, although they do not necessarily demonstrate those things. In general, however, those are the sort of principles and values that underpin the different sorts of corporate models that we loosely term as "co-operative".

It is probably fair to say that for a long period of time co-operatives were somehow stereotyped as a slightly idealistic and not necessarily appropriate business model to survive in the highly competitive capitalist world that we now have. Crucially, however, if we go back to the roots of both the co-operative and mutual sectors, we realise that these forms of organisations did not arise out of an idealistic or visionary approach. Essentially, they arose out of groups of people trying to get out of a particular problem and realising that it was only through self-help and working together that they could actually do so.

I was particularly struck by two quotes in a pamphlet by Cliff Mills on mutual organisations. The first is:

> "The different types of traditional mutual business (co-operative societies, building societies, friendly societies, mutual insurers) operated in different ways, but the underlying reason for existence–self-help–was the common theme."

Jonathan Evans (Cardiff North) (Con): On that specific point, Members of Parliament will recall the example of the Tredegar Medical Aid Society, in which my grandfather was very proud to serve and which Aneurin Bevan said was the forerunner idea for him in establishing the national health service. It was a programme in which all the miners in Tredegar contributed a sum and then elected the doctors who would offer services to all of that mining community in the absence of any sort of state provision of health care.

Mr Bailey: I am grateful to the hon. Member for Cardiff North (Jonathan Evans) for bringing that issue to my attention. I was not familiar with that society but it is a very good example of the values and qualities that I have been describing as the foundation of the co-operative movement and of the subsequent development of our public policy.

In his pamphlet, Cliff Mills goes on to say that mutuality

> "was the response of people with often desperate needs"—

as the hon. Gentleman has just demonstrated—

> "to find a solution for themselves and others in their community. It was based on self interest (the need to provide for me and my family), not philanthropy or charity; but—"

and now Cliff Mills comes to the crucial point—

> "the genius of mutuality was that it captured that self-interest, and by channelling it through collective self-help, was able to produce an economically sustainable business."

As I say, that is the crucial thing about the co-operative movement and the variety of business models that it incorporates. As Cliff Mills says, the movement is "channelling" self-help, but doing so in a way that enables someone to advance themselves or to deliver the service

[Mr Bailey]

or product that they want to deliver in a way that can compete with the wider and less idealistic commercial world that they have to exist in.

If we look at the formation of the traditional co-operative movement—via the Rochdale Pioneers in 1844, and the different mutual building societies and insurance companies—all the bodies within it were rooted in that idea of self-help and they all had to survive in a very difficult external commercial environment. Indeed, the co-operative movement, which I have more experience of than other movements, was formed in the 1840s because its members needed good-quality foodstuffs, which they could not get through local private traders, and at the sort of prices that they could afford, which again were often not available. In addition, they needed to be able to use any surpluses that came from trading to reinvest in their own communities and their businesses, both to strengthen those businesses and to provide education and other help for the communities that they lived in.

Roger Williams (Brecon and Radnorshire) (LD): I congratulate the hon. Gentleman on securing this debate. The setting up of the co-operative movements was perhaps not as utilitarian as he suggests. A key aspect of the miners' welfare halls in my constituency was libraries and the ambition of self-advancement, and we might have to return to a similar system in the future.

Mr Bailey: Yes. My references were specifically to the Rochdale Pioneers. One characteristic of co-operative societies was the way in which they reinvested surpluses in community education, and libraries were, of course, part and parcel of that.

Jesse Norman (Hereford and South Herefordshire) (Con): Further to the comment made by my hon. Friend the Member for Brecon and Radnorshire (Roger Williams), it would be a poor history that did not include the role of Robert Owen in this field. The Robert Owen Society in Herefordshire does an enormous amount of work, representing the wide-ranging approach to human well-being of which, as the hon. Member for West Bromwich West (Mr Bailey) says, the Rochdale Pioneers were acutely aware.

Mr Bailey: I am grateful to the hon. Gentleman for raising that matter. Robert Owen was of course the pioneer of these ideas, and although he did not succeed in his own lifetime, many of his ideas were incorporated during the formation of the co-operative movement in the 1840s through the Rochdale Pioneers.

The co-operative movement took a knock in the post-war era. The traditional retail societies lost an enormous amount of their market share to the emerging supermarket chains, and their structure found it difficult to adapt. Equally, in the '80s and early '90s, many building societies—the traditional mutual sector—fell prey to the prevailing philosophy of privatisation and the free market economy, and the conventional wisdom was that co-operative principles were somehow anachronistic and inappropriate to survival in what was then a highly capitalistic and business-orientated world.

Steve Baker (Wycombe) (Con): As I listen to the hon. Gentleman, it strikes me that co-operatives are almost inherently part of private enterprise and the free market. Can he help me to understand, therefore, why those things are in opposition? I just do not see it that way.

Mr Bailey: The crucial difference is that the co-operative and mutual movement exists for the benefit of the participating consumer-members or worker-members. In the free market, the wider movement is the proprietary sector, with outside investors investing in, taking profits out of, and controlling the businesses. That is the crucial structural distinction, and there is also a huge difference in values and ethos.

Alun Michael (Cardiff South and Penarth) (Lab/Co-op): I am sure that my hon. Friend agrees that for many years there was confusion about what "the third sector" meant. It was often taken to mean the voluntary sector, but the third sector of the economy was always seen as the co-operative sector, a business sector aiming to be profitable but having, as he has indicated, a wider set of values than merely profit as the driver behind its engagement and success.

Mr Bailey: One thing that attracted me to work in the co-operative movement for so many years was that as a believer both in the market and the need to succeed in it, and in certain values, I felt that it was a model in which successful businesses could reconcile the two. That is clearly demonstrated, and is part and parcel of the reasons for today's debate.

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Mr Edward Davey): I hope that we are not bracketing co-operatives in the third sector; they work in the private and public sectors as well. They speak to all of our economy, and if we see them in that way we are much more likely to have an ambitious agenda for them.

Mr Bailey: The Minister can rest assured that I was going to come on to demonstrate the range of businesses in the co-operative sector. One problem that the mutual and co-operative sectors had in the '80s and '90s was that they failed to highlight sufficiently their difference, and a minority of co-operatives did not appear to be effective business models—being more charitable, for example—with the result that movement as a whole suffered.

Jonathan Evans: It would be unwise to leave the subject of the 1980s without saying that there were well run mutuals in the sector, which focused on customers' experience and recognised their role. Others, such as Equitable Life, might historically have been mutuals, but did not appear to recognise that and behaved, in a sense, like private companies. That was also a factor in some change being necessary.

Mr Bailey: I agree up to a point. Some mutuals certainly embraced or sustained the principles of mutuality more than others, but in the '80s and '90s the great majority of the public would have been unable to distinguish between a building society and a bank—indeed, I have occasionally heard Ministers and shadow Ministers

confuse them in the Chamber. That was a reflection of the mutual movement's failure to highlight sufficiently its difference and market it successfully, but much has changed in that respect in the past few years.

The traditional co-operative retail movement has in many ways gone back to its roots, and has successfully reinvented itself as a community-based consumer co-operative. That is reflected in the huge increase in turnover and profitability, with turnover in the sector increasing by 4.4% in the past year. At a time when the economy has grown by only 1.3%, that is a very creditable performance. In 2008, the increase was 21%, and by anyone's standards that was an incredibly difficult time in retailing. However, the building society movement emerged, not completely unscathed because it took some hits—we unfortunately saw the demise of the Dunfermline building society—but relatively so, compared with the proprietary banks, and in no way was it a contributory factor to the banking problems. A lot of credit for that goes to the largest national co-operative—the Co-operative Group—but credit also goes to a number of other co-operative societies. One of my two local societies, the Midcounties, increased its profits last year from just less than £20 million to £26 million, and the Midlands—I have to be careful not to mention one and not the other—increased its profits from £22 million to £26 million. Such societies have demonstrated that this form of organisation can compete and thrive in even the most difficult of climates.

It is fair to say that the success and potential of that model is now recognised by all political parties. To return to the point that the Minister raised, the areas where co-operatives and mutual organisations are thriving include traditional consumer co-ops; worker co-ops, whether in service delivery, conventional trading or business co-ops; and employee-owned businesses. The John Lewis Partnership is perhaps the most well known, but many others are successful as well. They include agricultural, fishing and housing co-ops and football supporters' trusts, and rugby supporters' trusts are being considered as a model for other sporting clubs. Financial co-ops include credit unions, building societies and mutual insurers. I am sure that I have missed quite a few, but no doubt people will remind me of them during the course of this debate. That list is a clear demonstration of the model's relevance to a range of public services and business activities.

The Government have embraced the approach. The pathfinder programme is designed to encourage co-operative models in the delivery of public services, and we are waiting on the "Open Public Services" White Paper, which will give us an opportunity to debate where Government policy in that area is going.

Although I generally welcome the Government's recognition of co-operatives and mutuals, I will issue one or two words of warning. First, the essence of mutuals and co-operatives throughout their history is that the individuals forming them must have a desire to make them a success; we cannot just legislate for them, or point to a group of people and say, "You will work in a co-operative manner." The desire is absolutely essential. Similarly, we cannot just look at a failing business and say, "Become a co-operative and you will succeed." That will not happen. If the business model is wrong, just putting it into mutual ownership will not do. Particularly in the context of the debate on Post Office and Royal Mail, those issues have not yet been fully explored. We will certainly seek to do so, and other hon. Members here might wish to comment on them.

There are a range of potential opportunities—some might say potential pitfalls—for co-operative development. The obvious and most public one, of course, is the re-mutualisation of Northern Rock. I know that the movement feels that if it can be done, it will be an almost iconic recognition of the renaissance of mutuality, and its relevance, and it intends to probe the Government on what they consider the prospects to be. I am disappointed that the previous Government's commitment to British Waterways has not been upheld. Again, I would welcome hearing the Government thinking on that. The removal of the funds available for the formation of community pubs is also disappointing. However, I do not mention those things in a churlish way. They are matters that we need to debate. Hon. Members from various parties might feel that it is possible to pursue them and join others intent on promoting the co-operative agenda to achieve them.

Jesse Norman: I have considered closely the possibility of re-mutualising Northern Rock. I could not get over the question of how to handle an enormous vendor note —the vendor financing from the Government to the employees—to be paid out over 10 or 20 years. That has proven an insuperable practical burden, as far as I can see. I welcome other thoughts on the matter. However, I am sure that we all share the hon. Gentleman's aspiration that the mutual ethos should return to the financial sector.

Mr Bailey: I thank the hon. Gentleman for that intervention. Perhaps I should have recognised earlier the work that he has done as chairman of the all-party group on employee ownership. I held the same position in a previous incarnation. He has done a good job, and I accept that he is intent on resolving some of the problems and issues that arise from the Northern Rock situation.

I will finish, as I know that many people want to raise specific interests during this debate. To return to where I started, co-operatives and mutuals are a form of self-help that is relevant in a range of business activities and public services. It has been clearly demonstrated that their impact on the economy is increasing and that public support for them is improving. Their membership is also rising; I think that nearly 13 million people in this country are now members of one form of co-operative or another. This debate will play a small part in raising awareness, assembling ideas and testing the Government to see how deep their commitment is and how they can take the agenda forward.

Mr David Amess (in the Chair): We have until 5.30 for this debate. At 5 o'clock I shall call Mr Gareth Thomas, who will speak for 10 minutes, the Minister, who will speak for 15 minutes, and Mr Adrian Bailey, who will sum up for five minutes. There are 13 potential speakers. Obviously, I want to call everyone, so I hope that hon. Members will co-operate and share the time. I will call first those colleagues who wrote to the Speaker.

2.57 pm

Damian Hinds (East Hampshire) (Con): It is a pleasure to serve under your chairmanship, Mr Amess. I congratulate the hon. Members for West Bromwich West (Mr Bailey)

[Damian Hinds]

and for Islwyn (Chris Evans) on securing this important and timely debate, which coincides with co-operatives fortnight. I will talk about financial mutuals, particularly credit unions. This is a promising time for financial mutuals, in the wake of the banking crisis and against the backdrop of the big society agenda and the emphasis on debt affordability at all levels.

Financial mutuals remain large, in spite of what has happened over the past couple of decades, and still serve one in three of the population through building societies, mutual insurers and friendly societies, co-operative financial services and credit unions. Credit unions, sadly, come at the bottom of that list, because it is ordered by number of members or customers or by assets under management. If the list were ordered by number of individual institutions, credit unions would come at the top. There are 48 building societies in the UK, with more than £300 billion in assets. The number of credit unions is about 10 times higher, at 426, but they hold assets of less than £1 billion.

Nevertheless, despite their relatively small size, credit unions in this country have been growing rapidly. Over the past 20 years, from 1990 to 2010, the number of members has grown from 54,000 to 800,000 and assets from £17 million to £750 million. However, there is an awfully long way to go. Compared with other countries such as the United States, Ireland, Australia and elsewhere, the penetration of credit unions among the UK population is small indeed. I see that as an opportunity rather than a problem.

Credit unions are traditionally mutuals owned by their members, who are savers and shareholders, and managed or overseen by a board of directors elected on the traditional one-member, one-vote basis. Critically, the interest rate at which they can lend is capped. It is about the only part of the financial sector that has such a cap. Historically, it was 12.7%, but it is now 27%. That still means, however, that anybody borrowing from a credit union knows that they are getting their loan at a reasonable rate. It is very important, because the market in which they operate features many other operators that charge a good deal more.

Payday lenders are a part of the financial market that the hon. Member for Walthamstow (Stella Creasy) might mention later. They represent an area of growth in the market and have received a lot of attention, but there are plenty of others. Home credits, for example, are a much larger part of the sub-prime market, have been around in this country for much longer and serve many more customers. Other parts of the market may not appear to have the same sky-high rates of interest, but they end up being just as bad a deal in terms of their overall charging structure. I am thinking in particular of some rent-to-own operators.

There are some brilliant opportunities for credit unions at the moment, and some strong and encouraging news from the Government, particularly the £73 million that they are making available in the modernisation fund for credit unions. Many areas of modernisation need to be looked at, but I think that what the sector finds most exciting is the development of the back-office platform and the potential to interface with the Post Office. That opens huge opportunities to bring credit union services to a much larger part of the population and for them to be much more visible in the marketplace.

Another critical piece of the jigsaw is the legislative reform order, for which the credit union sector has been waiting for some time. The issue has straddled the change in Government and we hope that it can now progress with great speed. It will enable critical changes in the sector to facilitate its further development. First, it will soften the common bond requirement—which relates to where someone lives or works, who they work for, or which organisation they are a member of—to become a member of a credit union. Secondly, it will enable credit unions to offer services not just to individuals, as is the case at present, but to organisations, particularly charities and voluntary organisations, although it might also apply to firms. Thirdly, it will enable credit unions to offer a fixed rate of interest to savers, if they wish. That will make them more attractive and enable them to provide a better range of financial services.

There are other issues. The sector looks to Government for a proportionate approach to regulation. They are, relatively speaking, only little and have not had the problems that the big banks had during the crisis. They want an appropriate level of regulation that matches their size and role.

There are also new opportunities, such as the big society bank, which is a wholesale bank that needs organisations on the ground to administer its funds. I am sure that community development finance institutions will play a big part in that, as will credit unions, in a post-legislative reform order world. Not all credit unions will find that appropriate, but some of them may. Credit unions could also play a role with the son or daughter of the social fund, in its new, evolved form. Local authorities will be more responsible for elements of that. They do not have a long history of dealing with crisis loans and so on, but their local credit unions could help them in that regard.

Looking to the future, I think there will be some blurring of the exact lines between credit unions, CDFIs, social lenders and microfinance institutions. It would be good to see the development of more microfinance institutions of one sort or another in this country, as well as internationally. Technology may also help us to broaden the boundaries of credit unions and to bring more people in, particularly as savers, which will allow them to expand their business. That is also applicable to microfinance and, eventually, to retail investors in social impact bonds.

Two key developments will enable that. They might involve a role for Government, but they might not—they might come from entirely different parts of the social finance sector. The first is the development of a social ISA, which I wrote about some years ago in a Bow Group pamphlet on credit unions and increasing the capitalisation available for them. Others have written about similar things in relation to all sorts of other projects. It sounds very much like an idea whose time has now come, to enable ordinary retail investors to put their money behind socially worthwhile projects and accept a slightly lower financial return as a result.

Steve Baker: My hon. Friend has mentioned returns, but at the moment the banking system seems to be failing both savers and entrepreneurs simultaneously. I wonder whether such projects might give a better return to savers while benefiting entrepreneurs.

Damian Hinds: I am grateful to my hon. Friend for that fine point. In fact, it is true now, to some extent, that people will get a better return through a dividend from some credit unions than they would through some high street bank savings accounts. It is also possible to say that interest rates for savings accounts in general are so low that it does not make a whole lot of difference whether one gets a return that is much lower—credit union returns have the benefit of not changing after the first six months and of not having complicated introductory marketing deals. The general principle that I am trying to outline is that there are many people who, for a proportion of their savings, would be happy to accept, on average, a slightly lower cash return, because they know that their cash will be doing something worth while, either in their local area or, as is the case with some people, in supporting microfinance and so on.

I will mention the second development briefly, because I have talked for longer than I had anticipated. It relates to exchanges to bring people together, so that they can find the opportunities. Many people to whom I speak who are relatively well off and who have heard about credit unions, CDFIs or microfinance, say, "I'd love to put a bit of money into that." The problem is that they do not know where to find these things. How would they? They are not organisations with multi-million dollar marketing budgets, so an exchange could put people in touch with those opportunities.

In conclusion, the future is bright for credit unions. We need the legislative reform order to complement the investment and support that the Government are giving the sector. Of course, credit unions also need to step up to the plate. They need to make sure that they keep their cost base trimmed, that they have a balanced portfolio with a good mix of customers, savers and borrowers, that they continue to develop their financial products, and that they consolidate the sector in the post-LRO world.

It has been a pleasure to take part in this important debate. Again, I congratulate the hon. Members for West Bromwich West and for Islwyn on securing it, and thank you, Mr Amess, for presiding over it.

3.7 pm

Chris Evans (Islwyn) (Lab/Co-op): I pay tribute to the hon. Member for East Hampshire (Damian Hinds) for his work as chairman of the all-party group on credit unions, of which I am treasurer. I called for this debate, along with my hon. Friend the Member for West Bromwich West (Mr Bailey), because my whole political life is framed by my experiences of where I grew up in the south Wales valleys. We lived in a close-knit community. This speech might be sloppy and sentimental, if you will allow it, Mr Amess, but that is where I grew up.

When I grew up, the Co-op, as we called it colloquially, was always there. My mother told me, "I've brought you and your sister, Cara, up on Co-op milk," and we went down the Co-op shop for our groceries. If you died, you were laid out in a Co-op funeral home and they probably buried you as well. As my great-grandmother said before she died at 104, "Don't worry, everything's sorted—I've been paying the Co-op for years." That is where I came across the co-operative movement.

The most iconic moment of my life growing up in the valleys was seeing the proud workers walking back to Tower colliery in the Cynon valley. They had taken over their business and mines after being written off by the previous Conservative Government. They were walking back to run a workers' co-operative. I have never felt more proud of my community and my people than when I saw them marching together. Those proud men, who had been beaten down by the Government, said, "No, there is a better way."

Jonathan Evans: I come from a similar background, and I pay credit to the workers at Tower. However, they were given the opportunity to turn it into a co-operative by Michael Heseltine, who rejected the private sector bid and accepted their bid. It is therefore slightly churlish to be dismissive of the previous Conservative Government's position on that.

Chris Evans: At the end of the day, I have to get political. As I always say, I am from a mine-working area, and the previous Conservative Government were no friend of the miners. I cannot get away from that; that is what I was born into, that is what I grew up believing and that is what I still believe.

I am extremely proud of those communities, and I am proud to be here as a Labour and Co-operative Member representing them, but there was a dark side. I am perhaps being romantic again, but I remember being out on the street kicking a football against the wall every Monday evening after school. The women would shout at us children and move us on.

At about half-past six, however, we would all rush through our doors and slam them shut. We would see the white XR3i coming down the hill, if anyone remembers those flashy cars. A woman would pull up and get out. I can see her now with her bleached blonde hair. My mother would say, "Caked with make-up, she is. She stinks of Estée Lauder perfume," not that I knew what Estée Lauder perfume smelled like, but that is exactly what my mother said.

The woman was there with her little book, her little bag and her pen, and everybody would run inside. She would hammer on the doors. She was the woman from Provident, and everybody in our street had Provident. If people did not pay her, she would bang on the door and say, "I know you're in there, love. You owe me £400." If people had made the mistake of leaving the door ajar, she would push it open and go, "Where's my money?"

When I was first elected, I found a chitty from when my mother took out a Provident loan in 1987, and the annual percentage rate was 150%. Years later, I went to work for Lloyds TSB, and I thought there was no way that Provident could still exist, but it does.

When the basic bank account was introduced, I felt the banks often did not want to know about people with a basic account. These people did not have a credit score for loans or credit cards, so when they needed money, they had no access to it. When they were asked how they were getting by, they would say they had Provident or Shopacheck and that someone would come round to their house to pick the payments up.

Justin Tomlinson (North Swindon) (Con): It is a pleasure to intervene in the hon. Gentleman's flowing speech. As I have said in many debates, the other problem with firms such as Provident is that they build relationships. They turn up at people's doors and suggest ways in which their customers can spend money. They

[Justin Tomlinson]

might say, "Christmas is round the corner. Have you sorted your Christmas presents?" They take advantage of the most vulnerable people.

Chris Evans: The hon. Gentleman is absolutely right. I was coming to that. This culture is very much engrained in the valleys. My mother, my grandmother and all my aunties and uncles had Provident. However, this is not just about Provident; it is also about paying off the money for the television through the slot in the back. People put a pound in, and they had 10 hours of television. In that way, they could pay off their television. It was always a nightmare, because the pound was guaranteed to run out just at the conclusion of "EastEnders", and we would never know what the cliffhanger was. The hon. Gentleman is absolutely right that once the television had been paid off, the firms would come round and say, "The carpet's looking a bit bald. Do you fancy a new one? What about a new washing machine." They would then sign people up.

This problem of high-cost lending still exists. I cannot believe that I am going to admit this in a Westminster Hall debate, but I actually watch Jeremy Kyle; I am ashamed to admit it, but I have watched his show. As I was waiting for the all-important DNA tests and the lie detector, the adverts came up. One was for a company called Wonga.com. It was wonderful; Wonga was revolutionising same-day lending. I thought, "This is marvellous." The advert said, "You're in control." I thought, "This is brilliant." Then, however, I looked at the APR, which was 4,125%—pure, utter profiteering.

I did not think any more about the company. Then, however, I got on the tube on Monday morning, and there was an advert for Wonga.com, saying, "You're in control." The APR was more than 4,000%. I cannot get away from this company. I was watching "Match of the Day" and the press conference after the match. There were adverts for Barclaycard, but the Blackpool players also had the word "Wonga" right across their chests. Such things give the company the legitimacy that it does not deserve.

There is a way of out this. Yes, we can have legislation, and I pay tribute to my hon. Friend the Member for Walthamstow (Stella Creasy), who has done a lot of work on the issue, and I am sure she will speak about it later. However, there is a more intrinsic way forward, so let me move on to credit unions.

The other day, I went to Islwyn Community Credit Union with my hon. Friend the Member for Harrow West (Mr Thomas)—I will not talk about our earlier visit. We talked about how the credit union had lent a total of £1 million to the most vulnerable people. To pick up the point made by the hon. Member for East Hampshire, the people at the credit union said it was all very well lending money at competitive rates and allowing people to save, but that people did not know about credit unions. Provident, Safeloans and Shopacheck will knock at the door, and people can go to Wonga, Ocean Finance or someone else, but they do not know about credit unions. People are hearing about them by word of mouth and they are hearing about getting more protection points.

The other day, I was proud to visit Trinant school—I must give it a plug. If anybody wants to see a credit union, they should go there to see the children's enthusiasm. The pupils have formed their own saving scheme, which is run along the lines of the Islwyn Community Credit Union. Those children have saved £600. The scheme has 56 members. One of the wonderful things about the scheme is not only that the children are saving, but that they are so enthusiastic that they are going home to their parents to tell them about credit unions. They are promoting credit unions in that way. This is an excellent project.

When the Minister sums up and talks about credit unions, I hope he will talk about Wales. Everybody in Wales has access to a credit union, and I really think the coalition Government should have that as an aspiration more widely. We should also take legislative obstacles down. I would ask the Minister to lower the minimum age necessary to join a credit union, which is presently 16—the same as the minimum age people need to be to serve as a company director. If we take such steps, we can promote credit unions, good lending and good saving.

I turn now to the mutualisation of the banks. I have been accused of banging on about the banks, but, like many Members, I am disappointed that Northern Rock will be sold privately. I hope the Government can look at introducing a mutual element, because we need that in society. In the middle of the banking crisis, there was one bank that did not need bailing out and which had run its business ethically: the Co-operative bank. When we look at the banking sector again, I hope the Co-operative bank is one of the examples we look to and learn from.

Jesse Norman: It is also true that the Nationwide, a mutual building society, did not require a bail-out. In fact, it was like the Rock of Gibraltar throughout the crisis.

Chris Evans: I thank the hon. Gentleman for that.

Alun Michael: There was also the Principality.

Chris Evans: As my right hon. Friend says, there was also the Principality. That backs up my point that we need a mutual element. We need something strong in the banking industry; we need a safety net.

I will conclude now, because I have spoken for a long time, including about the valleys. Co-operatives have a huge role to play in the economy. They are central to society, and I hope that, when the Minister sums up, he will give a strong commitment to ensuring that they have an important part to play in our future economy.

3.18 pm

Jesse Norman (Hereford and South Herefordshire) (Con): It is a pleasure to speak in a debate under your chairmanship, Mr Amess.

I should start by disclosing that I do pro bono work with the John Lewis Partnership, which kindly pays into a charitable fund for local independent charities in my constituency. I am also the chair of the all-party group on employee ownership.

I massively welcome the debate and its excellent timing, coming as it does in co-operatives fortnight. I very much congratulate the hon. Members for West Bromwich West (Mr Bailey) and for Islwyn (Chris Evans), as I know other Members will, for calling this important and timely debate.

I want to celebrate two organisations in my constituency. One is Money Box, which is Herefordshire's own credit union. The second is Widemarsh Workshop, which I am working to help transform into a co-op. It is a social enterprise that creates excellent furniture and works with disabled local people.

I have been interested and actively involved in co-ops, mutual organisations, employee-owned firms and similar organisations for many years. In that context, I pay tribute to an extraordinary man called Robert Oakeshott, whom many Members will know of and who died about 10 days ago, on 21 June. He was a lifelong friend of the co-operative movement in this country and overseas. He wrote a book, "The Case for Workers' Co-ops", many years ago, and helped to set up co-ops. His book "Jobs and Fairness" was, and still is, the seminal contribution to the discussion and debate on employee ownership. Robert was an extraordinarily far-sighted man. I wish that he were here to see the debate and the progress that the Government and their supporters across the third sector and the private and public sectors have made in promoting co-ops. I know that he would be thrilled. He was a great influence on me, and he brought me into Job Ownership Ltd, the predecessor organisation to the Employee Ownership Association.

I am also very pleased to have been able to help so many of my colleagues and to spread the word on the value of co-operative and mutual ideas on the centre right of the political spectrum through what we have called the Conservative Co-operative Movement. I have 37 Conservative colleagues who are members, and the number is growing. So far we have published two publications. One is called "Nuts and Bolts: How to Start a Food Co-op", and is a detailed guide. It was mentioned earlier that the original form of co-operative organisation was the industrial and provident society, but now, and in many respects thanks to the previous Government, there has been an expansion, and people can use many different routes, including trusts and community interest companies. One thing that this lovely little book does is to set out all the possible different legal and practical approaches to setting up a co-op, and to consider the advantages and disadvantages. Our second publication is a pamphlet that we have recently published, called "Co-ops in the Big Society", which explores all the different ways in which co-ops can add to the delivery of public and private services, and the role they can play in society.

Co-ops, with the mutual ethos that they derive from and celebrate, their spirit of trust, and their moral embedding in our society and communities, are of profound importance. One is reminded of the Rochdale Pioneers, whose history brings out a truth that some hon. Members may find slightly rebarbative, although I think it is important to remind ourselves of it: co-ops are by their nature rather conservative—with a small "c"— institutions. The first successful co-op, as has been mentioned, was established by the Rochdale Pioneers in 1844. They were 28 poor weavers and tradesmen looking for a better future as the industrial revolution mechanised the cloth trade. They relied on slowly accumulated subscriptions of £1 each from their members and initially made a modest £13 a week in sales. By 1850, just six years later, the co-op had 600 members, nearly £2,300 in capital and sales of £300 a week. In 1861, 11 years on, it diversified into housing for its members. By the end of the 19th century the Rochdale Pioneers had in turn established the Co-operative building society, which is a major provider of mortgages to this day.

We should look again at the Rochdale Pioneers' experience. That success was the result of self-help, entrepreneurship and community energy. It was not the result of state patronage or official intervention. Those men and women were able to adapt the co-operative form and the broader idea of shared ownership to a variety of social needs—a local food shop, local housing and local mortgages. They were motivated as much by high ideals as by economic necessity—a point that has already been well made. In their first year of operation they established the Rochdale principles, to which all co-ops broadly adhere today. I think we need something similar today if we are to combat the fragmentation of British society.

There is a huge opportunity—I am delighted that it is being seized and developed by the Government—to initiate a great wave of change across society, whether that is through Cabinet Office pathfinders, the mutualisation of the Post Office or some of the work that is being done to create new forms of delivery of public services. Those are all thoroughly important. No less important are the opportunities to stimulate the growth of co-ops, mutuals, employee-owned organisations and the like in the private sector. That is a point that is widely misunderstood and I am thrilled that the Government take the same positive and proactive attitude towards private sector co-ops as they have to public ones.

Jonathan Evans: I have been looking for an opportunity to return to the issue of Northern Rock, on which my hon. Friend intervened earlier, and his work on assessing the possibility of remutualisation. Is my hon. Friend disappointed by the fact that United Kingdom Financial Investments appears to have made the recommendation on sale but not published the outcome of its assessment of the option of remutualisation? I respect what my hon. Friend has said about it, but it seems a bit odd that we have not seen the detail, even though UKFI obviously must have looked at that subject.

Jesse Norman: It is a disappointment that UKFI has not published its thinking on that even in outline. The calculations are not enormously complex. There is, of course, a further political issue, which has to do with the return of cash to the public Exchequer at a time of extreme economic crisis, but one still hopes that something of the form of the mutual ethos can be retained in the new organisation when it is ultimately sold.

Stella Creasy (Walthamstow) (Lab/Co-op): I wonder whether, like me, the hon. Gentleman is disappointed that the Government have not considered the proposal for a payback to the taxpayer. Perhaps he will join me and other co-operatively-minded MPs to challenge the Chancellor to re-examine the issue, because of the benefits that could accrue from the mutualisation of Northern Rock.

Jesse Norman: I am not absolutely sure I understood the thrust of the hon. Lady's intervention. It seems to me that there is an important issue in relation to the publication of the decision that has been made. It is quite right that there should be a public justification of

[Jesse Norman]

the decision not to proceed with the mutualisation. One would like further progress to be made on retaining the mutual ethos. I am not sure how much further work there is to be done on it.

Stella Creasy: I am afraid I have a foggy head, but my mind is clear on this. The Co-operative party has submitted a proposal to the Government about paying back and the mutualisation of Northern Rock. I ask the hon. Gentleman again whether he will combine with me and other co-operatively-minded MPs to press the Chancellor to respond to that document, which he has not yet done.

Jesse Norman: I am afraid I have not the foggiest clue what paying back means. To whom will something be paid back, and out of what, under the proposal?

Stella Creasy: Perhaps if the hon. Gentleman agrees that it is worth considering models of remutualisation for Northern Rock, which would examine the payback to the taxpayer through the remutualisation process, he will meet us to look at how to progress that, and not lose the opportunity that mutualising Northern Rock would present.

Jesse Norman: I am of course happy—if this is what the hon. Lady is asking—to meet her and other Co-operative MPs to discuss that, so that I can understand the proposal better. I do not know whether the hon. Lady was present when I intervened earlier, but there is a clear financial problem to do with the capital structure, the taxpayer value and the sustainability of a model that has a large vendor note sitting in it from the Government—that is a form of loan—and substitutes public ownership of equity with public ownership of a loan, which may be no more stable for less return. There is a genuine economic issue, and that is what we need to engage with.

I hope that we can come together as a House and a community of MPs, in a bipartisan way, to promote co-ops, change our public culture, develop and spread the co-operative ethos, and encourage the Government to push ahead with all the work they are doing so successfully, so far, in this area.

3.28 pm

Alun Michael (Cardiff South and Penarth) (Lab/Co-op): Thank you for the opportunity to speak in the debate, Mr Amess. I congratulate my hon. Friend the Member for West Bromwich West (Mr Bailey) on obtaining it. It marks co-operative fortnight and also comes at the 10th anniversary of the Co-operative Commission report.

I am delighted that the debate is so popular—something perhaps illustrated by the hon. Member for Hereford and South Herefordshire (Jesse Norman). I hope that he may be willing afterwards to look at the document that my hon. Friend the Member for Walthamstow (Stella Creasy) referred to. Often, good ideas in the co-operative movement do not reach a wider audience. If the hon. Gentleman has not yet had the opportunity to read those suggestions, I am sure that we can help him with that, especially as he responded so positively to the intervention.

Jonathan Evans: I am grateful to my parliamentary neighbour for allowing me to intervene. What has been put forward by the Co-operative party is not the only way in which Northern Rock might still end up with a mutual future. It is known that some mutual building societies are, in fact, interested in bidding, even through the Government's proposed route. However, that will depend on the recognition of a capital instrument. Does the right hon. Gentleman hope, as I do, that we might hear something along those lines from the Government later this afternoon?

Alun Michael: I am not wedded to one particular proposal. The Co-operative party has put forward ideas but, as the hon. Gentleman has suggested, there are other options. A genuine will is needed to find a solution to overcome the problems that have been raised.

It is 10 years since the Co-operative Commission published its report on the co-operative movement, and it has come a long way in that time. If we went back further than that—perhaps 20 years—it would feel almost as if we were living in a different world. Then the retail co-operative movement was struggling, but now it is back in the top ranks; then the building societies were under pressure and were not very popular, but now their value is much more appreciated, as has been mentioned.

The creation of the Co-operative Commission was itself a landmark event that demonstrated the co-operative movement was important enough to be the subject of a Government-initiated commission. Virtually everything in that report, which contained some 60 specific recommendations, has been acted upon, mostly by the movement itself. The introduction of legislation during the past decade has assisted the movement's development and success. As has been made clear in the debate, the name "co-operative" does not guarantee good governance, but good corporate governance has the capacity for business success and stability. Co-operative principles can also contribute significantly to public service.

Today, I want to celebrate the sheer energy and creativity of the movement, as well as its genuinely positive political impact. Politics is not just about narrow party interests; at its best, it is about people working together to change the world. Certainly, that is what drew our 29 Co-operative MPs into the political front line. It is worth noting that that is the largest group of MPs there has ever been in the history of the Co-operative party. In the past year or two, the co-operative movement has seized the opportunity to deliver on the concept of the co-operative school. In the past few days, Ben Reid has launched Co-operative Energy, and Supporters Direct is nurturing the growth of popular engagement with sport. On that point, I hope that the recent glitch can be overcome, so that Supporters Direct can continue and succeed.

The issue is not just about setting up co-operatives. I want to touch on four important initiatives where the experience of co-operative governance is being applied to a much wider aspect of public policy and organisation. The first initiative relates to how British Waterways is organised. I chair the all-party group on the waterways and I am pleased that the Government have picked up on the Co-operative party proposal to move our canals into the third sector under a non-governmental organisation. That idea found its way into the Budget report before

the election and has been described as seeking to create a sort of National Trust for the waterways. It has had a positive response from the public. The main aspect of co-operative governance that needs to be built into that new organisation is public engagement and involvement, so that people feel a genuine degree of ownership in the new organisation and are willing to contribute to it both financially and in terms of volunteering. The all-party group will produce a report shortly on the hearings we held in respect of governance and finance.

The second initiative is the idea of a co-operative council. That is not just about having a council that encourages people to consider setting up co-operatives and includes the co-operative model in options for change; it is about transforming the relationship between leadership and management of the council, those who work for the council and the public that the council exists to serve. The idea is powerful and will enable us to refresh how we do business locally.

The third area of initiative is internet governance. The internet offers enormous potential for co-operative solutions. I chair the UK Internet Governance Forum, which is leading the way in the UK in bringing together Government, business, Parliament and civil society to look for better ways of encouraging creative and positive human activity nationally and internationally. It was part of the 2010 Co-operative party manifesto, but we are co-operating across party. Ministers have been very supportive of delivering that approach, and it will be taken a stage further when the UN's internet governance forum meets in Kenya in September.

The fourth area of initiative is the partnership approach to reducing local crime and disorder. That idea has flourished since I had the privilege of taking the Crime and Disorder Act 1998 through the House and has proved a success in reducing crime. However, the potential of such an approach has not yet been realised because the governance of local partnerships is not as well developed as it should be. In Cardiff, such an initiative reduced violent crime by about 25% more than in comparable cities. That shows the value of taking that approach to enable local partnerships to succeed. Methodology and governance provides the potential for greater success in that respect. Those are examples of areas where the co-operative model can contribute to the public and private sector.

In 2007, I did a piece of work for the Cabinet Office and the Treasury, which was commissioned by the then Minister for the third sector, who is now the Leader of the Opposition. That work was part of the preparation for the 2007 spending review and involved taking a wider, general look at the contribution that could be made by the third sector to social and economic regeneration. My report concentrated specifically on the evidence of what mutuals and co-operatives could contribute to that. It is fair to say that the Treasury officials in particular were genuinely surprised and impressed by what they saw across the country when we were undertaking that work. I personally found it an invigorating experience.

The report showed the contribution that is already being made in areas such as health, housing, child care, financial services and community cohesion. That potential has not yet been realised, partly because I discovered immediately after we published the report that the people on the team who had gathered all the information and worked with me so positively were sent back to their original places of work. I am not sure why, but some Departments have the capacity for getting rid of expertise as soon as it has been developed. I cannot blame the Minister for that, but I hope that he will have a look at the report and consider how its findings might be used by the current Government, because its proposals cross boundaries.

During that period, we saw how co-operative principles can transform an inner-city hospital—Homerton hospital, Hackney was the example we considered—and how co-operative initiatives, from credit unions to play groups and social groups, were transforming the lives of individuals and communities across the country. The co-operative movement and the application of co-operative principles in a whole range of areas—not necessarily just to things that would be described as an industrial and provident society—are probably one of Britain's best kept secrets. I am glad that we are having this debate to highlight, however briefly, all the areas on which the movement is having an impact.

Co-operation and mutuality are alive and well in the sphere of political action, and the latest initiatives to create co-op councils will open up a new era of delivery to our communities locally. Change of power through an election should not just change the name plates at the Executive table; the relationships between the people who work for the council and the public they serve should also be changed. I hope very much that all the examples given during the debate will lead to a greater flourishing of the co-operative principle and will perhaps pick up the impetus that was given by the Co-operative Commission 10 years ago to refresh our activities into the next decade.

3.38 pm

Tracey Crouch (Chatham and Aylesford) (Con): It is a pleasure to serve under your chairmanship, Mr Amess. I am grateful for the opportunity to speak in this important debate a few days into co-operatives fortnight. I congratulate the hon. Members for West Bromwich West (Mr Bailey) and for Islwyn (Chris Evans) on persuading the Backbench Business Committee to enable them to initiate this debate. I very much enjoyed the speech of the hon. Member for Islwyn. I loved the delicious irony of a boy from a mining community in the valleys who went to work for a bank that was bailed out by taxpayers crossing the picket line today to talk about co-operatives. I congratulate him enormously on that.

I am sure that many Opposition Members are surprised to see hon. Members on this side of the House taking a real and genuine interest in a debate on the co-operative movement. I hope that I can not only reassure hon. Members that we support co-ops and mutuals, but reclaim a bit of the movement back for the Conservative party. I was amused to read, in the Library debate pack, an opening line from *Guardian* journalist Tim Smedley, which read:

> "Have you heard the one about the Conservative-led government encouraging public servants to form employee-owned mutuals?"

He went on to write that, "this is no joke." I know that we are supposed to bristle at the Labour party's missive to the media to call the coalition a Conservative-led Government. However, as a Conservative Back Bencher

[Tracey Crouch]

and member of the Conservative Co-operative Movement, if a left-wing paper wishes to highlight, even in a mocking tone, our support for co-operatives and mutuals, frankly, that is fine with me.

Mr Gareth Thomas (Harrow West) (Lab/Co-op): Can the hon. Lady tell us how many members of the Conservative Co-operative Movement there are? The 37 alluded to by the hon. Member for Hereford and South Herefordshire (Jesse Norman) does not suggest that it is much of a movement.

Tracey Crouch: As the hon. Gentleman mentioned, my hon. Friend said that there are 37 members, but the movement has only just been launched. We are a small but perfectly-formed group. *[Interruption.]* I may also add, thanks to help from my hon. Friends from a sedentary position, that there are 37 members within Parliament.

Jesse Norman: At the risk of intruding, would my hon. Friend, or perhaps the hon. Member for Harrow West (Mr Thomas), like to comment on the difference between the number of members of the Conservative Co-operative Movement and the number of Labour members of the co-operative movement within this House?

Tracey Crouch: I am sure that the hon. Member for Harrow West will deal with those questions when he sums up at the end of the debate. I am proud to be a member of the Conservative Co-operative Movement in Parliament, which has only just been established.

Mr Davey: Without wanting to intrude on this debate, I will not suggest how many Liberal Democrat hon. Members are members of a similar co-operative movement. I will simply say that there are 12.8 million members of co-operatives in this country, and they are the ones on whom we should focus.

Tracey Crouch: I agree with the Minister. If I may continue with my speech, rather than getting into how many members we have in each political party—

Luciana Berger (Liverpool, Wavertree) (Lab/Co-op): I just wanted to clarify, for *Hansard* and for the debate, that there is a distinction between those Labour MPs who are Labour and Co-operative Members of Parliament and those who are members of the Co-operative party, but may not be Labour and Co-operative MPs.

Tracey Crouch: I am grateful for that clarification. The hon. Lady may be interested to learn that members of the Conservative Co-operative Movement have been considering whether, perhaps at the next general election, we may do something radical and stand as Conservative, Unionist and Co-operative candidates. That is under active consideration.

Alun Michael: It is important to emphasise that the Co-operative party is a separate party—it is a registered political party. A Co-operative and Labour MP has to be selected by the Labour party, and by the Co-operative party through a separate selection process. It is not just a question of the name; it has a very deep reality in our history.

Tracey Crouch: I thank the right hon. Gentleman for his intervention. The issue is under consideration by members of the Conservative Co-operative Movement. I think that we have just ruined any kind of cross-party consensus that we were having on the co-operative movement. The Conservative party should be congratulated on the fact that it has now established this movement in its own party, and I hope that Opposition Members will consider that to be an important step forward.

As I was saying before I was sidetracked, there are many reasons why co-operatives and mutuals are good for growth and for society. Hopefully, I shall cover those reasons in what was supposed to be a very short contribution to the debate. Having spent too much time talking about it recently, one area of co-operative success that I will not focus on this afternoon is football. There have been many debates in the Chamber and on the Floor of the House about football club ownership, so I shall surprise colleagues by avoiding my main non-political passion and concentrate on other issues today.

The co-operative movement has a far greater pedigree than perhaps people give it credit for. The first co-operative was established in 1844, and there has been a steady increase in numbers across the country, with some gaining a foothold and becoming cornerstones of local communities. Examples that have already been referenced this afternoon are, of course, the Co-operative Group and the John Lewis Partnership. Together, they have an impressive combined turnover of approximately £18 billion.

It is often the small co-ops, which do not have the big brand names, that make the biggest and best impact in our communities. As a relative newcomer to the Conservative Co-operative Movement—run impressively, if I may say so, by my hon. Friend the Member for Hereford and South Herefordshire (Jesse Norman)—I have read with interest about the potential for co-operatives. Undoubtedly, they have intrinsic social benefits, promoting ethical, responsible, democratic and equitable ways of doing business. Inclusion, another positive contribution they make to society, ought not to be underestimated, not least at a time when we are asking individuals to do more for their communities. Co-operatives command cross-party support and that is to be welcomed. However, I believe that it is under this Government, with their desire for people to take up responsibility and seize the initiative, that they can really flourish as social enterprises and local providers.

We often hear co-operatives mentioned favourably in reference to their social, ethical and communal benefits, but many people who are not hugely involved in the movement will be surprised to learn of the enormous contribution that they make to the economy. In the south-east region, where my constituency is located, 328 co-ops now employ more than 13,000 people and generate more than £3 billion per annum. They take many guises, and I have read with interest about the coverage that they offer across a range of sectors, including housing, finance, agriculture and retail.

The Minister knows that I am heavily engaged in the debate about high-cost credit lending and debt management companies. I am therefore particularly interested in what co-operatives can offer the financial sector. My

hon. Friend the Member for East Hampshire (Damian Hinds) and others who have already spoken have made the point that credit unions demonstrate particularly valuable and welcome traits. They foster a self-help and community ethos, while encouraging financial inclusion, affordable borrowing and prudent saving on a not-for-profit basis.

By law, each credit union must be founded with a common bond, which all applicants must satisfy before they can become members. In the case of the Medway Credit Union, which has a catchment area covering part of my constituency, the common bond is geographical. It restricts membership to those living and working within the union's prescribed boundaries. It is seeing a steady increase on its 400 members. I appreciate that bonds are being considered as part of the legislative review, but the point is that each member is part of a community that has grouped together to offer a service that is independent of the state and is self-sustaining.

On top of the ability to promote saving and equity in an area such as Medway, where there is a significant personal debt problem, credit unions offer a very different and innovative approach to debt reconciliation, unique to their mutual nature. The advantage a credit union possesses over a high street bank or a loan company, for example, is its personal and flexible nature. Of course, someone can have a rapport with their bank manager, but he is ultimately concerned with generating profit. As part of a credit union, however, each loan that is taken out is given careful consideration by peers and fellow members who have one's best interests at heart, and any loan taken out incurs a low rate of interest.

Justin Tomlinson: The point about the loan being in the best interest is absolutely essential to this. We were talking earlier about the Provident doorstep lending, with their nudge, nudge sales techniques. What a stark contrast the credit unions are, and what a real difference they make to the most vulnerable people.

Tracey Crouch: I agree completely. It is for that reason that it is right that credit unions receive so much support from across the House and from Government. They are great advocates of financial inclusion and can offer an alternative to high-cost credit that blights many, and submerges them further into debt. I look forward to visiting the Medway Credit Union in the autumn, and to helping to raise its profile.

That leads me on to an observation that many have no doubt already made. Small, particularly localised co-ops such as the Medway Credit Union, rely heavily on volunteers. Unlike private ventures, which have a large amount of start-up capital, they can call on little in the way of reserves. If we are to encourage the co-operative contribution to the economy, the Government must focus their energies and funding on providing start-up capital. It is encouraging therefore that the Government have recognised that and established a fund to help mutuals to meet such costs. I would also like local enterprise partnerships, which are meant to focus on providing localised services and on developing a devolved enterprise strategy, to explore how co-ops can become involved, attract investment and improve membership. The Government have previously committed to reducing the regulatory and administrative burdens so that it is easier to start and run a co-operative. I hope that we see that commitment become reality soon. We must then, with some cross-party zeal, start championing and promoting the co-operative movement.

I feel particularly strongly about the issue because, in the run-up to the general election, a major high street bank decided that its small branch in my constituency, with its over-the-counter service and ATM, was surplus to its global requirements. HSBC decided that Aylesford village did not fit into its strap line of "The world's local bank." Despite serving an elderly and local business population, the branch was closed without any concern about the impact on the local community. The village is now bereft of its post office and its bank. Given the thousands of names we had on a petition from Aylesford and the surrounding villages, I wish I had seen the example of villagers coming together to provide their own local counter services and forming a co-op. We could and should have done that, and the village would have been better off for it.

I promised a short contribution, but now I have wittered on about co-op opportunities that passed by. This debate, however, has allowed me to emphasise that the co-operative and mutual movement has cross-party support. Co-ops bring huge benefits to society and the economy, and they can demonstrate entrepreneurial brilliance and deliver rewards to all those involved. There are legal obstacles, which the Government are looking at, but it is hard not to want to get involved in this debate and to encourage the establishment of more co-operatives, to help to deliver what society and the country needs.

Jesse Norman: On a point of order, Mr Amess, I want to put on record my sense of the great discourtesy done to this Chamber and to the House by the hon. Member for Walthamstow (Stella Creasy), who came in, did not listen to the opening speeches, asked a series of questions and then left. That ought to be in the record.

Mr David Amess (in the Chair): All I say about hon. Members staying for the debate is that, when I made my announcement about the timing of things, there were 13 possible speakers. I hope I did not scare people off, because we seem to have lost a number of them. I am not referring to our current proceedings but, as far as the specific point made by the hon. Gentleman is concerned, Mr Speaker has said that it is certainly discourteous for a Member to arrive, make an intervention and not return. I cast no aspersions on what is happening at the moment.

Alun Michael: Further to that point of order, Mr Amess, as we are having this discussion about courtesy, has not Mr Speaker also ruled more than once in the past that, if a Member intends to make a critical comment about another Member, he should first have spoken to that Member, to apprise of his intention and to see whether there might have been good reason for any action that had provoked him to intervene?

Mr David Amess (in the Chair): Order. I am advised that that is generally the case. Rather than prolong the matter, and as the right hon. Member for Cardiff South and Penarth (Alun Michael) and the hon. Member for Hereford and South Herefordshire (Jesse Norman) have made their observations, we will see what happens.

3.54 pm

Luciana Berger (Liverpool, Wavertree) (Lab/Co-op): I am pleased to have the chance to speak in this important debate. I congratulate my hon. Friends the Members for West Bromwich West (Mr Bailey) and for Islwyn (Chris Evans) on securing it.

I declare an interest: along with many other Labour and Co-operative Members of Parliament, I am proud to be part of a movement motivated not purely by the pursuit of profit but by values of openness, social responsibility and solidarity. As well as being founded on strong principles, in practice co-ops and mutuals can be more efficient and are a positive force in local communities. The co-operative model also makes sense economically. As right hon. and hon. Members in all parts of this Chamber have alluded to, last year the co-operative economy throughout the UK stood at 12.9 million members, who were part of almost 5,000 co-operative businesses, with a turnover of £33.5 billion, contributing 237,800 jobs to the national economy. In the north-west region, where my constituency is located, 416 co-operatives turn over £2.2 billion and employ 20,350 people. As a proud member of the Lodge Lane credit union, I see the many benefits of co-operatives in my own constituency.

As well as highlighting the successes of co-ops nationally, I want to focus my remarks this afternoon on how the co-operative model is thriving in the energy market. Up and down the country, communities have come together to find new ways of generating renewable energy. Co-operatives have pioneered renewable energy in the UK, whether large ones such as the Co-operative Group powering its stores with renewable energy or innovative businesses such as Powys-based Dulas developing green technologies.

The co-operative model is providing communities with the means to invest in, own and benefit from new wind farm developments. Nine community co-operatives currently own wind farms in the UK, providing a great model of community power. Baywind, for example, is a wind co-operative in Cumbria which has successfully carried out two share offers since it was founded in 1996 and has more than 1,300 members. Westmill wind farm in Oxfordshire is entirely owned by about 2,500 members, largely drawn from the local community, who between them have invested £4.4 million. Nationally, wind farm co-operatives alone have 6,700 members and turn over £2.5 million.

Until recently, energy co-ops have benefited from a supportive central Government. Recent Government decisions, however, have resulted in support for community-based energy co-operatives being withdrawn, risking their success. The Government's decision to cut the feed-in tariff subsidy for projects that generate more than 50 kW will mean that many community co-op solar projects on hospitals, schools and community buildings are now no longer commercially viable. Alongside that, it was announced in the 2011 Budget that renewable energy schemes eligible for the feed-in tariff would no longer qualify for tax relief under the enterprise investment scheme, harming at least 20 communities planning a community share launch soon—the business model is entirely based on securing the feed-in tariff and the enterprise investment scheme. Small schemes with less than £0.5 million of capital costs will struggle to be viable.

Community ownership is a wholly different approach from purely commercial operations and brings additional benefits such as increased community engagement and education on low-carbon issues, but it does not often generate the same level of revenue to pay the interest on investors' capital during the early years of development. In that situation, the enterprise investment scheme offers a breathing space for community initiatives not to pay interest while the enterprise is established, allowing them to grow. It is regrettable that moves to boost equity investment in small enterprises will damage the smallest of those enterprises and many co-operatives and mutuals.

As well as removing support for existing co-operatives, the Government have rejected Labour plans to encourage the establishment of new energy co-operatives. We recently concluded the Energy Bill's Committee stage, and many hon. Members are familiar with its provisions. The main Government proposal in the Bill is to establish a pay-as-you-save energy-efficiency scheme called the green deal, a programme first piloted under the previous Labour Government. Under the green deal, homeowners and tenants will be able to borrow money to make energy-efficient improvements to their homes, such as insulation, with no up-front costs. The improvements will be paid for in instalments from the money saved on utility bills.

The new marketplace that the scheme will create offers huge potential for co-operatives and mutuals to become green deal providers, installing energy efficiency measures. Labour's vision of the green deal marketplace is one in which small businesses, co-operatives, mutuals and social enterprises are able to compete equally alongside the big energy companies and supermarkets that want to take part in the scheme. For that reason, on behalf of the Opposition, I tabled amendments to the Energy Bill in Committee which would have guaranteed fair access to the marketplace for co-ops and reduced the administration costs that they would have had to pay in order to take part in the scheme. I hope there is broad agreement on both sides of the House that co-ops and mutuals that want to benefit our communities and focus resources on vulnerable people and households in fuel poverty should not be excluded from the green deal marketplace.

Reduced admin fees and fair access to the market would not only lessen the financial start-up costs for those organisations, but would act as an indicator to them that they have an important part to play in the green deal. Surely the idea of helping co-operatives and mutual societies to flourish, instead of the market being dominated by a few big companies, is very much in the spirit of the big society? Unfortunately, the Government did not think so, and voted down those amendments. That did not stop the Minister of State, Department of Energy and Climate Change, the hon. Member for Bexhill and Battle (Gregory Barker), using warm words about co-operatives, but what good are words when they are not followed up by actions?

I thought that the Government recognised the value of employee-led models. During a speech in November 2010, the Minister for the Cabinet Office and Paymaster General, said:

"The evidence increasingly shows that they reduce absenteeism, improve performance management, encourage innovation, and increase productivity."

Will the Minister take the concerns that I have raised back to his ministerial colleagues in the responsible Departments, and press them to look again at their decisions, so that instead of punishing co-ops and mutuals, we build on them and drive the energy co-operative sector forward?

The threat of climate change is the greatest threat to our planet, and it is only through co-operation that we will be able to take urgent global action to fight it. Renewable energy co-operation to tackle climate change and to reduce household fuel bills at a time when they are increasing is just one example of how co-operatives can benefit our society. This debate has highlighted how much co-operatives can benefit our society, and it is timely at the start of co-operatives fortnight. From banking and finance to renewable energy and environmental protection, co-operatives are making a difference. I thank my hon. Friends for securing this debate, and I thank you, Mr Amess, for your stewardship.

4.1 pm

Justin Tomlinson (North Swindon) (Con): I intend to consolidate some potential interventions in a short and efficient speech, partly in recognition of you, Mr Amess, because your role as chairman of the all-party group on small shops reminded me of a few extra elements that have not been touched on. The first is the impact on the high street. The Government have commissioned Mary Portas to review the high street, and having avidly watched her TV programmes for some years, I know that her main mantra is about customer service. All too often in this great nation of shopkeepers, customer service is appalling at best. Through the principle of co-operatives, employees are directly involved and have a direct incentive to offer far better customer service, and to help to rescue our high streets. That is an element that we should consider.

Some hon. Members have talked about credit unions, and I intervened several times. It is essential to the interests of the most vulnerable consumers that they have access to loans on which their interests are put at the heart of decisions, in stark contrast with the doorstep lenders who prey on people, and encourage them to get into a long-term cycle of expensive debt, and end up buying dodgy-smelling perfume. There is so much consolidation of banking services on the high street that there is less competition, and that is another opportunity for the credit unions to step in. Access to services is key, because vulnerable people often do not know how to access more affordable credit, and the help and advice that come with it.

I want to issue a slight warning to the hon. Member for Islwyn (Chris Evans) for picking on Wonga. It does not lend to vulnerable consumers, who must go through rigorous checks. If the headline interest rate is 4,400% APR, and if someone is two days from their pay day and wants to borrow £100 to tide themselves over, they will be charged a product fee of £5.50 plus 4,400% APR of £1 a day, so they will pay £7.50 for the privilege. If they just go overdrawn at their bank, Lloyds TSB, for example, would charge a flat fee of £10 a day plus £2.50 for the debit card charge, which makes a total of £22.50 so they will be £15 worse off. We must be careful not to fall into the traps of some headlines.

The way to get round the problem is to support my financial education campaign so that more people understand the deals that are put before them. However, I was testing some people on Wonga's APR yesterday, and not one person was able to calculate the interest rate, including a Treasury manager.

Chris Evans: I agree with some of the hon. Gentleman's sentiments about APR. I have always said that people should be quoted a flat rate of interest, which is simpler and easier to understand than APR. As the hon. Member for Chatham and Aylesford (Tracey Crouch) said, I used to work for Lloyds TSB, and I have regretted it every day since, but I have always said that a flat rate is simple.

Justin Tomlinson: I thank the hon. Gentleman for his intervention. In an ideal world, we would have cash-for-cash comparisons if people wanted to borrow money. I echo the comments about doorstep lending. The Minister feels strongly about it, and it really needs to be dealt with. The sales techniques are nothing short of disgraceful.

Damian Hinds: Does my hon. Friend agree that despite the apparent attraction of straightforward interest charges being disclosed, they lack something because they do not cover any of the behavioural charges. There is no perfect way, but it would perhaps be slightly closer to perfect to have disclosure of both the set-up costs for the loan, and the interest rate on top. That twin-rate approach is much more reflective of lenders' cost structures.

Justin Tomlinson: I absolutely agree. The key message is that the Government are reviewing the matter, and they should do so with time and patience to make sure that it is delivered in the right way that people can understand. We do not want to fall into the trap of obvious headlines, because that would just make the situation a lot worse.

On public services, I spent 10 enjoyable years in local government, four of them as a cabinet member making key decisions. I fully support the principle of allowing staff with front-line experience, and who are fuelled by their direct passion, to make a difference and have a greater say in how services are delivered, instead of remote politicians—this applies to all of us—without that experience.

I pay credit to the Co-operative shops—my local shop is a Co-op and its cheesy tasty bread is very good—for the way they conduct the elections to their board. Every member—I am a proud member of my local Co-op—is sent a clear booklet, and as we consider creating elected police commissioners and having other elections, that may be a model to consider, especially if we manage to ban political parties from being involved in such things.

4.7 pm

Tom Greatrex (Rutherglen and Hamilton West) (Lab/Co-op): It is a pleasure to serve under your chairmanship, Mr Amess. As many other hon. Members have done, I declare an interest as a Labour and Co-operative Member of Parliament. I also join other hon. Members in congratulating my hon. Friends the Members for West Bromwich West (Mr Bailey) and for Islwyn (Chris Evans) on securing this debate as we come to the start of co-operatives fortnight. I want to highlight the contribution of the mutual sector in many areas of life, and then to comment specifically about one sector,

[Tom Greatrex]

leaving the Minister with plenty of opportunity to respond to the issues that hon. Members have raised this afternoon.

As other hon. Members have said, one of the challenges facing the mutual sector has been to explain what a co-operative is, how it works, and why it is relevant in the present and the future. My family's experience of co-operatives is slightly different from that of my hon. Friend the Member for Islwyn. My grandparents were dairy farmers in east Kent, and were part of a co-operative that fed into a retail co-operative, so there is a long and varied history of what co-operatives are. There is huge potential for their future, and I am glad that in recent years we have started to go beyond the common misapprehensions and the occasional suspicion or dubiousness on this side of what co-operatives are about and how they fit into the wider Labour movement. It is gratifying that we have got over that in recent years, and I hope that we are now starting to see not just the value of co-operatives, but the potential for future co-operatives and how we can develop them in future.

I want to speak about one form of mutual ownership that is particularly close to my heart. Unlike the hon. Member for Chatham and Aylesford (Tracey Crouch), I will not apologise for talking about football supporters' trusts yet again, because it would be remiss of me in this debate not to refer to them in a little more detail than others have been able to do. My personal involvement in the co-operative movement and Co-operative party comes from having helped to establish the Fulham Supporters' Trust just over 10 years ago. If anyone is at a loose end this evening, Fulham start their European adventure at Craven Cottage, and hon. Members would be more than welcome to join me in attending the game to watch Fulham play the team that finished third in the Faroe Islands Premier League.

It seems an apposite time to raise the issue of supporters' trusts, because of the problems surrounding Supporters Direct to which I want to refer this afternoon. Supporters Direct is a matter of concern to hon. Members from all parties—early-day motion 1909 on the funding of Supporters Direct has been signed by 66 hon. Members from all parties except the Scottish National party, although that is not necessarily a good way to measure levels of concern.

Many hon. Members will be aware of and familiar with the work of supporters' trusts in their constituencies, and there will be clubs—rugby league clubs as well as football clubs—in which they have either a constituency interest or a direct supporter interest.

Justin Tomlinson: On that point, I am a proud member of Swindon Town supporters club, which I joined when it first formed. One challenge it faces is that it often meets in moments of crisis—Swindon Town lurched from one crisis to another until the new owners transformed it. We need to encourage supporters' trusts to set up and work in the long term, especially when the sun is shining on a football club.

Tom Greatrex: The hon. Gentleman anticipates the point I was about to make. My experience—and that of many others involved in supporters' trusts—has been that at a moment of crisis, when owners walk away from a club because they have lost interest, or are unable to continue because it is more challenging than they thought it would be, they leave clubs in the lurch. One thing that can be said about football clubs is that players, managers and chairmen may come and go, but the fans remain constant. They have a huge amount of concern for and emotional attachment to their clubs, and they will step in. In the past, fans have stepped in very successfully—we could all give examples of trusts that have become involved in running a club, and done it well. The hon. Gentleman's point is right. I desire to see supporters' trusts not only getting involved in times of crisis when no one else steps in, but also getting involved in representation and the running of the club, so that there is a direct link to the supporters and communities.

That is why I am concerned about the situation with Supporters Direct. As I know from personal experience, Supporters Direct has provided huge support in getting trusts established, and it has campaigned on some wider issues concerning the ownership of football clubs and other sporting clubs. We need such a body to help co-ordinate that work. I raised that point with the Minister for Sport and the Olympics during questions to the Department for Culture, Media and Sport a couple of weeks ago. He recognised the issue and said that talks would be taking place on Friday. I am not sure which Friday he was referring to, but there have been a couple of Fridays since then and the issue is as yet unresolved. If Supporters Direct, or an organisation of that type, does not take that role, there is the danger that supporters' trusts that need to be developed will not get the opportunity to learn from others and proceed with development. Instead, the funding will be fragmented and, as hon. Members will be aware, it is a relatively small amount of money given the wealth that swirls around football, particularly at top level.

As I understand, part of the Premier League's reasoning concerns comments made by the former chief executive of Supporters Direct. I know that the individual concerned regrets those comments; he has apologised fully and since resigned. I hope therefore, that that issue is not still an impediment to the continuation of Supporters Direct. I realise that that is not the Minister's direct responsibility, but I hope that he will mention the issue to his colleagues in the Government. It is an important aspect of co-operatives and mutuals and there is a great degree of concern about it.

I also wish to raise a couple of specific issues about credit unions. The hon. Member for East Hampshire (Damian Hinds) and my hon. Friend the Member for Islwyn spoke eloquently and passionately about the role of credit unions. I am fortunate in having a number of credit unions in my constituency, and everybody is covered by the bond for credit unions. Blantyre and South Lanarkshire credit union means that the whole of South Lanarkshire is covered, and there are a number of smaller credit unions in Rutherglen, Cambuslang and Hamilton.

On Friday I met representatives from the WHEB credit union—Whitehill, Hillhouse, Earnock and Burnbank—which operates in a small part of Hamilton in my constituency. I raised a couple of issues with them that refer back to the comments made by the hon. Member for East Hampshire, particularly in relation to the potential for credit unions in the future. The ambitious and appropriate programme for future development will do

a huge amount of good to the credit union movement and to consumers, but we must be aware of the concerns felt by smaller credit unions that they do not get lost in a drive that could end up with larger credit unions effectively taking them over. I say that because WHEB credit union, for example, is tied to a specific, but quite small geographical area and has a relatively small number of members in comparison with other credit unions. WHEB is trusted in that area because it is seen by members of the community as a sound source of credit and a reliable organisation. I am slightly concerned that in the drive to develop credit unions, some of the smaller and community credit unions could be left behind. I do not want that to happen.

I have a further point, which is relevant to the Minister's responsibilities. WHEB told me last week that one problem that happens more and more frequently is where people join the credit union and save the minimum amount needed to have access to a small loan. They then take out that small loan and almost immediately apply to become bankrupt, which they use as an opportunity to get over the repayments. I appreciate that insolvency is a devolved issue, and that accountancy and bankruptcy are devolved responsibilities in Scotland, but part of the problem I have described is because of radio adverts, for example, that say to people "We can help you get rid of your debts by you becoming bankrupt", without explaining some of the consequences. We hear about such things more and more frequently, and we heard during earlier contributions about some of the other advertising that goes on. There are examples of people using credit unions to save enough to be able to borrow money, and they then default on their debts.

That issue was raised with me because, as I have already said, WHEB is a small, community credit union—I am sure there are many others—and it is not well placed to absorb the number of insolvencies that are taking place. I was told that there were seven such cases over the past month. That might not sound like a lot, but for a small credit union in that area it is starting to have a significant impact and causing concern. Perhaps when the Minister responds, he will address the issue of advertising for such services, which, given the way the adverts seem to suggest to people that all their problems could be over, borders on irresponsible. The effect on smaller credit unions is an unintended consequence of that.

Damian Hinds: I am conscious that the debate is about co-operatives and mutuals, so I do not want to draw the hon. Gentleman too much further into this area, but does he agree that part of the problem is that, these days, the route that people end up pursuing in an alleged solution to their debt problems seems to be driven far more by which advert they see first, rather than which type of solution is most appropriate to them? In some cases, it will be insolvency, but in many others it is not, regardless of the fact that the specific firm that they go to may have charges that are inappropriately high.

Tom Greatrex: The hon. Gentleman makes an important point. I am under no illusion that the issue is an easy one for the Government to tackle, but I wanted to reflect the concern and raise it with the Minister. I am sure that he is aware of it, but I hope that he will comment on it.

Finally, I want to reflect on the importance of mutuals and co-ops. This has so far been a very good debate, covering a wide range of issues. That highlights the wide range of co-operatives and mutual organisations that exist. They are not just an interesting historical relic, but a huge opportunity for the present and for the future. In relation to Supporters Direct, I am pleased that the coalition agreement is explicit about the positive role that can be played by supporters having ownership of football clubs on a mutual basis. However, some contributions to this debate have reflected the fact that there are a lot of warm words on this issue and we now, across the parties, want to see those transformed into action on the specific points that we have discussed. I hope that the Minister will be able to reflect on and respond to those points and give Opposition Members some comfort that the rediscovery of mutualism by a wider range of people means that there is a real, lasting and meaningful commitment to helping to develop mutual solutions to some of the issues that the country faces.

4.21 pm

Mr Gareth Thomas (Harrow West) (Lab/Co-op): I welcome the opportunity to have this debate and I congratulate my hon. Friends the Members for West Bromwich West (Mr Bailey) and for Islwyn (Chris Evans) on convincing the Backbench Business Committee to allow it to be held. I also echo the welcome for the opportunity to speak under your chairmanship, Mr Amess.

I am a member of the Co-op party; indeed, I am privileged to chair the Co-op party, and to be a Labour and Co-op MP. I therefore particularly welcome the opportunity to speak in this debate for the official Opposition. As other hon. Members have said, it is taking place during co-operatives fortnight, which runs until 9 July. It is an opportunity to celebrate the considerable contribution that co-ops and mutuals make to British economic and social and cultural life. However, it would be wrong of me, speaking for the official Opposition, not to go further and undertake some scrutiny of the Government's record to date on providing assistance, or not, to the co-op sector.

First, let me acknowledge the contributions made by hon. Members who have taken part in the debate. My hon. Friend the Member for West Bromwich West, in setting out the scope of the debate, rightly alluded to the stereotypical view of the co-op movement that there certainly was throughout the 1990s and the early part of the current century. It saw co-ops not as dynamic and forward looking, but as things that were associated very much with the past. He rightly drew attention to the considerable change in the fortunes and perceptions of the co-op movement. I am sure that he shares my view that part of the reason for the turnaround in the perception of the co-op ideal in recent years has been the performance of the Co-op Group, notably under Len Wardle as chair and Peter Marks as chief executive.

I also echo my hon. Friend's tribute to Cliff Mills, a solicitor from Cobbetts and an expert on the law surrounding co-ops. When I had the privilege of taking a private Member's Bill through the House in 2002-03 that, I hope, began the process of modernising co-op law, Cliff Mills was a huge support and source of expertise. My hon. Friend was right to pay tribute to him.

[Mr Gareth Thomas]

The hon. Member for East Hampshire (Damian Hinds) rightly drew attention to the contribution that credit unions make and to their considerable potential to do more. He drew attention to the opportunity for the current Government to build on the work of the previous Government in encouraging access to credit unions. He gently asked—I paraphrase—why on earth the Government had not got on with the legislative reform order. Perhaps the Minister will be able to tell us when that order might appear before us.

A number of hon. Members drew attention to the difficulties that many people in the community that we represent have in needing to access money. I remember from my time in government the huge concern that grew and still exists today, which no doubt the Minister will want to comment on, in relation to illegal money lending. I pay tribute to my predecessor as the Minister responsible for consumer affairs, Ian McCartney, for, among other things, creating the concept of illegal money lending teams. That resulted in multidisciplinary teams, whose members included police and people from housing associations. They worked together not only to crack down on loan sharks, many of whom were particularly unpleasant individuals—there has been real success in bringing loan sharks to justice—but to ensure that victims had support to get out of the financial problems that had drawn them into the web of the loan sharks. Credit unions were often a crucial part of helping the victims of loan sharks to move towards a more sustainable future. In that context, I will come in due course to a point that my hon. Friend the Member for Islwyn made about access to credit unions across the country.

The hon. Member for East Hampshire raised the issues relating to social ISAs. I would be interested in the Minister's response to the view expressed by the hon. Member for East Hampshire about their potential. The Minister may be aware of the Big Lottery Fund's launch of a social impact bond—a particular model that it has backed. Again, I would welcome hearing from the Minister the Government's view on whether that bond has considerably more potential and in particular whether it has the potential to help co-operatives to expand, perhaps in the way that my hon. Friend the Member for Liverpool, Wavertree (Luciana Berger) alluded to in the context of renewable energy.

My hon. Friend the Member for Islwyn drew attention to the success of Tower colliery following its conversion to a worker-led co-operative. I echo his praise of the leadership of the colliery. I enjoyed my visit to Islwyn with him. I very much enjoyed the opportunity to see the Islwyn community credit union. Some fantastic people are involved in the leadership and running of that organisation and are making a real difference to his community. He referred to the considerable success that Wales has had in ensuring that there is access to a credit union for anyone and everyone in Wales if they want to join one. That is surely an ambition that we should have for England. It would be good to hear from the Minister whether the Government share that ambition and what they intend to do about it.

My hon. Friend made a very interesting proposal when he talked about whether we should consider lowering the age at which someone can join a credit union. That might encourage far earlier recognition of the potential of credit unions and thus draw people away from the very high interest rates charged by some of the legal companies. Some of them offer small amounts of money on what are often very high interest rates, relatively.

Damian Hinds: I am sure that the shadow Minister knows that the junior savers club mentioned earlier is not the only one. Many credit unions operate junior savers clubs, which allow young people to become more familiar with credit unions and encourage them to get into the savings habit.

Mr Thomas: Indeed, but that brings me back to what I said about the difference between Wales and England. Credit unions have a far greater reach in Wales than they do in England. We definitely need to see better access to credit unions in England, and better teaching in our schools about their potential to encourage saving from an early age.

The hon. Member for Hereford and South Herefordshire (Jesse Norman) made a number of important points about the contribution that co-ops have made. He adds to the pressure on the Government to prove their commitment to the co-op sector, as opposed to making worthy speeches about them. I echo his tribute to the life of Robert Oakshott. However, I gently suggest that he needs to do a little more to convince us that there really is a Conservative co-op movement, and that it is not just an oxymoron. We shall doubtless hear more from him on that subject in due course.

I turn to the contribution of the hon. Member for Chatham and Aylesford (Tracey Crouch). She made a number of references to the role of co-ops in the south-east, and I am sure that that will have been appreciated by the members and leadership of those co-operatives. She also alluded to the possibility of Conservatives standing under the banner of the co-operative movement. I understand why she would want to tone down the Conservative brand at the next election, but I doubt that that will be enough to help her.

My hon. Friend the Member for Rutherglen and Hamilton West (Tom Greatrex) spoke about the role and contribution of supporters trusts. He and the House may not be aware that the two greatest football teams in Wales and England, Swansea City and Arsenal, both have supporters' trusts, and both have been helped by Supporters Direct. My hon. Friend will know, as will some of my other hon. Friends—but not Government Members, I suspect—that Supporters Direct was originally proposed by the Co-operative party and taken up by my right hon. Friend the Member for Leigh (Andy Burnham) when he worked for Lord Smith of Finsbury.

I join my hon. Friend in urging the Premier League and the Government to sort out the funding problems for Supporters Direct. It would be a terrible tragedy if the misjudged comments of someone who has now resigned from the leadership of Supporters Direct were to undermine the concept of football supporters' trusts and the ambition of giving fans ownership and some further involvement in the running of football clubs. Perhaps the Minister can give us an indication of the Government's thinking on that, and say whether they have been able to sort out future funding for Supporters Direct.

A number of hon. Members referred to the contribution of the Rochdale Pioneers. It is worth restating that, in opening their first shop on 21 December 1844, they

were responding to the acceleration of mechanisation implicit in the industrial revolution. They put forward fairly radical ideas, typical of the traditions of the centre-left, in challenging the status quo to make things better for their community. In part, they were driven by the terrible poverty in the community and the need to provide people with affordable food. Some Members praised the contribution made by Robert Owen and the other community examples of co-operation in action that took place before the Rochdale Pioneers set up their first shop; they were right to acknowledge that co-operative spirit.

Today, the global co-operative movement has about 800 million members. It employs 100 million people and secures the livelihoods of some 3 billion people—half the world's population. Indeed, there are 20% more jobs in co-operatives around the world than in multinational corporations. If only the same attention were given to the needs of co-operatives as is given to multinational corporations, the co-op movement would be in even better shape.

My hon. Friend the Member for West Bromwich West identified the traditions of collective self-help and the entrepreneurial spirit as driving influences in setting up effective co-operatives. As we heard, the UK has almost 5,000 successful co-ops, with almost 13 million members. The turnover of UK co-ops has risen by some 25% over the past three years. Perhaps the best-known example of co-ops in the UK is the Co-op Group, of which the Co-op bank is an essential part. Its move into renewable energy was mentioned by others. There is also, of course, the excellent John Lewis Partnership. If I may crave your indulgence, Mr Amess, I praise also those who are part of the Rainbow Saver credit union, in which I declare an interest, and those who run the excellent Harrow and Hillingdon credit union.

As I said, I had the privilege of piloting a private Member's Bill through the House, which enjoyed the support of a huge number of co-operatives, including those running Labour clubs, rugby clubs and even armed forces clubs—and, surprising to me at the time, those running Conservative clubs. They all supported my Bill, which helped me to get it past the then Member for Bromley and Chislehurst, one Eric Forth.

Ministers have made a number of positive speeches over the past 12 months or so about the potential contribution of co-operatives, but the Government's record over that time suggests that the apparent enthusiasm for co-ops shown by the coalition is not backed up by the reality.

The hon. Member for Cardiff North (Jonathan Evans), who is no longer in his place, and my right hon. Friend the Member for Cardiff South and Penarth (Alun Michael) have, on many occasions, raised the issue of the possible remutualisation of Northern Rock. Indeed, Co-op Members on the Opposition Benches have been pushing for some time for the Government to give serious consideration to the case for remutualisation.

The Government have clearly rejected that option, but it is important that they publish the work that one hopes has been done on that subject by United Kingdom Financial Investments Ltd. That is necessary not least because, when the Government said that they intended to sell Northern Rock to the highest bidder, there was much media speculation, presumably briefed by Treasury sources, that the Government did not expect to receive in full what they had injected into the bank. Will the Minister assure the House that all the paperwork that UKFI has produced on the feasibility of remutualisation will be published urgently, so that the House can assess whether UKFI and Deutsche bank, its advisers, did a thorough piece of work?

The Minister will be aware of the real concern about other aspects of the financial mutual world, particularly about the new European capital requirements to enable financial services businesses better to absorb losses, and how they will impact on building societies following the introduction of the new Basel standards. They do potentially pose a threat to the future of building societies. I recognise that the Government have acknowledged that and have been in discussion with European partners. I would welcome an update on that and further reassurance from the Minister that the Government are on the case to ensure that these new requirements do not prevent successful mutuals such as Nationwide, the Coventry and the Principality from being able to play an important role in the financial services sector in future.

The Minister will also have been briefed about the concerns about the future of friendly societies and the way in which the Financial Services Authority has revisited its own rule book and used a piece of legal advice. A former Minister, who was re-elected to the House in 2010, introduced the legislation on which that legal advice is based, but has said that it should not be applied to mutuals. None the less, that legislation is being used by the FSA as the basis of a piece of legal advice, which it will not publish, that is causing a series of friendly societies to face the prospect of demutualisation in the long term. It cannot be in the interests of the country to have an important part of the financial mutual sector facing such a threat.

I appreciate that both Hector Sants, the head of the FSA, and the Financial Secretary to the Treasury, who has responsibility for financial mutuals, have come to the all-party parliamentary group on building societies and financial mutuals to answer questions on the issue. As yet, though, there appears to be no serious effort by the Treasury and the FSA to find a resolution to the problem. I urge the Minister, who has made positive comments about co-operatives and mutuals in the past, to use the influence of his position to turn that situation around.

Furthermore, will the Minister explain what on earth has gone wrong with the coalition's support for co-operative schools? Schools that want to become co-operative trusts have traditionally been funded to the tune of some £5,000 to help with the process. Currently, there are more than 100 schools that want to become co-operative schools. Given the success of that programme, why has the Education Secretary decided to end funding for that programme?

My right hon. Friend the Member for Cardiff South and Penarth mentioned that the previous Labour Government had intended to announce the mutualisation of British Waterways. Will the Minister explain how it will become a genuinely mutual organisation that involves people other than just a select group of trustees in its running?

The Minister has done much work on the future of the Post Office and has announced plans for it to become a mutual. One of the concerns that has been expressed both on the Opposition Benches and outside

[Mr Thomas]

the House is about whether or not there is a viable business plan. I welcome the mutualisation of the Post Office, but there needs to be a viable business plan if it is to be successful. Will the Minister provide further clarity on that matter?

Will the Minister explain why the Government have decided to scrap the funding that supports the development of community pubs? The previous Government worked with the Plunkett Foundation to set up a programme to support such pubs. The scrapping of the funding can only hasten the demise of pubs in many communities across the country, making it far more difficult for people to come together and organise themselves.

My hon. Friend the Member for Liverpool, Wavertree talked about the failure of the Government to encourage community energy projects. Given that the Minister is a member of the same political party as the person who is responsible for that dismal record, will he pledge to take back to the Secretary of State for Energy and Climate Change the concern of the Chamber over his lack of commitment to co-operative energy projects?

Lastly, in terms of a critique of the coalition's record on co-operatives, will the Minister explain to the Chamber why the Secretary of State for International Development is refusing to fund again the International Labour Organisation's project for helping co-operatives in Africa? That programme has had considerable success in helping to strengthen the co-operative model, particularly in the financial sector in Africa, and such a decision seems somewhat at odds with the coalition's commitment to both international development and co-operatives.

This has been an interesting debate with some important contributions from all parts of the Chamber. None the less, the only conclusion that one can draw after 12 months of the coalition Government is that there have been a lot of fine words about support for co-operatives, but not much action. I hope the Minister will give us some clarity as to when that situation will change.

4.46 pm

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Mr Edward Davey): This has been a very well informed and, mostly, consensual debate. There was a break-out of competition between the Conservative and Labour parties, but it obviously falls to a Liberal Democrat Minister to bring everyone back to real co-operative principles. It was good to see all contributors to the debate affirming their commitment to that. I can affirm my personal commitment, my party's commitment and the coalition Government's commitment to working for the co-operative movement and to developing the mutual sector more broadly.

If we look at the performance of the sector at the moment, we can see that it is in rude health. The turnover of the co-operative movement is slightly more than £33 billion and the turnover of the mutual movement rose to more than £100 billion last year, with more than 1 million employees. Interestingly, the Co-operative Financial Services won the FT sustainable banking award in 2010. Clearly, this is a sector that is doing well.

Another interesting fact is the Co-Operative Group's takeover of Somerfield, which increased its overall turnover. If it was listed on the FTSE 100, it would be a FTSE top 30 company.

Despite the rather bizarre remarks by the hon. Member for Harrow West (Mr Thomas), there have been many strong developments under both Labour and Conservative Governments. I point, for example, to the Oxford Centre for Mutual and Employee-owned Business, which is developing a lot of the thinking and the research so that we can drive forward this agenda in a consensual way. Although this area requires cross-party support, a lot of good things have been happening to it for quite some time.

Let me try to answer some of the points that have been raised during the debate and then I will make some comments about the direction of Government policy. A number of speeches focused on credit unions. My hon. Friends the Members for East Hampshire (Damian Hinds), for Chatham and Aylesford (Tracey Crouch) and for North Swindon (Justin Tomlinson) and the hon. Members for Islwyn (Chris Evans), and for Rutherglen and Hamilton West (Tom Greatrex) spent a considerable amount of time talking about credit unions. This is an area in which the Government would like to see real progress.

My hon. Friend the Member for East Hampshire has been a champion of credit unions. I pay tribute to the work that he has been doing in that area. He mentioned that the Department for Work and Pensions has earmarked £73 million to invest in the sector. However, we are not spraying money around in the way in which we have seen in the past; we have done a feasibility study to see where that money can best be spent.

My hon. Friend referred to a proposal by the Association of British Credit Unions, which is one of the main associations that brings together credit unions, to build an IT platform to enable credit unions to work together potentially through the post office network. Such a move would be significant, and it picks up on remarks that hon. Members have made during the debate. There are two real challenges for credit unions. One is to get better access, so that people can access credit unions. Clearly, a better IT platform, particularly if it was linked to the post office network, would be a massive development in improving our constituents' ability to access credit unions. The second issue is even more important: awareness. There needs to be awareness that this credit source is available and that it can compete with the high-cost merchants that are around.

I want to reflect on something that the hon. Member for Harrow West said. He was quite right to praise his predecessor, Sir Ian McCartney, on setting up the illegal money lending teams. As a Minister, I have ensured that our funding for those teams continues at the levels that we inherited. Given the cuts that we are having elsewhere, that was a significant decision. The reason that we continued their funding is that those teams are successful and they are curbing the criminals who prey on vulnerable people in our communities.

I urge Members to look at how illegal money lending teams are working. I have been privy to a video of their work, from which one anecdote emerged that shows the importance of increasing awareness of the availability of credit unions. A family had borrowed £200 from a "family friend" on their estate and 10 years later, after intimidation and threats of violence, the family had paid back £90,000. It was only when the illegal money lending teams came and helped them, prosecuted their "family friend" and then gave them support as victims

of a crime that they became aware of the existence of credit unions. Now they are borrowing from credit unions and they have put their lives back together, which is a tribute to the work of the illegal money lending teams. However, that story tells us an awful lot about this area and how we should approach it; above all, it shows the need to improve people's awareness of credit unions.

As my hon. Friend the Member for East Hampshire also said, we need reform in this area of credit unions. We have been waiting for a legislative reform order—I share colleagues' impatience about that—but it is coming and I am sure that in the autumn we can get it through the House. I am glad that it will have such support and it will make the difference, as my hon. Friend said.

The hon. Member for Rutherglen and Hamilton West made an interesting point in relation to potential abuse of credit unions by people who then went bankrupt. If he can write to me about that issue, we will be responding—soon, I hope—to the consumer credit and personal insolvency call for evidence. Often, people have not focused on the personal insolvency side of the credit unions issue, and the hon. Gentleman was quite right to focus on it. The link between personal insolvency and credit unions is an important one to make and if there are problems we need to deal with them.

The hon. Gentleman also rightly raised another important issue; although it is not particularly germane to the title of this debate, it is important and I am glad to have the chance to speak about it. He raised the concerns that many of us have about the advertising of debt advice. Frankly, I think that I have broken a few radios as I have thrown things at them when they spew out these tempting adverts. We know that those adverts are a temptation that people should not go for. We need to address debt advice. In that regard, one of the issues also applies to credit unions: the importance of raising awareness so that people know that there is free, quality debt advice available. We must make sure that that is better known. The money advice service is doing some research on debt advice and considering how we can take it forward as a priority.

I want to go back to some of the other issues that were raised in the debate. The issue of Northern Rock raised its head. First, I want to say to some Opposition Members that the list of building societies that demutualised during the previous Labour Government is rather a long one. I suggest to those Members that they would be wise to press the Government very carefully on the issue, not least because my right hon. Friend the Secretary of State for Business, Innovation and Skills pressed the Labour Government to tie up some of the loopholes in that area, which they failed to do. I urge them to be a little more cautious as they approach the Northern Rock issue.

Chris Leslie (Nottingham East) (Lab/Co-op): Will the Minister give way?

Mr Davey: I will give way to the hon. Gentleman in a moment, but I think that he should listen to my full response before intervening.

I can say something to those Opposition Members who raised the issue of Northern Rock. I think it was the Commercial Secretary to the Treasury, Lord Sassoon, who made a statement recently that we have launched a sale process for Northern Rock. He had written to the all-party group on building societies and financial mutuals, and he made it very clear that any interested parties can bid, including mutuals. That reaffirms the Government's commitment to promote the mutual financial sector. Having said that, of course, we cannot rule out any other options at this stage. Members may be interested to know that two building societies have expressed an interest in taking over Northern Rock. Remutualisation is an issue that must be addressed in due course by UKFI, but I am not the Minister with responsibility for UKFI. Nevertheless, those remarks that I have just made should reassure colleagues.

Chris Leslie *rose—*

Mr Thomas *rose—*

Mr Davey: There are two colleagues who want to intervene. I will take the interventions in order, first taking the intervention from the hon. Member for Nottingham East (Chris Leslie)—I think that that is his constituency, these days.

Chris Leslie: I am very grateful to the Minister for his recollection of my constituency. He has talked about the trade sale route that the Government have announced for Northern Rock. Notwithstanding the fact that he has said that other building societies might be interested in a direct purchase of Northern Rock, can he say categorically that the member buy-out option, whereby borrowers and savers of Northern Rock might have the chance to enter into a member buy-out arrangement, is still on the table and is still being considered among the other options that he was talking about? I understand that my hon. Friend the Member for Harrow West (Mr Thomas) has written to the Treasury with the details of the member buy-out option.

Mr Davey: As the hon. Gentleman knows, I am not the Minister responsible for Northern Rock and my Department is not responsible for it either, so I would be ill advised to go into detail about it. I have tried to ensure that the Members attending this debate received some answers about that issue and I believe that I have fulfilled that obligation, but he may need to attend Treasury questions to probe further on the issue.

I will now give way to the hon. Member for Harrow West, although I hope that he will bear in mind the answer that I have just given to his hon. Friend.

Mr Thomas: With all due respect, I would have expected the Minister to have been briefed on these questions.

Mr Davey: I have been briefed.

Mr Thomas: And I would have expected the Minister to have given a better answer than the one he has just given. At the very least, will he commit to write to those Members who have taken part in this debate with the answer to the question put by my hon. Friend the Member for Nottingham East (Chris Leslie)?

Mr Davey: I am quite surprised by the hon. Member for Harrow West, because he has been a Minister and he will absolutely know that there are areas that a Minister

[Mr Davey]

does not go into when they are the responsibility of another Department. As I instructed the hon. Member for Nottingham East, I believe that he needs to attend Treasury questions and ask Treasury Ministers about this matter.

Alun Michael: Will the Minister give way?

Mr Davey: In a moment. I think that I have given a good answer to the question that was put. I am happy to answer a question put by the right hon. Member for Cardiff South and Penarth (Alun Michael), as he is a very experienced former Minister.

Mr Thomas: This has been a major issue for some time and the Minister should have been better briefed on it.

Mr Davey: Let me help the right hon. Member for Cardiff South and Penarth and the hon. Member for Harrow West, who has twice interrupted me from a sedentary position, by saying that the decisions have not been made yet. If a lot of decisions had been made, I would be very happy to tell right hon. and hon. Members about them and let them ask questions about them.

Alun Michael *rose—*

Mr Davey: Before the right hon. Gentleman intervenes again, I urge Opposition Members to remember that Labour's record on demutualisation was very poor. Does he want to apologise for Labour's record in that area?

Alun Michael: I will not go into point scoring of that sort. We know where the demutualisation exercise started and that piece of history is not a very good one.

I say to the Minister that it is normal in exchanges of this sort that, if a Minister is unable to answer a question, they offer to follow up the debate by providing an answer to that question. The difficulty that we have is that very often there is not a good understanding of mutuality within Whitehall; I am talking about official machinery now, particularly in relation to the Treasury. Therefore, there is a fear that a door has been closed that should be kept open. That is what the question is—is the door still open? It is a straightforward question and suggesting that people should attend Treasury questions is not really answering it.

Mr Davey: With respect, the right hon. Gentleman clearly did not listen to the answer that I gave, because I made it very clear that the door is open.

Alun Michael: I did listen.

Mr Davey: If the right hon. Gentleman is prepared to listen—

Alun Michael: That is better. That is not what you said, though.

Mr Davey: If the right hon. Gentleman is prepared to listen, I will bring his remarks and those of other Members to the attention of my Treasury colleagues.

Other general issues about mutuals and co-operatives were raised very pertinently by the hon. Member for West Bromwich West (Mr Bailey) and indeed by the right hon. Member for Cardiff South and Penarth. They asked how we can develop mutuals. The hon. Member for West Bromwich West made it very clear that we cannot impose mutuals. Mutuals have to take people with them and there cannot be a top-down approach. I absolutely agree with that. In addition, the right hon. Member for Cardiff South and Penarth talked about a sense of ownership. When we approach the issue of mutuals—whether that is developing more mutuals in the private sector or developing them through public sector reform—we have to learn those lessons.

I will give two examples, one from my constituency and one connected to my responsibilities. In my constituency, we have one of the first social enterprise mutuals in the health sector—Your Healthcare, which was spun out of a local primary care trust. It has slightly more than 450 employees, and will soon have local community members as well. It has been going for nearly a year, and is already a huge success. The employees feel a much greater sense of empowerment and feel relieved of bureaucracy. They elect their own managers, and have been driving efficiency and improving care. The enterprise is a key part of the reform agenda, and shows how powerful mutuals can be.

The notion of a health mutual in my constituency was first put forward about five years ago, and I pay tribute to the previous Government for being prepared to countenance such an idea. There was a lot of debate, because the Government could not quite agree on the issue, but at least they left the door open. Unfortunately, the PCT went too quickly and tried to tell the staff that they had to form a social enterprise, and from the start the staff were worried about pensions and terms and conditions. The local unions came to me, and I went to the PCT and said, "I think the idea is brilliant, but you have to take people with you," for the very reasons that the hon. Member for West Bromwich Albion—*[Laughter.]*—West Bromwich West gave. The PCT stopped the process and re-consulted. It took a lot longer, but the local unions were then very supportive and the mutual has now gone forward very successfully. That is an example from the health sector of how important it is to involve people and to use a bottom-up approach.

The other example is the Post Office mutual proposal, contained in part 1 of the Postal Services Act 2011. If it is appropriate, we can move Post Office Ltd from being Crown-owned to a mutual model, and the hon. Member for Harrow West is absolutely right that we could do that only if the Post Office became commercially viable. The post office network relies on subsidy at the moment, but we are turning that situation around. I refer the hon. Gentleman to our policy paper published in October last year, which contains a whole set of serious business changes that will ensure that the post office network can go forward, wash its face and approach mutualisation. Those proposals are in stark contrast to how the network was run by the previous Government. For all the hon. Gentleman's big words about mutuals, when we debated the relevant clauses on the mutualisation of the Post Office, neither Labour Front Benchers nor Labour Back

Benchers asked a single question or tabled a single amendment. That is how interested they were when a major proposal on mutualisation was introduced to Parliament. It therefore ill behoves the hon. Gentleman to make such criticism when Labour Front Benchers did not even bother to ask questions in Committee or on Report about such a significant mutualisation. The hon. Member for West Bromwich West and the right hon. Member for Cardiff South and Penarth were right to make the points they did about mutuals having to work bottom-up.

I want to talk a little more about the Government's approach. The hon. Member for Harrow West criticised us for not doing anything. Let me be rather more balanced and pay tribute to the previous Government for some of the things they did. The establishment of the new governance model of the community interest company has been very successful. When I recently went to see the community interest company regulator, who is based in Companies House, I heard about many successful CICs that are setting up. The previous Government's decision to have the NHS right to request in community health care, again was a good thing, as was the development of co-operative trust schools, and we will support those types of initiative. The hon. Member for Harrow West, from a sedentary position, says "How?" He ought to wait a bit and let me finish the list of positive things. I was being positive about the previous Government and therefore he ought not to intervene at this point.

The hon. Gentleman mentioned legislation. The previous Government, through private Member's Bills with cross-party support, improved the legislative framework. This Government are modernising that framework and taking it forward. We have heard about the legislative reform order. It is currently before Parliament and we hope to debate it in early autumn. We have also enabled greater electronic communication by mutuals, which is a very good deregulatory measure for them, and we will commence shortly the Co-operative and Community Benefit Societies and Credit Unions Act 2010. We are consulting on the future registration and regulation of mutual societies as part of Treasury reforms to the landscape of financial services regulation. The Cabinet Office will give public sector workers new rights to form employee-owned mutuals and co-operatives, going much further than the previous Government and generating a huge amount of interest in many areas of the public sector.

In February 2011 we established the mutuals taskforce to advise the Government and to help drive the process forward, finding a way around some of the technical problems that were completely ignored by the previous Government. The right hon. Member for Cardiff South and Penarth said that this is not understood; we have set up the mutuals taskforce to drive the process and to get external advice so that we can deal with some of the problems with pensions and other regulatory or technical problems. The mutuals taskforce has already met five times, and is a key development in driving the process forward.

Alun Michael: I am encouraged by what the Minister has just said. Can he assure us, though, that whoever is dealing with that process in the Treasury and the Cabinet Office will not be dismembered and sent off to do other things as soon as they have developed the expertise that is needed? In my experience, once officials grasp the contribution of mutuality they become great enthusiasts, and we need that in Whitehall.

Mr Davey: I am sure that we will learn the lessons from the previous Government's mistakes.

We have also launched 20 pathfinder mutuals in areas including health, education and housing, to test some of the issues that went untested under the previous Government. The Localism Bill, which we will soon be considering, will give voluntary and community groups the right to challenge local authorities to take over delivery of local services. This is a rich picture of action, and therefore far from not delivering on rhetoric, as the hon. Member for Harrow West tried to maintain, we are indeed delivering.

There are one or two other questions that it would be remiss of me not to answer before I sit down, but I am conscious that I have been speaking for slightly longer than 20 minutes. There were a few questions about Supporters Direct. The Government are actively engaging in talks with the premiership in the hope of resolving the matter. The new head of Supporters Direct will, I hope, smooth some of the ruffled feathers, and perhaps with his efforts and those of the Government some moneys can be unlocked. I think that Members will understand why I cannot say too much more about that.

The hon. Member for East Hampshire asked about social ISAs, and the hon. Member for Harrow West took up the issue. The hon. Member for Harrow West will no doubt be delighted to know that I was not briefed on that question. I am very much in favour of social finance initiatives, such as social impact bonds, community development finance institutions and the big society bank, and think that the Government have been very creative in this area. My colleagues in the Treasury and the Cabinet Office will get a lot of support from the Department for Business, Innovation and Skills in taking the issues forward.

I welcomed this debate, and it has been a good one. I wish the hon. Member for Harrow West had not brought so many partisan things into it, such as mentioning Swansea and Arsenal, but apart from that I am sure that collectively, as a Parliament, we will take forward this very important agenda.

5.9 pm

Mr Bailey: Perhaps I had better start by saying that I am the Member for West Bromwich West, not West Bromwich Albion. Representing, as I do, a constituency that is evenly divided between West Bromwich Albion supporters and Wolverhampton Wanderers supporters, I am always anxious to demonstrate that my football loyalty resides with Cheltenham Town football club. I am a season ticket holder there and a member of the supporters' trust.

This has been a good debate. There has been some political partisanship, but that is good, and it is probably good for the co-operative movement that the Government are being put on their political mettle to demonstrate their level of commitment. It struck me that it would have been almost impossible to have this debate 10 years ago, because the movement had not then demonstrated how important it is, not just to the economy but to the development of policies relevant to each of the party's

[Mr Bailey]

political platform. I ought to mention that that is demonstrated pictorially, and effectively in the Co-operatives UK report "The UK co-operative economy 2011: Britain's return to co-operation". If Members have not read it, I recommend that they do so. It is a succinct and easy-to-read document, just right for Members of Parliament, and it graphically and effectively demonstrates the range of co-operatives, their impact and their potential.

Turning to the issues raised, credit unions were mentioned a lot. We will wait with bated breath for the legislative reform order, but it is good that the Government have at least recognised the issue and are prepared to take action to advance that agenda. It has always been a source of amazement to me that credit unions, so powerful in a number of countries that are not regarded as cradles of co-operation, do not seem to have taken off in this country. There is enormous potential for a Government to provide the right legislative background for them to do so, and I welcome that.

There was a fairly sharp political exchange on Northern Rock. From my perspective, there is definitely a feeling in the financial press and elsewhere that the option of any form of mutual ownership has been closed. The Minister says that the door is open and that mutuals still have the opportunity to bid. However, I get the feeling that the conventional Treasury-backed wisdom is that that is not appropriate. My right hon. Friend the Member for Cardiff South and Penarth (Alun Michael) made a point about Treasury thinking.

The Minister commented on the previous Government's record on de-mutualisation. I cannot remember exactly which building society de-mutualised when, but I know that when Labour first came to office, co-operators found it difficult to get the Treasury and Whitehall to understand what made mutual organisations and co-operatives different and what potential they had. Numerous battles were fought to obtain that recognition, some of them through the passage of private Members' Bills; my hon. Friend the Member for Harrow West (Mr Thomas) piloted one of them. Over time, we were successful. I do not say that we have won every battle, or that there are not battles still to be fought, but we undoubtedly gained much greater recognition of that difference and the importance of the model within the range of financial services. We need reassurance that that opportunity still exists. If it is rejected, we need the reasons for the rejection to be clearly stated and understandable by the co-op movement.

Several other issues were raised, including that of the Post Office. My hon. Friend the Member for Harrow West said that we are happy that the model is being considered for Post Office, but given the interdependence of Royal Mail and Post Office, the right business relationship between them is needed so that a co-operatively or mutually run Post Office is not undermined. It would be disastrous to the movement for an organisation of the sheer scale and public standing of Post Office to be made into a mutual in such a way that the financial model undermined it and it was not successful. That could put back the cause of mutuality and co-operation for many years.

My last point concerns an issue on which there was a lively exchange—Conservative co-operators, whom I welcome. It is a reflection of the success of the movement that so many politicians are now willing to jump on that bandwagon. However, some of us were co-operators through the difficult days of the '70s and '80s and have brought our battle scars into Parliament with us. The commitment and capacity of Conservatives to claim co-operative credentials will be judged only when they can demonstrate what they have delivered during this Parliament. Co-operators such as my hon. Friend the Member for Harrow West can do so, having piloted a co-operative Bill through the Commons. A range of changes were made as a result of pressure applied by Co-operative Members of Parliament. We in the Opposition are looking at Conservative and Liberal Democrat Members to see whether they can do the same with their Government.

Question put and agreed to.

5.17 pm

Sitting adjourned.

Westminster Hall

Tuesday 5 July 2011

[SIR ALAN MEALE *in the Chair*]

Police Forces

Motion made, and Question proposed, That the sitting be now adjourned.—*(Angela Watkinson.)*

9.30 am

Teresa Pearce (Erith and Thamesmead) (Lab): It is a privilege to hold this debate under your chairmanship, Sir Alan. I requested it because, in one of my surgeries recently, I met a young police officer who told me in great detail about his concerns for his career and those of his colleagues and for the general morale of the police in the light of recent Government policies. We talk a lot about the effect on the public of the Government's 20% cut in police funding. Although that is important and I will mention it, it is equally important that we focus on its effect on the police force and police officers.

Police officers up and down the country feel angry about budget cuts and attacks on terms and conditions and pension provision, following the Winsor and Hutton reviews. Police officers cannot strike, and many feel that they have no voice and no way to fight the changes. I hope that this debate will make them feel that they have had an opportunity to state their case to Ministers through their elected representatives. I also understand that the Police Federation is to lobby Parliament next week, and I look forward to attending.

The Government intend to cut the overall policing budget by 20% in real terms by 2014-15. It is estimated that that will result in the loss of 12,000 officer jobs and 16,000 other police staff jobs. Research drawing on information from police forces and police authorities suggests that in the Metropolitan police area, which covers my constituency, 1,291 police officers and 1,046 police staff will lose their jobs over the next three years.

Jessica Morden (Newport East) (Lab): Tomorrow, I will show around the House four police officers nominated this week for the national police bravery awards. Does my hon. Friend agree that in a week when we are rightly focusing on the special job that the police do, it is equally important that the Government listen to police concerns about the impact of cuts on morale in the service?

Teresa Pearce: I certainly agree. It is a job unlike almost any other, except the armed services or ambulance drivers. It is a special job with special needs, and we must listen to what the police are telling us.

Keith Vaz (Leicester East) (Lab): I congratulate my hon. Friend on securing this debate, as I congratulate you, Sir Alan, on your recent elevation as a knight of the realm. My hon. Friend the Member for Newport East (Jessica Morden) mentioned listening. Did my hon. Friends have the opportunity to hear the speech of Sir Hugh Orde to the Association of Chief Police Officers conference yesterday? He said that what was happening to the police force was the most profound reform in 180 years and that what was required, as my hon. Friend the Member for Newport East suggests, was a period of listening during which people could be consulted, as with NHS reforms, to give the Government the opportunity to see what will happen as a result of their reforms. Does my hon. Friend the Member for Erith and Thamesmead (Teresa Pearce) agree that a period of listening is desirable at this stage?

Teresa Pearce: I agree. I am pleased that there are so many Members here today. Through us, police officers' voices will be heard, but a period of consultation is needed, owing to the unusual nature of their job and the daily importance of teamwork and morale.

In my constituency, 1,291 police officers and 1,046 police staff will lose their jobs over the next three years. Senior police chiefs also plan to cut 150 sergeants from local policing teams next year. The figure could rise to 300 in the next two or three years. It is worth bearing in mind that the cuts will affect London police forces and that it is estimated that more than 9,000 police officers will be required each day at the peak of the London Olympics, in an operation that Scotland Yard describes as the biggest ever policing challenge facing Britain. Deputy Assistant Commissioner Richard Bryan said that the games would put unprecedented demands on the Metropolitan police, yet the Met faces 20% cuts.

The Home Office says that the savings can be found solely in back-office functions and efficiency savings, with no impact on front-line policing.

Rosie Cooper (West Lancashire) (Lab): I congratulate my hon. Friend on securing this debate and thank her for allowing my intervention. Does she know that Lancashire police are dealing with cuts of more than £40 million and are consulting on proposals to cut front-desk services in Ormskirk and sell police stations and houses across West Lancashire? That will leave my constituents with a 25-mile round trip to the nearest police station. It comes on the back of a reduction in the number of officers on our streets, and the future of police community support officers is still under threat. Does she agree that the Conservative-led Government have broken their promise that front-line services would not be affected by cuts, that the impact across the country and in my constituency will lead to an erosion in people's feeling of safety on their streets and in their homes, and that crime—and, more importantly, the fear of crime—will increase?

Teresa Pearce: I agree. That brings me to the question of what front-line policing is. The police representatives to whom I have spoken say that the Government's view of what front-line policing entails is misguided. It involves not only uniformed officers on the beat, but staff in front-line departments such as neighbourhood policing, counter-terrorism, domestic abuse and child abuse units. Those are not back-office functions, yet they will undoubtedly be affected by severe budget cuts. It is feared that that will increase crime and public fear of crime and create a less resilient public service. Which back-office jobs would Members here consider unnecessary to our work: researchers, case workers, the Table Office, the Vote Office or the Library? Those might be seen as back-office functions, but they are integral to our work, and it would be impossible to do our job without them.

David Simpson (Upper Bann) (DUP): I congratulate the hon. Lady on obtaining this debate. Hugh Orde was mentioned. He has vast experience of policing, especially in Northern Ireland as Chief Constable. Does she agree that police officers in Northern Ireland—like those here on the mainland, I am sure—say that one of the biggest hindrances to police officers in doing their job is the red tape, bureaucracy and form-filling involved in an arrest? That makes it difficult for them to do their job.

Teresa Pearce: That is another case of our need to listen to what police forces tell us. Rather than making a 20% cut and telling them that they must make cuts in turn, we must listen to what they tell us needs to change. No one is saying that police forces should not change and develop, but they are the experts, and we must listen to them.

Her Majesty's inspectorate of constabulary says that the maximum saving that the police service could achieve without an impact on quality of service is 12%. There is a big gap between that and a 20% cut. It is difficult to see how front-line policing could not be affected. The situation is made more difficult by the fact that the Home Office has no formally agreed definition of front-line policing. The chairman of the Police Federation, Paul McKeever, said that it is reckless for Ministers to base policies on a term with no legal definition.

Her Majesty's inspectorate of constabulary has tried to define front-line policing. Its recent study said that 67% of police officers and civilian staff are involved either in visible contact with the public or in specialist roles that involve intervening to keep people safe and enforce the law, meaning that they should be considered as front-line. I understand that the Home Office has consulted Her Majesty's inspectorate of constabulary to establish a definition. Will the Minister update Members on what progress has been made? It is important to have a definition so that the effects of policies on the police can be measured properly.

Morale is low in the police force. Officers are worried not only about their ability to protect the public in the face of drastic funding cuts, but about threats to their own financial situation and future.

Joan Walley (Stoke-on-Trent North) (Lab): I congratulate my hon. Friend on securing this debate, which is important to people throughout the country who, like her, are concerned about front-line policing. Does she agree that that concern is shared by members of the coalition Government as well? All-party meetings are taking place to discuss concerns about front-line service. One big issue with the cuts to front-line services is the introduction of single crewing, which means that police officers are attending crimes alone. That is causing real concern about the standard and quality of front-line policing, as are the linked issues of pensions and future conditions of service, and I hope that the Minister will address that.

Teresa Pearce: My hon. Friend makes an important point. The issue affects morale. The police have told me that one of the good things about working in the police force is the teamwork. How they work together helps them to build relationships with one another and develop mutual trust and understanding. Working alone makes the job virtually impossible and very dangerous.

A recent survey by the Police Federation found that the budget cuts have led 98% of officers to claim that morale has fallen in the ranks. Moreover, 86% believe that the fight against crime will be damaged. Police numbers are already dropping and have fallen by 5,000 since January. The same period has seen a 16% rise in civilian volunteers or special constables, and there is concern that volunteers will be used to replace the work that should be undertaken by police officers, all in the name of deficit reduction.

At about the same time as the 20% overall budget cut was announced, Lord Hutton's review of public sector pensions and the Winsor report on police pay and conditions delivered their recommendations. If implemented, the Winsor report recommendations will see the vast majority of police officers take a real-terms pay cut on top of increased work loads. Some officers could be up to £4,000 worse off, which does not include the additional hit of inflation. Police officers face the prospect of their basic salaries being frozen for two years from September 2011 and of inflation running at 5%. Over two years, the average salary of a police officer could fall by more than 10% in real terms.

Winsor's recommendations will also reduce pensionable pay. If officers have not reached the top of their pay scale, they will be at the same pay point for the next two years—an average loss over two years of £2,345. Officers are at the top of their pay scale can receive the competency related threshold payment, but Winsor recommends that it be scrapped, so they will lose £1,212 a year. On top of that, the competency related threshold payment makes up officers' pensionable pay. If it is removed, their annual pensions on retirement will be £800 a year lower.

On top of those proposals, officers who fall into certain groups may see their pay cut by even more. If they regularly work ordinary overtime, given the change to plain time, they will lose an average of £430 a year. If the force requires officers to work overtime on rest days, with less than five days' notice, they will lose an average of £300 a year. If the receive a special priority payment, they will lose between £500 and £3,000, although some officers could lose more. Those are average figures—some officers will receive more, but others will get less and some nothing at all. With cuts of that size, some police officers might be compelled to leave the service because of financial difficulties.

Pat Glass (North West Durham) (Lab): I congratulate my hon. Friend on securing this important debate. I have never worked in the police force, but I have been married to it for 26 years. I hear of the first-hand experiences of police officers in my constituency, and they tell me that the combination of the cuts in funding, the attacks on their pensions and the way the Government are seeking to drive a wedge between what they see as front-line services and others is having an impact on morale. That, in due course, will have an impact on outcomes, which will affect us all.

Teresa Pearce: I thank my hon. Friend for sharing with us her personal circumstances. Officers have written to me with testimonies saying that the financial hit means that they will be looking to leave the job at the

earliest opportunity. That is backed up by the fact that nine out of 10 of the police officers who responded to the Police Federation survey said that they fear their colleagues will quit because they will be unable to make ends meet. In a job in which teamwork and trust are essential, that could be disastrous. I find it difficult to understand how there could not be a knock-on effect on police recruitment and retention.

Being a police officer is not an easy job. The hours are long, unsociable and often not conducive to family life. For instance, rest days can often be cancelled at the last minute. Police officers can also suffer violent assaults, mental stress and injuries that have a lasting effect on their lives and those of their families. I have heard from officers who feel that they do a 24-hour-a-day job in their community. It is not unusual for a police officer to have family, friends and neighbours calling at all hours asking for advice and help. It is not a job where they can clock off at 5 o'clock. Policing is not like other jobs. They do not leave it behind when they finish their shift; it is a 24/7 job. On or off duty, day in, day out, uniform on, uniform off, they are always police officers.

Police officers make those sacrifices in their personal lives because they want to serve their community, but also in the understanding that they will be financially compensated for taking on a dangerous and demanding job. When asked to sum up their current mood, one police officer told me:

"The rug has been pulled out from underneath me. I joined the service because I felt I had the skills and capabilities to use for the good and in the protection of vulnerable sections of society and victims of crime. However, I did this in the understanding that I would be fairly compensated for taking the risks that the job entails, and for the negative impact that it would invariably have on my own quality of life through stress and shift work.

I feel I am being penalised for making the sacrifices inherent in doing this job, and that the Government are gunning for the Police Service as the easiest Public Sector target. Without the right to strike I feel we can do nothing. This is not about fairness, it is about saving the largest amount of money in the shortest amount of time and hang the consequences for those involved, Police and public."

I have heard from another officer whose role has an on-call requirement that is voluntary. He has been urged not to continue to fulfil that requirement if special priority payments are scrapped for on-call work, because his family life will be restricted without any financial compensation. However, police officers do not do their job just for their salary. If money was their primary motivation, they would all be in different jobs. We cannot expect them, however, to take on the huge sacrifices required by the job without fair financial reward for doing so. To pay them properly is a sign of the due respect that we should show them.

If we value what the police do, we should show that by making sure that they are able to have a family life and a decent home. Most young officers in my area have no chance of buying a place to live. A young man who came to my surgery explained that he is 25 years old, studied for three years and brings a wealth of experience to his role, but after paying his tax, national insurance, student loan and rent, and his bills for the phone, petrol and food, there is little left. He spends his time off work sitting in his rented flat, because he has no money with which to socialise with friends or to take part in any of the leisure activities that one would expect as a professional. He already earns below the national average wage and a two-year freeze will make it worse. He is seriously thinking of leaving the force. I doubt whether he is alone in that view.

The cuts to police pay may also have an impact on pension provision. Many officers say that if the cuts are made, their only option will be to quit the police pension scheme. It is not hard to see why they are considering doing so—less pay, greater pension contribution rates and higher inflation will push people to take such drastic action. The impact on society in later years will be significant. The proposed increase in employee contribution rates needs to be highlighted, because police officers already contribute at the highest rate of any public sector workers. Police contribution rates to pension schemes are between 9.5% and 11%.

Many police officers in my constituency have also contacted me about the switch in the indexing of their pensions from retail prices to consumer prices. I have opposed that switch in speeches on the Floor of the House and voted against the annual up-rating order. I also signed early-day motion 1625, which calls for the annulment of the statutory instrument that made the switch. I am not convinced by the Government's argument that CPI, which does not take into account housing costs, is the better measure of inflation for pensioners because most pensioners own their own homes. Even if pensioners no longer have mortgages, they still have to pay costs associated with housing, such as council tax and heating. Such costs can be a heavy burden. Although I oppose the switch to CPI on behalf of all public sector workers, people in fields such as law enforcement, the emergency services and the military stand to lose the most because of the switch. They often need to access their pensions earlier in life, because of the physically demanding nature of their job or serious injury suffered at work.

Everyone deserves a decent pension, especially police officers, given the risks and sacrifices inherent in the job. In a parliamentary answer to my hon. Friend the Member for Wallasey (Angela Eagle) on 14 February, the Minister for Policing and Criminal Justice said that no assessment had been made of the number of members of the police pension scheme who may opt out of it as a result of the change in indexation. Does the Department intend to conduct such an assessment in the future?

The expectation of a reasonable retirement income has also been an important recruitment and retention tool for the police. That was highlighted by the submission of the staff side of the Police Negotiating Board to the Independent Public Service Pensions Commission. It said:

"In order to recruit and retain officers of appropriate calibre who are willing to accept these hazards, members of a police pension scheme should be allowed to work towards, and benefit from, a reasonable retirement benefit. They must also be secure in the knowledge that should their career be cut short by illness or injury, they will be appropriately supported."

Without such an incentive, we may find it hard to recruit and retain officers in the future.

Many police officers in my constituency have written to me about the need for a royal commission on policing, because the Winsor and Hutton reviews demonstrate a fragmentary and disconnected approach to reform of the police service. Early-day motion 1604, tabled by the hon. Member for Birmingham, Yardley (John Hemming), calls for such a commission to establish precisely what is

[Teresa Pearce]

required by the British police to ensure that they continue to deliver a public service that is fit for purpose. I support such a commission, but agree with the amendment tabled by my hon. Friend the Member for Birmingham, Selly Oak (Steve McCabe): it must deal with the urgent problems of excessive Government cuts and the impact on police forces. I should be grateful to the Minister if he answered the concerns that I have raised and said whether he supports such a commission.

9.50 am

Tom Brake (Carshalton and Wallington) (LD): I congratulate the hon. Member for Erith and Thamesmead (Teresa Pearce) on securing this very important debate. I am pleased that so many hon. Members are present to discuss the subject. I shall make a limited number of points about what Sir Hugh Orde said yesterday, but before I do, I would like to show support for and congratulate officers on the work that they do in my constituency. I am sure that other hon. Members will do likewise for their constituencies.

Last week, I had the pleasure of attending a police academy event at Camden junior school, where the local safer neighbourhoods team and some police cadets were training a number of pupils in the arts of marching, fingerprinting and working with police dogs and horses. A great time was had by all. At the end of that event, as we were handing out certificates, I asked the children how many of them wanted to join the police force. It may be that they have not heard about some of the changes being made, but I am pleased to say that half of the children put their hands up and said that they wanted to join the police force as a result of attending the police academy. I thank my safer neighbourhoods team for arranging that.

Toby Perkins (Chesterfield) (Lab): Is the hon. Gentleman not worried—as I am—that if we cut down on staff who are not seen as front line and pare down the police's responsibilities, that kind of activity will disappear?

Tom Brake: I am very pleased to reassure the hon. Gentleman that the scheme is continuing—or starting up again—in September. The police cadets involved are, in fact, pupils at one of the local secondary schools, and will therefore continue to play a key role in delivering that scheme.

I shall move on to what Sir Hugh Orde said yesterday. Among other things, he highlighted concerns about changes to accountability, central structures and, of course, pay and conditions. I shall just make a few points about those matters. On changes to accountability, the Police Reform and Social Responsibility Bill is going through the Lords and some of the amendments that are being considered will add substantially to the accountability of police and crime commissioners.

For example, confirmation hearings for key PCC staff posts will be introduced and police and crime panels will be able to hold confirmation hearings for key staff. Importantly, co-operation between PCCs and community safety partnerships will be strengthened, because accountability for delivering improvements in safety will be enhanced if there is a clear requirement for those two groups to work together co-operatively. The required majority for the police and crime panel to veto chief constable appointments will be amended, and the precept will be changed from three quarters to two thirds. We have pushed for that very hard through amendments 103 and 192. The composition of the police and crime panels will be extended to allow additional members. That will ensure all authorities within an area covered by a police and crime commissioner are represented. In terms of accountability, those are substantial improvements to the current arrangements.

Another area where accountability needs to be enhanced is in relation to the draft protocol that is being drawn up. That sets out how the relationship between the police and crime commissioner and the chief constable will operate within England and Wales. There is scope for improvement there, particularly on how the protocol might operate in relation to Wales. I have taken soundings from a recently retired senior police officer on other areas within the protocol, and he was clearly very keen for the majority to be changed. That is being taken up through Lords amendments. He also thought that further clarity was required regarding the fact that the police and crime commissioner will be the recipient of all funding, including the Government grant and the precept related to policing and crime reduction. How that money is allocated is a matter for the police and crime commissioner. That requires further clarification, because if the police and crime commissioner, for example, decided that no money at all was going to be spent on Tasers, thereby stopping the police using them, some might argue that that was interfering with operational matters. It would be helpful to have further clarity on the circumstances surrounding the protocol, and on whether the police and crime commissioner will be able to allocate funds without reference to any other parties.

The protocol is a good starting point. As I said, I am pleased that it will be amended to reflect the fact that the majority needed for a power of veto will be cut from three quarters to two thirds. I hope that when the protocol is published, more clarity will be provided about the relationship between the Home Secretary and the police and crime commissioners. One of the essential proposals in the Government's plans that I support is about ensuring that policing is delivered locally without the interference of the Home Secretary. It would be helpful to have more detail in the protocol to ensure that that is the case, because whoever is Home Secretary—or, indeed, Prime Minister—clearly there will always be an inclination to get involved in day-to-day policing matters. If any further strength can be given to the powers of police and crime commissioners in the protocol to ensure that they have responsibility for policing at a local level, that would be helpful.

The other concern that Sir Hugh Orde raised was about the central structures. Elected police and crime commissioners are clearly part of that, but the national crime agency also falls into that category. As hon. Members will know, four commands will cover organised crime, border policing, economic crime and the Child Exploitation and Online Protection Centre. That structure could work more effectively nationally by drawing those different bodies together, and I certainly welcome the emphasis put on the border policing aspect.

Hon. Members have previously raised concerns about CEOP, and may do so today. I have visited CEOP and had detailed discussions with people there, including

the new chief executive, Peter Davies. My impression is that he is completely confident that he can ensure that CEOP will continue to work effectively, whether it comes under the Serious Organised Crime Agency, as of course it did, or the NCA. All the private funders of aspects of CEOP's work have indicated that they will continue to fund the organisation once it is included within the NCA. When the Home Secretary made a statement about that, she said:

"An individual at chief constable level will be appointed fairly soon",

and that that individual

"will...work within the Home Office over the period before the NCA is set up."—[*Official Report*, 8 June 2011; Vol. 529, c. 237.]

It is essential to have an effective person in place, and to have a sufficient transitional period to allow for an effective transition. I would be interested to hear what particular lessons were learned from setting up SOCA, and how those lessons will be applied to the establishment of the NCA.

My last point concerns changes to pay and conditions. Sir Hugh Orde and others have highlighted concerns about morale. We have to accept that, certainly according to surveys, morale in the police is not good, although I talked to officers on Friday and they did not express concerns about morale. They seemed to be fully committed and were enjoying their jobs. However, surveys show clearly a very high level of concern and unhappiness in the police force. One thing that the Government can do is explain—or re-explain, or explain in more detail—exactly what the impact of the proposals will be. Yes, it is true that some officers will suffer a reduction in pay. It is also true, however, that some officers will see their pay increase by up to £2,000 as a result of the changes, and that needs to be explained.

Another reason for low morale may relate to other things that the Government are having to do to tackle the deficit. I am confident that once those changes start to take effect and we start to see the economy moving in the right direction and a big impact is made in reducing the deficit, morale, not only in the police service but beyond, will improve.

Mr David Hanson (Delyn) (Lab): When I was Minister with responsibility for the police, I published proposals for the grant for this year and next year. Will the hon. Gentleman remind me why he opposed those proposals and called for more money? Why does he, a Liberal Democrat, now support a 20% cut in the money going to policing, despite the fact that the Labour Government were going to make savings in the budget for this year and next year? That 20% cut has an impact on some of the major concerns that he has mentioned.

Tom Brake: The right hon. Gentleman will perhaps know that what appeared to be the case regarding his Government's finances was not necessarily the case once one looked at the detail. For example, the structural deficit was much higher than the previous Government had led us to believe. The changes that we are making are, to a large extent, changes that his party would have had to make if they were in power. I hope—I am always hopeful—that we will hear some solutions from Opposition Members and an articulation of their alternative. I am sure that Opposition Members feel that the themes they hear from those on the Government Benches are always the same. I would say in return that the themes raised by those on the Opposition Benches are always the same—a catalogue of genuine concerns are raised, but a solution is never provided.

Mr Hanson: When I proposed a police budget containing reductions of £1.3 billion, with savings on procurement, overtime and mergers of back-office staff, the hon. Gentleman opposed it. He now supports a £2.5 billion cut. The extra cuts of £1.2 billion will cause concern about morale, numbers, rising crime and the impact in our communities, as outlined by Sir Hugh Orde yesterday. Why has the hon. Gentleman changed his view in the past 12 months?

Tom Brake: I have already explained why I have changed my view. The Government have to take those decisions. I suspect that if the right hon. Gentleman was still the Minister with responsibility for the police, he would be saying some unpalatable things about pay and conditions, pensions and so on, too. Maybe he will say that when he makes his speech.

In conclusion, there are improvements that the Government can make and are making in relation to accountability and central structures to ensure that the transition to the NCA is seamless. The Government are doing what they can on pay and conditions in a very difficult financial climate.

10.5 am

Jack Dromey (Birmingham, Erdington) (Lab): It is a pleasure to serve under your chairmanship, Sir Alan.

Who are they, the human face of police cuts—the casualties of Government policy? The Home Secretary was good enough to meet recently with six officers from the west midlands. Inspector Mark Stokes, a police officer for 33 years and a specialist in crime reduction—the longest serving in the country. An expert at designing out crime; for example, the Four Towers estate scheme in Birmingham saw a 98.7% cut in crime. There is no better example worldwide, and that is why he has a deserved international reputation—forced out.

Sergeant Dave Hewitt is 48 years old, with 32 years of service, and a neighbourhood sergeant. An expert in early intervention—stopping antisocial behaviour becoming serious crime. He tackled problems ranging from dangerous dogs to cannabis factories. He is a man who engaged successfully with his community, which led to a significant reduction in crime—forced out.

Police Constable Ian Rees is 55-years-old with 34 years of service. A motorway police officer—the first on the scene after serious accidents, coping with death and distraught families. For example, a serious accident on the M42, involving a minibus on its way to a wedding, caused serious injuries and one death. He not only coped with that, but was then the police liaison officer with that family afterwards, giving them comfort—forced out.

Detective Constable Tony Fisher, aged 50, has 33 years of service. On the one hand, he tracked down the gang who were robbing pensioners at cash machines and put away the leader for 13 years. On the other, he tracked down a gang led by a man who wielded a machete when robbing shops and put him away for 17 years—forced out.

[Jack Dromey]

Detective Constable Tim Kennedy, 31 years a police officer, is one of the best in Britain at tackling serious acquisitive crime, ranging from burglaries to cars. He has one of the highest detection rates in Britain and is described by fellow officers as an outstanding detective—forced out.

Finally, PC Martin Heard—32 years a front-line police officer, in the past nine years in an area of multiple deprivation in Wolverhampton, coping with vice crime, drugs, burglaries, engaging with the community, closing down drug dens, slashing crime in that community—forced out. To add insult to injury, within weeks of being forced out, he received a letter asking whether he would like to come back as an unpaid special constable.

Mr Pat McFadden (Wolverhampton South East) (Lab): I thank my hon. Friend for raising the case of ex-constable Martin Heard. He served the All Saints community in Wolverhampton in my constituency in exactly the way that my hon. Friend describes. I should like my hon. Friend to respond to an e-mail that I received yesterday from another Wolverhampton officer in the same force. He wrote:

> "Older in service officers, like myself are very worried about having their CRTP taken away. For me it is £100 per month less... our pay has already been frozen and with SPP also in line to be taken away".

He went on:

> "At the current time, all the officers who have spoken to me all state they love serving the local community and work to make the streets of Wolverhampton even more safer. It would be awful if colleagues leave our fine occupation due to financial issues."

What is my hon. Friend's response to that?

Jack Dromey: My right hon. Friend is absolutely right. Little wonder that there is a collapse in police morale. They are being asked to do more at a time of rising crime and are now threatened with being paid less. They deserve better.

The latest casualties of Government policy in the west midlands are 16 senior officers—nine superintendants and seven chief inspectors, including the heads of counter-terrorism and of crime—why? Her Majesty's inspectorate of constabulary stated that we could experience a 12% reduction in expenditure over a period of years; instead, the Government have gone for a front-loaded reduction of 20%, with an inevitable serious impact on the police service. The consequences for the west midlands are that 2,200 will go from our police service, including 1,100 police officers.

Mr Aidan Burley (Cannock Chase) (Con): The hon. Gentleman is sailing close to the wind, and I would not want him to mislead anyone in the Chamber. He mentioned Government policy in the west midlands and repeatedly used the phrase, "forced out" in his opening remarks. To be clear, will he confirm that no Government policy whatever forces chief constables to retire officers with experience of 30 years or more and that the use of regulation A19, to which he alludes, under which such officers are being "forced out"—his words—is purely a matter for the chief constable of the police force and has absolutely no direction from the Government? The best chief constables can manage their work force without losing officers with the most experience.

Jack Dromey: That is the Home Secretary's Pontius Pilate defence. At the worst possible time—2,500 more burglaries, 2,200 more vehicle crimes, robbery up by 25%—the Government are cutting the police, but they are then blaming the police for the cuts. The Government have put good chief constables, such as Chris Sims of the West Midlands police, an outstanding leader of his service, in an impossible situation. It is about time that the Government accepted responsibility for the consequences of their actions and did not blame our chief constables.

Gavin Barwell (Croydon Central) (Con): The hon. Gentleman is right to put a human face on the decisions taken and is right to ask why. Can he tell me why the reductions cited are being made in the west midlands, whereas in my constituency the Metropolitan police force is recruiting additional officers this year?

Jack Dromey: Because, in how the Government have proceeded, we have seen time and again a disproportionate impact on areas of high need and high unemployment, such as Birmingham and the west midlands—not only in the police service, but in local government and the health service.

In conclusion, this Government have reversed the welcome progress of the previous 13 years. Our Government had put 17,000 more police officers and 16,000 police community support officers on the beat, leading to a 43% reduction in crime. It is little wonder that there will be thousands of police officers descending on London next week. They will be here to defend the service that they love. They are Birmingham and Britain's best, and they deserve better than to be told, "Thanks for your loyalty; here's your redundancy notice."

10.13 am

Nigel Mills (Amber Valley) (Con): I congratulate the hon. Member for Erith and Thamesmead (Teresa Pearce) on securing this important debate. She was right about many things, in particular that the police struggle to speak for themselves—they are one of those services that cannot strike—so it is right for Members to have police debates, when we can speak up for them.

I have the pleasure of being on the police parliamentary programme, spending about 15 days with the police this year. I am always cautious speaking in a police debate, because if I say anything that they do not like, the chances are that I will find that out the hard way on the next day that I spend with them. My next day with them involves going up in a helicopter, so they will have scope to show me whether they like the things I say.

The police are facing a variety of what they probably regard as attacks from all angles, such as the funding cuts and the changes to the pay and conditions of police officers, although we should draw a distinction between those for uniformed police constables and those for police staff, who, I suspect, are often in an even worse position. The Government are also making structural changes to the accountability of the police force, which the hon. Member for Carshalton and Wallington (Tom Brake) discussed.

This is the fourth or fifth policing debate that I have spoken in over the past year, and I always start by urging the Government to review how they allocate funding to various police forces around the country. If we look at the impact on forces, we need either to

implement the existing funding formula, so that forces actually have the funding that the formula calculates for their needs, or to find a better formula and implement that. We cannot, however, remain with a formula that calculates for Derbyshire police £5 million more than they actually get, and yet each year say, "That's difficult, we will leave that for another year." I am sure that the Nottinghamshire police force of the hon. Member for Gedling (Vernon Coaker) is in a similar situation and that we will get the same pleas from his force. If we need to be more efficient, can we start with fair funding in the first place? Derbyshire police force thinks of itself as extremely efficient—it has had to be for years, because in its view it has been underfunded. The concern of Derbyshire police is that, while it accepts the scope for more efficiency and further savings, it is hard to keep getting more blood out of the stone when it sees other forces not being forced to make the same level of efficiency savings. I have made that plea almost half a dozen times now. I hope that a different Minister will give a more encouraging answer to my police force, but I fear that that might be beyond his role today.

In common with all Members present, I have been lobbied by various serving and retired members of the police force about the impact of the proposed changes to their pay and conditions. All of us who have been in employment, and who have experienced threats to the business in which we are working or announcements of change and redundancy reviews, know that such times are horribly unsettling and uncertain. One lesson that I have learned is that the time of uncertainty should be as short as possible for it to be as fair as possible on the people affected, so I am concerned that many weeks have gone by since the Hutton and the Winsor announcements. Serving police officers do not yet have any idea which of the proposals will be implemented by the Government, which will not and how the proposals will impact on individuals. If we want to get police morale trending back upwards, we need to resolve what the Government proposals actually are, although I understand that they are under negotiation and that it is hard to come up with any public statement. Human nature, however, is to flick through the reports, find all the worst possible scenarios, add them all together and envisage a situation that, I suspect, is far worse than the reality will be.

Toby Perkins: I am glad that the hon. Gentleman has highlighted the situation in Derbyshire, which we both represent. At the Police Federation conference, Derbyshire representative Sarah Adams reminded everyone of what the Home Secretary said at an earlier conference:

"If you come with me, I will make this promise: I will always back you, I will always support you, I will always fight for you."

Sarah Adams finished by asking the Home Secretary

"how can you expect police officers or the communities we serve to trust you or your Government?"

Our representative from Derbyshire said that to the Home Secretary. Does that make the hon. Gentleman feel neither that the police have misunderstood nor that the Government have failed to explain, but that the policy is wrong?

Nigel Mills: I have had some great times with the police going around the hon. Gentleman's constituency, because we are advised on the police parliamentary scheme not to go around our own seats in case we attract more attention than the police do themselves. I would not go as far as he did in his intervention. Without doubt, we have a huge deficit, which has to be tackled, and there is no way that police forces can be shielded from that—they will have to pay their share, and I think that they accept that. I am sure that we will disagree about how large the share should be, but, when pay accounts for three quarters of police budgets, there is no way around the fact that that is what must take a fair chunk of the strain.

My point is that it is only fair on people to tell them what the changes will be as quickly as possible, rather than dragging out the uncertainty for months. Some things in the Winsor review and, in particular, the Hutton review are welcome. Hutton singles out the police force for a better deal on pensions than other public sector workers can expect, because they will be allowed their pension at 60, rather than the age rising to 66 or 67.

Mr Burley: Does my hon. Friend accept that some police officers may receive their pension as early as the age of 48? Police officers have unique job security. It the only job in the public sector that I can think of which people may start at 18, and have a job for 30 years, and a guaranteed pension of around two thirds of salary with no chance of being made redundant. Police officers cannot be made redundant, unlike people in every other job in the public and private sector. That unique job security should be reflected in the overall pay and conditions and, indeed, pension.

Nigel Mills: I am grateful for my hon. Friend's intervention, but I think he is leading me down a line that would cause some difficulty. There is merit in considering whether police officers should sign up for 30 years, or whether they should join on a shorter contract. There is logic in signing up for 10 years, and if that works out for the force and someone wants to stay longer, they can do so. If it is not working out after 10 years, they may want to do something else. I was encouraged that Police Federation representatives from Derbyshire whom I met a few months ago were keen on that idea, and could see some advantages.

My hon. Friend tried to tempt me down the line of police redundancy, and my hon. Friend the Member for Rochester and Strood (Mark Reckless) has introduced a ten-minute rule Bill on that topic. I think that that would probably add more uncertainty to police officers' views on their future. Some to whom I have spoken have colleagues who are unfit for work or have lost their enthusiasm for it, and a mechanism allowing them to leave would probably be a positive step, but I suspect that that is not the general view of the police force.

I want to plead for police staff whose terms and conditions are not as generous as those of serving police officers, but who have borne the brunt of some previous savings rounds. They do not have redundancy protection, and they fear that they are being even more unfairly squeezed when police forces are looking to make savings. I have certainly had representations from them saying that they do not have the same generous pension to look forward to and cannot retire at the same time. We must ensure that the balance of savings is spread fairly.

[Nigel Mills]

When we talk about front-line and back-office functions, it is easy to blur the fact that some of those functions that are key to the front line, but are not strictly uniform, are being squeezed. I have had representations from scene-of-crime officers saying that compared with years ago when a team would sent to almost every burglary, there is now a squeeze on and it is hard to get an operative to go to a crime scene. Certainly that service is not available for many burglaries. That is not the way to improve the rate of crime detection.

There are many challenges, and at a time of funding constraint, it is important that the Government give the police all the necessary powers to tackle crime as efficiently as possible. I will cite one example from the burglary division of Derbyshire police. I am sure that the hon. Member for Chesterfield (Toby Perkins) agrees that Derbyshire police has made great improvements in recent years in tackling burglaries and in providing a service to victims of such crimes. It has told me that many burglaries are carried out by people who want to steal jewellery to fund their drug habit. They rob a house, nick the jewellery and take it straight down to the local jeweller, who sometimes has a melting pot. The jewellery is sold for cash, and even if the police receive a tip-off about where the jewellery has gone, there is no trace of it or whom it was bought from. Previously law-abiding jewellers are being snared by the high price of gold into that route of crime. There are no regulations that the police can use to tackle jewellers or to force them to keep details of jewellery that they buy or whom they bought it from.

Regulations apply to scrap metal dealers, and even to pawnbrokers, but not to jewellers. If we are to help the police tackle crime, we must tackle the demand side and give them the powers that they need. I hope that the Minister will encourage his colleague, Baroness Browning, to look at the matter a little more closely than she suggested a couple of weeks ago.

I want to touch on accountability, because it is important that the police are brought back closer to the communities that they serve. There have been many welcome developments on neighbourhood consultation, but the introduction of elected police commissioners will do that, and I hope that the Government will proceed with that and not bow down to Lords wrecking amendments. It will be an important development, and even serving police officers have told me that they are looking forward to it, because it will make the force seem more accountable. Perhaps even at chief constable level it will encourage focusing priority on the area and not on the national, high-profile matters that chiefs sometimes focus on. That reform is essential to bring the police back to their trusted status with the public. I urge the Government to progress with that.

10.25 am

Mr Iain Wright (Hartlepool) (Lab): It is a pleasure to serve under your chairmanship, Sir Alan. I congratulate my hon. Friend the Member for Erith and Thamesmead (Teresa Pearce) on securing this important debate, which affects every community we represent in this House. In the time available, I want to make three brief and interrelated points: first, I want to discuss crime and antisocial behaviour in my constituency; secondly, I want to talk about how, as the long title of this debate hints, Government policies will place enormous strain on police forces at a time of drastic cuts; and thirdly, I want to point out that morale in the police force is at an all-time low, which has been alluded to in the debate.

Before doing so, however, like other hon. Members, I pay tribute to police officers throughout the country, and particularly in my constituency, who do so much on our behalf. I have been out on night shifts with officers, and I have seen at first hand the danger, anger and violence that they face. Some of the things that drunken thugs say about officers and their families are truly horrific. I admire the restraint and professionalism that they show in the face of such pressure and danger.

Mr Burley: Will the hon. Gentleman give way?

Mr Wright: I do not have much time, and I know that other hon. Members are waiting patiently to speak, so I hope that the hon. Gentleman will forgive me if I do not give way.

Hartlepool has experienced a pronounced drop in crime and antisocial behaviour over the past few years. Crime has dropped by 4% in the past year alone and by an astonishing half in the past seven years, and there are 6,000 fewer victims of crime in my constituency, with a reduction in the distress, ruin and low quality of life that crime produces. That is wonderful. In the past 24 hours, officers carried out a dawn raid in the village of Elwick in my constituency, where they uncovered a cannabis farm containing more than 1,000 plants with a street value of about £400,000. Officers from Hartlepool district drugs unit, the district support unit, the town's dog section and Cleveland police helicopter all assisted in the raid. Cleveland police stated:

> "These plants could have been destined for the streets of Cleveland, the co-ordinated and robust effort of officers has once again stopped the vicious cycle of these illegal substances from affecting our local communities."

That great success in the past few years is a result of investment, co-ordination and that intangible sense that the police matter and are valuable—they should be seen as such. This is no time to be complacent, and much more needs to be done. Although criminal damage has fallen spectacularly in Hartlepool in the past five years, violence against the person has been on the increase in the past year after falling substantially since 2008. Despite the successes of the past year or so, and in the past couple of days, drug offences have risen sharply in the past two or three years.

Where there is economic deprivation, there is often crime, and we should all be mindful of the risk of crime when there is rising unemployment. Despite what Ministers say, there is a link between economic inactivity and crime, and it flies in the face of common sense to suggest otherwise. There are disproportionate cuts to public services in the north-east, and a particular and worrying emphasis on cutting early intervention schemes, which often nip problems in the bud. Youth unemployment is a particular concern in my constituency, with the risk of a generation of young people being lost to meaningful employment. With the cancellation of the education maintenance allowance, the abolition of the future jobs fund and so on, we are seeing the end of all possible help and support.

I am not suggesting for one moment that people who have lost their jobs or who are on benefits are more inclined to commit crime, but Government policies on matters such as welfare and housing benefit are socially divisive, making the lives of families who are already struggling even more difficult, with a threat to social cohesion. That is a risk, and we must have an effective policing system to address that risk.

My third and final point has already been mentioned. It concerns the appallingly low morale in the police service at the moment. Police officers have e-mailed me and come to see me at my constituency surgery. Many of them, often with decades of experience, have said that morale is on the floor. They have expressed concern that at a time of added risk and strain in terms of crime and antisocial behaviour, excessive cuts will mean the loss of police provision. In my area, a particular strength has been the number of police community support officers, which went from 37 in 2003 to almost 200 last year. They have made a real difference by providing a visible presence on the streets, and working closely with neighbourhoods and residents to provide reassurance, gain intelligence about an area and head off potential trouble and criminal activity. Because of the Government's financial settlement, however, PCSOs in Cleveland police force cannot be guaranteed in their current form beyond 2012-13. The loss of those PCSOs would have a huge and negative impact on safety and reassurance in my community.

As we have heard, police terms and conditions are being attacked on all sides, including in the Winsor review and in the Hutton review of pensions. Officers have told me that the cuts seem to be ad hoc and piecemeal, and that the Government lack a vision for policing in the 21st century. That is why a royal commission on policing would be a sensible way forward. That possibility has already been mentioned in the debate, and I hope that the Minister will say something positive about such a commission.

Despite the pressures and cuts, police in my patch will do their job professionally, as they always do, and they will do their best. There is, however, an understandable feeling and growing resentment that the Government are making the police go out to do their duty with one hand tied behind their backs. As my hon. Friend the Member for Birmingham, Erdington (Jack Dromey) has said, at a time of growing pressure, and given the huge risks that they run when they go out on shifts, the police, and the communities that they serve, deserve better.

10.31 am

Mr Aidan Burley (Cannock Chase) (Con): I was not going to speak this morning, but before the winding-up speeches, I want to respond to a few points that have been raised. The hon. Member for Erith and Thamesmead (Teresa Pearce) mentioned the 12% savings suggested by Her Majesty's inspectorate of constabulary. We can have a political argument about whether cuts should be 12% or 20%, but as many people have asked—certainly in my constituency—if savings of more than £1 billion a year can be so easily identified, why have they not already been made over the past 10 or 15 years? Clearly, there is a lot of fat in the system and savings can be made. An analogy was made between that system and MPs and their researchers, and it was asked how we could do our jobs without back-office staff. Is it suggested that no savings whatever can be made? Her Majesty's inspectorate of constabulary has identified savings of 12%.

Barbara Keeley (Worsley and Eccles South) (Lab): Will the hon. Gentleman give way?

Mr Burley: I will give way in a moment. Do people think that police forces cannot work more efficiently and be less bureaucratic, that we cannot get rid of some form filling and red tape, and that there cannot be greater efficiencies in procurement and when buying IT systems? I suggest to hon. Members that a lot of efficiencies can be made.

Alison McGovern (Wirral South) (Lab): Will the hon. Gentleman give way?

Mr Burley: I am sorry; I said that I would give way to the hon. Member for Worsley and Eccles South (Barbara Keeley).

Barbara Keeley: The cuts announced in Greater Manchester last week will affect 900 jobs, including crime scene investigators, forensic scientists and call handlers. Does the hon. Gentleman think that the second largest police force in the country can support the loss of hundreds of such jobs?

Mr Burley: As I said, it is up to individual police forces to manage their work forces and budgets. For example, my constituency is in Staffordshire, where numbers of police officers are not being cut. Instead, the police estate has been reduced—quite controversially, given some of the comments about police buildings—and the number of police stations has been rationalised from nine to six. Locally, there has been an outcry over the closure of three stations, but the chief constable suggested that instead of having nine stations that are half used, under-utilised, dilapidated and made of old Victorian bricks, and which cost £1 million a year to maintain, it would be better to close three stations and put the money into front-line services, PCSOs and the police officers mentioned by the hon. Lady. It is easy to jump on the bandwagon on closing police stations, but the most forward-thinking forces manage their budgets and staff in an innovative way that protects the front line and reduces costs in other areas.

Police numbers have been mentioned several times. Let us be clear: the Labour party refused to guarantee police numbers at the last election. As hon. Members know, the right hon. Member for Kingston upon Hull West and Hessle (Alan Johnson) was famously asked by Andrew Neil whether he could guarantee police numbers, and his response was no. When the hon. Member for Gedling (Vernon Coaker) begins the winding-up speeches, perhaps he will tell us how many police officers would be cut under the Labour party's proposals to cut by 12% rather than 20%.

There has been some debate about the front line, but an agreed definition of what constitutes the front line does exist. HMIC has stated that about 68% of police staff are involved in every day, visible contact with the public or specialist roles to keep people safe and within the law. That is the definition of the front line. It is

[Mr Burley]

important because some of the toughest front-line roles that I have seen in the police force are carried out not on the streets but on computers in police stations by those who watch hard-core pornography involving children being tortured and murdered. To me, that is the hardest front-line job within the police force.

I wanted to intervene on the hon. Member for Hartlepool (Mr Wright) to point out that there is a difference in the roles done by police officers. I often hear comments such as, "If I am on the front line, there is a fight in a pub, it is pouring with rain and I am running towards that fight, I know that I will possibly get a kicking and be spat at." That is a front-line, hard role in a big fight between drunk men in a pub on a Saturday night, and there is a difference between that and people sitting in a station working a nine-to-five shift. Front-line officers say that it is unfair that those in the stations are often paid more than those who run to the fight in a pub on a Saturday night, because they have done 10 years in the police service with an automatic pay increase every year. There are different roles within the police force, and I do not see a problem with people being paid according to the difficulty of their role. If people disagree with me about that, I would be interested to hear from them.

I will make just two final points to allow the Minister and the shadow Minister time to respond. First, on pay and conditions, it is not true that most police officers will face a £4,000 cut; a lot of officers will actually have a pay increase under Winsor's proposals because they will be doing front-line duties. At the time of the last police review—such reviews seem to happen every 20 or 25 years—a special payment for front-line duties was given to about 89% of officers and rolled into the general salary. It could be argued therefore that the police already receive an extra 9% pay on top of their basic salary. Winsor could have removed that compounded extra payment, but instead he left it in the basic salary and proposed an extra increase in pay for some officers, based on the difficulty of their job and whether they are on the front line. The police get a fairly good deal, and some will get an even better deal under the proposals. Some, of course, will lose out because they are not undertaking difficult roles on the front line.

As I pointed out, there is amazing job security in the police service, and that should be reflected in the pay and conditions. I challenge any hon. Member to intervene on me and tell me another public sector job that someone can join aged 18, from which they cannot be made redundant—other than for gross negligence—and from which they can retire after 30 years, often as early as age 48, on two-thirds of their salary for the rest of their life. There is no single comparable job in the public sector.

Teresa Pearce: Will the hon. Gentleman give way?

Mr Burley: If the hon. Lady has an example, I would love to hear it.

Teresa Pearce: My example is that, as we have said previously, policing is different. Does the hon. Gentleman think that it should not be different and that the retirement conditions are the only perk that the police have and that they should not even have that?

Mr Burley: I think the police have a lot of perks; I pointed out that the retirement conditions are a unique condition. Does the hon. Lady say that being in the Army, Air Force or the Navy is somehow less dangerous? Surely, fighting in Afghanistan is more dangerous than a lot of police jobs. The job security in the police service is unique in the public sector, as is the fact that police officers cannot be made redundant.

In answer to the hon. Lady, yes, I think that the police should change their terms and conditions. The hon. Member for Birmingham, Erdington (Jack Dromey) made a fair point when he alluded to the fact that if, as we are now seeing, chief constables have to manage their work force and make reductions in the head count, the only people whom they can make redundant are police staff and PCSOs. Those people have different terms and conditions from police officers, who are warranted officers of the Crown, and that is unfair. All hon. Members would agree that we need a mixed work force in the police; we need police staff, PCSOs and police officers. It is unfair on staff and PCSOs that their terms and conditions mean that, in times of cuts, they are inevitably the only people who can be made redundant. Chief constables are not able to get rid of some of the dead wood, as they may wish. If we believe in a mixed work force in the police, we should believe in the same terms and conditions for all parts of that work force.

Barbara Keeley: We are talking about regulation A19 of the Police Pensions Regulations 1987 and the retiring of experienced police officers. I wonder whether the hon. Gentleman agrees with the constituent who came to see me, who finds himself, after four years, as the most experienced police officer in his unit and who was forced, as many police officers now are, to contact officers who had been retired through the A19 process to pick their brains about cases with which he was dealing. Does the hon. Gentleman think that that contributes to effective policing?

Mr Burley: No, I do not. A good chief constable should not be retiring officers who have such experience and who they think can make a huge contribution to their force. The point, as I said earlier, is that they do not have to do that. The Government are not forcing any police force to retire officers with loads of experience, and the best forces are not doing that. However, the point remains that they have to deal with the cuts.

We are not blaming police forces. We are not blaming Chris Sims for getting rid of his officers with 30 years' experience. Police forces have to deal with the massive budget deficit that the Labour Government left us, so it is the previous Government whom we are blaming for the cuts having to be imposed on police forces, which are doing their best to deal with them. We blame not the police forces or the chief constables, but the previous Labour Government.

Sir Alan Meale (in the Chair): I am well aware that only one more Back Bencher wishes to speak. My difficulty is that we need to bring the Front-Bench spokesman in, so that he can get answers and responses to the questions that have been posed. However, as the hon. Member for Lewisham East (Heidi Alexander) is the only one and has quietly waited all through the debate, I shall call her to speak. I ask her to be very brief.

10.41 am

Heidi Alexander (Lewisham East) (Lab): Thank you, Sir Alan. I will take one or two minutes. I came to the debate today to put on the record my concerns about the cuts to the safer neighbourhood teams in London. In my constituency, we are experiencing a halving of the number of safer neighbourhood team sergeants. My concern is that those individuals are very visible and very effective and will be sorely missed in the communities that they serve. A big row has broken out about police numbers, but safer neighbourhood team sergeants play an important role in reassuring the community and making the public feel safer, and a number of wards in my constituency will be left without sergeants dedicated to them. That is of huge concern to me, and I should like the Minister to respond to it.

10.42 am

Vernon Coaker (Gedling) (Lab): I congratulate my hon. Friend the Member for Erith and Thamesmead (Teresa Pearce) on securing the debate and on the excellent points that she has made. All the Labour Members who spoke described the real dangers and difficulties facing the police forces of this country. The debate should resonate up and down the country, because I fear that the Minister will do exactly the same as every Minister has done since the Government were elected, which is to ignore the voice of the police telling them that the budget cuts being introduced go too far and are happening too fast, and that the reforms and changes that the Government are making are causing real difficulties. I fear that the Government will plough on regardless. We saw that yesterday in the speech that the Home Secretary made to the ACPO conference straight after the president of ACPO, one of the most senior police officers in the country, had said that there is a real danger with what the Government are doing with respect to the police—risking community safety in this country.

Irrespective of what the hon. Member for Carshalton and Wallington (Tom Brake) says, I am sure that when he goes out and meets police officers in his constituency, as all hon. Members do, he will recognise the work that they do. However, he and all other Government Members in the Chamber have to recognise that the policies that they are supporting and voting for in the House of Commons day in, day out are causing the problems that officers have. That is the reality. Government Members can sympathise and say to them, "Yes, this is difficult. I understand the problems you have," but the only way to make a real difference is to vote differently. The alternative is to stand up to those officers and say, "I don't care what you're telling me about the reductions in the numbers of officers and police staff, the changes to your pay and conditions and all the other changes being made. I know better than you do and I'm going to carry on supporting the Government to deliver it." That is the reality.

When the Minister responds to all the points made by my hon. Friend the Member for Erith and Thamesmead and all the other hon. Members who have contributed, he will lay out the Government line, Mr Meale—Sir Alan. I should explain that I have known Sir Alan for so many years as a Labour MP that it is difficult to get used to his new title.

In the time available, let me quickly run through some aspects of the Government's line. Obviously, I will give the Minister a few minutes to respond.

First, let us deal with the budget cuts. My right hon. Friend the Member for Delyn (Mr Hanson), who was the last Police Minister in the previous Government, set out what we had said on budget cuts. At no time did the previous Government say that they did not propose to make any cuts, and at no time have the current Opposition said that we do not propose to make any cuts. What we did say was that we would listen to what the inspectorate said and conform to its professional opinion. Why? Because the inspectorate told us that what was proposed could be done without impacting on the front line. Through changes in collaboration, IT and procurement, the savings could be made without impacting—to deal with the point made by the hon. Member for Cannock Chase (Mr Burley)—on police officer numbers, although of course the chief constable would have discretion within that. That was the point that my right hon. Friend the Member for Kingston upon Hull West and Hessle (Alan Johnson), the Home Secretary in the previous Government, was making.

Cuts of 12,000 and 16,000 in the numbers of officers and police staff will have a huge impact on our communities. People sometimes say that this point is a bit trivial, but I do not believe that any Government Member who voted for the budget cuts stood at the last election saying that we have too many police officers. I can guarantee that. It would be nonsensical. We say that we will listen to the public. I have yet to meet anyone outside the House who says that we have too many police officers. They may say that officers are not doing what they should be or that they should be doing this or that, but they do not say that there are too many of them. That is why the hon. Member for Carshalton and Wallington voted against our Budget last time and stood on a manifesto promising thousands more police officers. People want to see more police officers—whether uniformed officers, specialist officers dealing with sexual violence or domestic violence, detectives or specialist officers dealing with economic crime—in stations working 9 till 5, I might point out; it is not only officers out on the beat who make a significant difference.

We see all these budget cuts before us. In addition, the defence police face significant cuts. The issue that my hon. Friend the Member for Erith and Thamesmead has raised for debate is the impact of Government policies on policing. Let us run through a couple of the other policies. The Minister will not be able to respond to this.

The National Policing Improvement Agency is being abolished. What is happening to all its functions? The Government do not have a clue. That is the answer. They are clueless. They have no idea. They are making it up as they go along: "We're going to put a bit here and a bit there, but we're not sure." They said that they would abolish the NPIA in April 2012 and create the national crime agency later, in April 2013, with the NPIA functions probably going to the NCA. Then someone said, "You're abolishing the NPIA a year before the NCA is created," and the Government said, "Oh dear." No one could make it up. The Government are abolishing the NPIA—where are all its functions going?

[Vernon Coaker]

The national crime agency is to be established. There is no legislation for it at all. We have no idea about it. The hon. Member for Carshalton and Wallington says, "We're going to have a co-ordinating function here and a co-ordinating function there." The previous Government's manifesto proposed a border police force. Now we have a co-ordinating police border command. The Minister needs to explain to the Chamber and to the police the direction and control arrangements of the national crime agency. The national crime agency document says that the chief constable of that organisation—who is now a secondee, not an appointment, because the Government messed that up as well—will have direction and control. Does that mean that the Metropolitan Police Commissioner will not be able to determine what happens at Heathrow airport and that the national crime agency will, because it is co-ordinating border command? What about the chief constable of West Yorkshire dealing with Leeds airport? Who has direction and control there? Is it West Yorkshire police or the national crime agency? The Government do not have a clue about that.

We have the Winsor review, the Hutton review and the Neyroud review—we have not even mentioned Neyroud. All those things are going on at the same time. What is important about the Winsor review is that it is before the Police Negotiating Board, but such things are not meant to be negotiated. Will the Minister confirm that this is a job lot? We either take it or leave it. We cannot negotiate individual bits; the whole thing must be agreed. The "N" in PNB stands for negotiating; this is not about the Government dictating to the police what they should do. These things are supposed to be negotiated, but, again, the Government have not done that.

No wonder police morale is at rock bottom, as my hon. Friends have said. Of course, we should not worry; the Government will carry on regardless and they will not listen. It is all right the hon. Member for Amber Valley (Nigel Mills) saying that he is a member of the parliamentary police scheme—that is very laudable—but the police actually want a Government who take into account, and respond to, what they say. I challenge the Minister to say what significant change the Government have made as a result of what the police have said. There is not one. No wonder the police feel disrespected, undervalued and demoralised—so would I if the Government did not take the slightest interest in what I said.

Finally, there is accountability. The Government will not even publish the responses that they received to the White Paper proposals on police and crime commissioners. They had 800 or 900 responses, but they will not publish them. Instead, they published a summary. Why? Because, by and large, those who responded were not in favour of the proposals. Will the Minister tell us who supports police and crime commissioners, apart from Government and right-wing think-tanks, the hon. Member for Cannock Chase (Mr Burley), a few other Tory Back Benchers, the Prime Minister and Lord Wasserman? He cannot. The Government should not just praise the police—we all do that, and it is obviously important—but it is about time they listened to them and acted on what they are saying.

10.51 am

The Minister for Immigration (Damian Green): Congratulations on your elevation, Sir Alan. I join others in congratulating the hon. Member for Erith and Thamesmead (Teresa Pearce) on securing this important and timely debate. Everyone on both sides of the House recognises and applauds the vital work done by police officers, from chief constables such as Chris Sims to the most newly recruited PC on the streets. In the short time available to me, I want to address many of the issues that have been raised.

Barbara Keeley: Will the Minister give way?

Damian Green: I must apologise to the hon. Lady; I will not. I have eight minutes in which to respond to a very dense debate.

Our vision for policing can be expressed quite simply: the police have a clear mission to cut crime. Our entire approach is designed to support that mission through a comprehensive and clear programme of reform. There are four key elements to our programme: improving democratic accountability; ensuring greater transparency and engaged communities; increasing efficiency and value for money, and returning discretion to the professionals; and getting a stronger grip on serious, complex and organised crime.

Of course, reducing the budget deficit remains a priority, and the police service will have to play its part. A 12% cash reduction in central Government funding over four years, which is equivalent to 20% in real terms, is a challenging but manageable settlement for the police. In real terms, the average reduction in central Government funding to the police will be about 5.5% per year.

However, Government funding is not the only source of funding to the police. About a quarter of their funding comes from the police precept component of council tax. If the precept is increased in line with forecasts from the Office for Budget Responsibility, the spending review settlement will represent only a 6% cash reduction in total funding by 2014-15, which is equivalent to 14% in real terms. Those figures show that although the reductions are challenging, they also are achievable. By introducing the reforms I have mentioned, we will create a police service that is more efficient and responsive to local demands, despite the inevitable funding reductions that it will face in the coming years.

That touches on the central incoherence in the points made by the hon. Member for Gedling (Vernon Coaker), who speaks for the Labour party. The former Police Minister, the right hon. Member for Delyn (Mr Hanson), who performed that function admirably, admitted in public that the previous Government were going to cut police budgets. Subsequently, in one of the Opposition's flirtations with honesty, the former Chancellor of the Exchequer, the right hon. Member for Edinburgh South West (Mr Darling), announced that he would have had to introduce much more serious cuts across the board had he remained Chancellor after the election.

Although the former Chancellor was perfectly honest about the fact that he would have announced some cuts, and although former colleagues of his in the previous Government have admitted that the cuts they would have introduced would have been much bigger, the tone adopted by Opposition Members throughout the debate

has been that any change or reform would be disastrous for the police service. Their approach is simply incoherent. Had the Labour party remained in government, they would not have taken that line.

Mr Hanson: We are talking about £1.3 billion versus £2.5 billion of savings and efficiencies. It is that £1.2 billion extra that the police inspectorate said was not achievable and that is causing the difficulties that my right hon. and hon. Friends have mentioned.

Damian Green: The right hon. Gentleman knows as well as I do that the figure under the previous Government would not have been £1.3 billion. That is what they told us before the election, but we now know that they would have told us something completely different after the election had they been re-elected.

Let me move on to some of the points that have been raised. On improving democratic accountability, the hon. Member for Gedling asked me who had approved the proposals for police and crime commissioners, and the answer is the House of Commons, which voted for the legislation.

Vernon Coaker: Not the House of Lords.

Damian Green: We are in the process of swapping bureaucratic control for democratic accountability by replacing police authorities with directly elected police and crime commissioners. Despite the recent vote in the House of Lords, which the hon. Gentleman refers to, the Government anticipate that police and crime commissioners will be introduced across the whole of England and Wales, with the first elections taking place in May next year. The coalition agreement made that clear. We fully intend to go ahead with the proposals, and we expect the Commons to reinstate the policy.

As I said, the second element in our reform programme is increasing transparency and creating engaged and active communities. That will help communities, which is important, but it will also help police engagement with communities.

The third element of our reform programme is introducing local professional discretion to help to increase efficiency and value for money. That is directly relevant to the many points made about morale. As we all know, there has been too much unnecessary paperwork over recent years.

Alison McGovern: Will the Minister give way?

Damian Green: I am sorry, but I really have not got time.

That has happened as a result of central Government adding layers of bureaucracy to make up for the lack of local accountability. The Government have taken the lead in cutting interference from the centre in police business. We want to respect the police's operational independence and to give them the space they need to deal with any problems. That is why we published a draft protocol setting out the roles and responsibilities of police and crime commissioners, chief constables, police and crime panels and the Home Secretary. The protocol was drawn up in discussion with, and has the full agreement of, ACPO, including Sir Huge Orde, the Association of Police Authorities and the Association of Police Authority Chief Executives. It builds on recommendations from the Home Affairs Committee.

On top of that, we have axed many of the unnecessary bits of paperwork that had built up over the years. The policing pledge, public service agreement targets, performance indicators and local area agreements have all been scrapped. In their place has been put the one simple objective of cutting crime. The hon. Member for Gedling asked what we had done, and those measures are a significant answer.

We will continue to make decisions that improve the performance of the police and their relationship with the general public. Let me deal with that in detail. Mention was made of funding in Metropolitan police areas. The Metropolitan Police Service receives specific funding for its role of policing the capital. That funding comes in the form of national, international and capital city grant and totals £200 million this year. As with any force, we will consider requests for additional support where the costs involved in any single operation are significant and place an unmanageable burden on the Metropolitan police.

Inevitably, we have discussed the Winsor review extensively. The Government have been clear that action is needed to tackle the deficit, and the police service has its part to play. In an organisation such as the police, where pay is 80% of revenue expenditure, there is no question but that pay restraint and pay reform must form part of the package. Police officers should be rewarded fairly and reasonably for what they do. That is why the Home Secretary asked Tom Winsor to undertake his review. The review is not only about savings, but about making reforms to enable the introduction of modern management practices and to maximise officer and staff deployment to front-line roles, maintaining and improving the service to the public. The principles Tom Winsor sets out in his report provide the right framework, and we have referred his recommendations for short-term change to the relevant bodies for consideration.

Barbara Keeley: Will the Minister give way?

Damian Green: I am sorry, I really cannot.

We have talked a lot about whether the cuts can be achieved without damaging the front line. Denis O'Connor of Her Majesty's inspectorate of constabulary estimated that £1.15 billion could be saved if the least efficient forces brought themselves up to the average level of efficiency. We want forces to reach the standards of the most efficient, not just the average.

There are also areas outside the remit of HMIC's report, including Government and IT collaboration, where further savings can be made. Indeed, my right hon. Friend the Home Secretary made an announcement about that yesterday, which will be significant. In terms of officers opting out of the pension scheme—

Sir Alan Meale (in the Chair): Order. We must now move to the next debate.

Packaging Industry

11 am

Mark Pawsey (Rugby) (Con): It is a pleasure to serve under your chairmanship, Sir Alan. I am pleased to see the Minister and so many other hon. Members in the Chamber.

I want to consider the difficulties faced by an important industry in the UK: producers and distributors of packaging products. The matters I want to raise fall broadly into three categories: issues affecting industry generally; the cost inputs by which the packaging industry is affected, particularly energy and international competition; and the impact of packaging on the environment. I realise that of those three items only the first is specifically the responsibility of the Minister and his Department, whereas the second is broadly that of the Department of Energy and Climate Change, and the third of the Department for Environment, Food and Rural Affairs, but I am pleased that the Minister of State, Department for Business, Innovation and Skills, the hon. Member for Hertford and Stortford (Mr Prisk), is to answer, because I want to dwell on the broader issues affecting an important business sector.

We all recognise packaging when we see it. It performs an important role in our lives. The container that food is sold in protects the product and reduces spoilage, keeping it fresher for longer. Packaging exists only because other products exist. First and foremost it is a delivery system for other products. As to its impact on the economy, the UK packaging manufacturing industry has a turnover exceeding £11 billion, with 85,000 employees, representing approximately 3% of UK manufacturing output. It is recognised by the Minister's Department as an important part of the green economy; it has a role as a major recycler and as a reuser of recycled material. The sector has contributed to raising the UK's packaging waste recycling record over 10 years from just 28% in 1998 to 65% in 2008.

I believe that I have some authority to speak on packaging because of my career background before entering Parliament. In 1979, as a 22-year-old fresh from university, I joined a company called Autobar Vending Supplies as a graduate trainee. The business's product range originally consisted of beverages for the drink vending sector, but also, importantly, included disposable plastic cups. The range of cups led the business into supplying a broader range of catering, disposable and food packaging items. As an aside, I draw attention to the fact that the model of that business is, regrettably, seen less frequently today; it was owned by an entrepreneur, who had a strategy of building up sales of a range of products to a level where it made sense to acquire a manufacturer or to start up manufacturing from scratch, so as to control quality and delivery, and retain the manufacturing profit. It is a shame that today the perceived complexities of running and managing manufacturing businesses mean that the strategy would probably involve sourcing the products in volume from an overseas manufacturer.

In my early years with the business I was involved in sales of goods manufactured in the UK by businesses such as Mono Containers, Autobar Vendabeka and Fibracan. At that time, in 1979, the catering disposable sector was growing fast. In 1974 McDonald's opened its first restaurant in the UK, in Woolwich, serving in-store customers and those who wanted takeaways with products in the same disposable type of packaging. That started to change people's attitudes towards the use of packaging more broadly.

Susan Elan Jones (Clwyd South) (Lab): It is rather heart-warming to hear the hon. Gentleman talk about home-grown British packaging businesses. He may know that north-east Wales has been badly let down by Tetra Pak, a company that had net sales of €9.98 billion in 2010, but which closed down an entire operation with a loyal work force. Will he, with me, implore the Minister to speak to the company again, especially as the Rausing family is an extremely large donor to the Conservative party?

Mark Pawsey: I shall come on to the pressures that the industry has faced, and some of the actions that we may ask our Business Minister to take on behalf of that business and others.

Kate Green (Stretford and Urmston) (Lab): I am very pleased that the hon. Gentleman has secured the debate. Nampak Plastics in my constituency would welcome his comments about the need to support UK industry, and the need for home-grown businesses to thrive. However, it would point out that those things also have to do with the raw materials being home-grown. It is concerned that the waste products that can be turned into recycled packaging material cannot be processed in the UK because of an insufficiency of suitable waste recycling plants. Does the hon. Gentleman share my wish for the whole product chain to become, as far as possible, a home-grown industry, with British industries supported throughout?

Mark Pawsey: The hon. Lady makes a good point: we need the industry to go from start to finish, recycling a product and bringing it back. There have been difficulties about planning consents, and the Minister may be able to comment on changes in the planning system that will enable some of the new processes and facilities to come online.

Neil Carmichael (Stroud) (Con): I welcome the debate; it is excellent that my hon. Friend has secured it. There is another issue that we need to explore in relation to the supply chain, which is the enforcement of regulations. In my constituency, silage from farms is covered with black cellophane. That is, effectively, being exported to China, where it might be dealt with inappropriately, when it is needed here for plastic recycling, to be turned into bin bags. We would be greatly aided in tackling that by the enforcement of existing DEFRA regulations. I know that Lord Henley is busy working on that, but we would welcome consistency and long-term planning on that front.

Mark Pawsey: My hon. Friend makes a good point: recycled material should be seen as a resource. It should be used and valued, whereas historically we have put it into landfill. He is right to say that, increasingly, large proportions of recyclable materials are being sent overseas to be manufactured into products.

I was talking about the growth in the use of packaging, particularly in the food service sector, because of the advantages of disposable packaging over reusable products,

and the role of packaging more generally. In my business, our challenge was to enable a customer to get hot food products home still hot, and in one piece.

In 1982, I formed my own business supplying catering disposables and food packaging to businesses throughout the midlands. In the 30 years that I have been involved in the industry, it has seen substantial developments in food-service packaging. The greater use of disposables arrived at the same time as changing lifestyles, with people eating more regularly on the move or grazing, and there has been a substantial growth in the hospitality industry, and the development of mass-catering at far more venues. That has led to a variety of innovations. Sandwiches represent an interesting development; at the outset they were packed in paper bags, or possibly wrapped in cling film, but then there were containers made of moulded plastic and, more recently, of moulded coated board with a heat-seal to preserve the life of the product.

David Simpson (Upper Bann) (DUP): I congratulate the hon. Gentleman on securing this important debate. I declare an interest: I have a company in the agri-food sector. The hon. Gentleman will be aware that there have been scares in the food sector in the United Kingdom, whether justified or not. Concerns have been raised about the use of recycled cardboard in the food sector because it may contain mineral oil. Although there is no firm evidence that it could be a health risk, does he agree that the packaging industry, whether it deals with cereals or whatever, needs to address the matter to prevent such health risks developing?

Mark Pawsey: The hon. Gentleman makes a good point about the use of recycled materials. We need to be careful about products that come into contact with food. I shall speak later about a recycling project with which I am familiar, but the recycled products are not for food use.

I referred to recent developments in food packaging. The speciality coffee sector is another case; the producers of better-quality coffee are able to distinguish their products by presenting them in board, rather than the less expensive plastic or expanded polystyrene foam. Throughout my time in business, I saw catering disposables and packaging being used as a marketing medium—a device on which to print a name, logo or marketing message to convey the nature of the business. My experience of the catering disposable sector has given me such a knowledge of its products that I often joke with friends that I could speak for more than an hour on the various methods of packing a hamburger, but I shall not inflict that on the House. However, like sandwiches, hamburger packaging represents a good example of development. We moved from the paper bag to wrapping in foil, and then went from expanded polystyrene to the folded and glued board carton with which we are familiar today.

One thing that encouraged me, as a new Member, to apply for this debate was the fact that I have joined the all-party group on the packaging manufacturing industry, and I am pleased to see a number of its members here today. I was encouraged to join the group not only because of my experience in the packaging sector, but because a substantial manufacturer is based in my constituency of Rugby. Ball Packaging manufactures one-piece aluminium drink cans, and I was pleased to visit its highly automated high-tech plant only last summer.

Rory Stewart (Penrith and The Border) (Con): I congratulate my hon. Friend on securing this debate. Following his observations on the company in his constituency, does he recognise that the packaging industry is not just important as an industry, but provides a lot of model companies for Britain? For example, Innovia in Wigton is investing a great deal in the local secondary school, the Nelson Thomlinson school; it provides good apprenticeships, spends more than £8 million a year on research and development, and has achieved 92% exports from the far west of Cumbria. Could we please include in this masterful discussion an account of the good company practices of the packaging industry?

Mark Pawsey: My hon. Friend makes a good point. I shall speak later about concerns that have been raised about the effect of packaging on the environment. However, that pressure has caused industries in the sector to become good neighbours, and to work with their communities and undertake exactly the kind of work to which my hon. Friend refers.

At a meeting—probably my second—of the all-party group, I was concerned to hear what the manufacturing companies had to say. One comment stuck with me for some time. One or two people said that the pressures on the packaging industry were such that people present believed that the industry might not exist in its current form 15 years from now. Given the number of people employed in it and its importance to our economy, that struck me as a significant statement, and one that deserves further attention.

Neil Carmichael: The industry will continue to exist, because we will still need packaging, but we should celebrate the fact that the industry is capable of huge technical advances. Nampak in my constituency, which makes bottles for Dairy Crest, has made some great strides in reducing the weight of its bottles, stopping leakage and so forth; the product is almost perfect now, and much less wasteful. Critically, that manufacturer is using high technology and will continue to develop—for example, by moving to products that are less dependent on oil. Those are things to celebrate.

Mark Pawsey: I shall speak later about some of the industry's innovations in response to the pressures, and my hon. Friend gives a great example.

Given those concerns, I turn to matters to do with the environment and energy costs. I understand that many of them are not the direct responsibility of the Minister's Department, but I am sure that he will appreciate the concerns of this important manufacturing sector. Given the challenges faced by industry more generally, manufacturing has been and continues to be an important part of the UK economy, adding £140 billion per annum to the economy and providing 2.5 million jobs, but it has been badly affected over the past 10 or 15 years and particularly by the recent recession. He will be aware that industry generally considers it vital to provide the right conditions to ensure that manufacturing can succeed

[Mark Pawsey]

in a globally competitive environment. It is important that the Government deal with the barriers that businesses face, such as finance, regulation, tax and skills.

Despite the recent slow-down in global growth, the world economy is predicted to double in size over the next two decades, with massive growth in emerging markets such as China and India. It is important that the UK's manufacturing sector is able to take advantage of such opportunities. The good news is that manufacturing output rose by 1.3% in April and that, in 2010, manufacturing output grew by 3.6%—the fastest since 1994. The Government place a high priority on helping manufacturing firms to invest, and they have cut the main rate of corporation tax to 26% and the small profits rate to 20%.

In addition to encouraging investment, industry needs new recruits. We need to encourage school leavers to consider a career manufacturing. In many ways, that will require a change in culture, as we must give an incentive to school leavers to consider manufacturing. The UK skills shortage is recognised by Proskills UK's chief executive, Terry Watts. He said that the skills shortage in the manufacturing sector is costing the UK £118 million in lost productivity. He also said that the Government should

"do more to espouse the whole of manufacturing, and not just the high profile industries."

We should also consider the process industries that are not as high-profile as manufacturing, recognising that industries such as packaging are fundamental to the development of the whole economy.

The Government take the skills shortage seriously. Addressing the shortage means increasing the number of apprenticeships and technical training opportunities. In a positive move, the Government have said that they will fund an additional 80,000 work experience places for young people and expand the programme of universities and technical colleges.

Lorely Burt (Solihull) (LD): I agree with what my hon. Friend says about the need to increase young people's awareness of the opportunities that exist in manufacturing. Does he agree that we need to shake up the image that the careers service has of manufacturing? I am talking about the idea that engineering is an oily rag type profession. The service should lay before our young people all the potential that manufacturing offers as a career.

Mark Pawsey: My hon. Friend makes a good point about the image of engineering. As west midlands MPs, we both know the importance of engineering. As a father of children who have recently gone through school, I recognise that the case for going into industry and getting involved in manufacturing has not been put sufficiently strongly by the careers service. We want to change that attitude in the hope that some of those bright young people who are coming from the technical colleges will find their way into the packaging industry, whether through design and innovation or through their input to the manufacturing process.

Let me turn now to the challenge of competing in world markets and energy costs. The production of packaging—the process by which paper, board, glass and metals are manufactured—is energy intensive, and the energy agenda affects the packaging industry and packaging manufacturers disproportionately. The packaging industry produces large volumes of low-value items. The cost of a box, can or bottle is measured in pence per item and the cost of a bag measured in points of a penny per item. A significant increase in energy costs will have an impact on those items.

The Government aim to reduce carbon dioxide emissions to 50% of the 1990 level by 2027. The packaging industry fears that that objective, together with other plans, will put UK manufacturers at a greater disadvantage than those located elsewhere in the world. It feels that the UK expects too large a carbon reduction in too short a time.

The think-tank, Civitas, recently prepared a report on the effect of energy prices on the chemical industry; the effect on packaging would be pretty much the same. Civitas states:

"Britain is making the deepest emission reductions of any industrialised nation. The 2020 34% target is 14% higher than that of any other EU nation. The latest carbon budget now commits the UK to emission targets beyond 2020, the first country in the world to do so. To meet these over-ambitious targets, high unilateral costs are being imposed, such as the new carbon price floor. Taking all green levies into account, the average energy-intensive company's energy bill is set to rise to £17.5 million by 2020 from the current £3 million."

Lorely Burt: My hon. Friend is being very patient with me this morning. Is he aware of the National Industrial Symbiosis Programme, which works across industry, thinks outside the box and uses other firms' waste and by-products? Since April 2006, its 12,500 members have reduced by 7 million tonnes the waste that would have gone to landfill, and they have reduced carbon emissions by 6 million tonnes. Would he like to see that extended to all industries throughout the country?

Mark Pawsey: My hon. Friend makes a good point about the industry's activity. None the less, I want to focus on the concerns that a cost input of the industry is significantly out of line with that of similar manufacturing companies based elsewhere. I shall add to the Civitas quote. The think-tank said:

"The response to the price hike"—

in energy costs—

"will be industrial emigration. Companies, especially multinationals, will leave the UK to settle in countries with lower energy prices and fewer punitive costs. Those who cannot afford to relocate will likely fold. In the long-term, foreign investment will also dry up, leaving the UK an industrial backwater."

That is a real concern for companies involved in manufacturing, especially in this sector.

Mike Crockart (Edinburgh West) (LD): I thank my hon. Friend for giving way so many times. Although it is undeniable that we need to deal with climate change, is he not worried that we might not only lose industry abroad, but offshore our CO_2 emissions, which effectively means that we do not deal with the problem at all?

Mark Pawsey: I want to address that point a bit later. My hon. Friend is right. All we end up doing is moving more product around rather than manufacturing it in the place where it would be most sensible to do so. In that movement, we generate additional carbon dioxide.

On business investment plans, one of the key things that business needs to do is estimate future costs of raw materials and energy, of which energy is often the most significant. There is already an account of the Business Secretary having had his ears burned by industry leaders about energy costs. If other countries do not follow our lead, the concern is that packaging manufacturers might move away from their UK bases. A number of people involved in the industry have said that a large proportion of UK plants producing packaging are now owned by companies that are based overseas and that if energy prices or regulation in the UK become excessive, there is no reason why those overseas-based multinationals would continue to keep those businesses in the UK.

Let me touch now on the standards under which imported products are manufactured. Manufacturers based in the UK, particularly those involved in producing packaging for food, incur costs by ensuring that they are compliant with all relevant food safety and hygiene legislation, but that is not the case for competitors based outside the EU, which puts UK-based manufacturers at an economic disadvantage. If such packaging is supplied without the recognised accreditation concerning EU food safety and hygiene, the concern is that there could be health risks to consumers.

Another strand of my argument relates to packaging products being seen as an obstacle to a greener environment and a greener economy. The Prime Minster has pledged to make this the greenest Government ever. One of the ways in which the Government aim to achieve that is by reducing the amount of packaging used and encouraging even more recycling. The industry accepts that its product is highly visible; we see it around us all the time. None the less, its environmental impact is much less than many would presume. Less than 3% of land-filled waste is packaging waste, despite the fact that 18% of household waste comes from packaging. It is accepted that packaging is visible because of litter. By definition litter is waste that happens to be in the wrong place. It is created by individuals through thoughtless or antisocial behaviour. The industry has a responsibility regarding litter, but it argues that litter should be addressed by education, investment in street cleaning and law enforcement.

The problem is that packaging attracts media attention. I would present Jeremy Paxman as a witness. Only the other day, he spoke on Radio 5 Live as chair of the Clean Up Britain campaign and railed against manufacturers of packaging. The industry argues that the attention that it receives is disproportionate and that packaging should be seen not as a problem but rather as a resource-efficiency solution. Given all the media attention, the packaging industry feels that it has become an easy target for those who wish to present their green credentials.

The emphasis on packaging and the environment has been recognised in the waste policy review, which was recently published by the Government. That review outlines the Government's determination to move towards a zero-waste economy by relying more on voluntary approaches to cutting waste, increasing recycling and resource productivity, and improving the overall quality of recyclates.

Broadly, the industry is pleased that the review acknowledged the valuable role that packaging plays and that, in most cases, the carbon footprint of packaging is absolutely dwarfed by that of the products that it protects. However, there is a view within the industry that the review continues to pander to public misperceptions about packaging, as it draws attention to surveys that show that consumers believe packaging remains a big environmental question. The industry is disappointed that the review does not attempt to challenge some of those misconceptions.

The industry believes that, to challenge such misconceptions about waste, customers need to understand that good food packaging reduces food waste, which in turn saves people money through lower grocery bills and reduces the amount of unused food that is sent to landfill or composting. The review refers at some length to the need for packaging to be improved further, but it focuses on toy packaging. Unfortunately, toy packaging makes up only 0.36% of packaging in the UK and it is mostly used for imported goods, over which we have no control in the UK. In addition, the review pays a lot of attention to waste prevention, with the announcement of new initiatives and funding, and it also has a stated aim of reducing food waste. Some organisations have praised the review for making commitments to work with businesses to help them to reduce wastage, rather than carrying on the old practice of handing out penalties to companies that fail to comply with legislation.

Broadly, the industry believes that it can work with the Government on the waste policy review. Dick Searle, chief executive of the Packaging Federation, has said:

"It looks like there's nothing unexpected in here and it's all reasonably logical. I'm sure the industry will appreciate the light touch approach. I'm very pleased to see the reference to packaging being 'dwarfed' by product in terms of carbon footprint. Overall, it looks like government has been listening."

Perhaps we might consider that response from an industry to Government plans as a refreshing one.

Kate Green: I am listening with care to the hon. Gentleman and agree with much of his analysis. Does he agree that the Government have an opportunity to galvanise a cross-sectoral approach to the issue—for example, by looking at a product from beginning to end and considering packaging within that context? In the milk industry, the packaging used is responsible for only 7% of the industry's carbon footprint and joint work by the industry and the Department for Environment, Food and Rural Affairs has enabled the entire product chain to be analysed. Does he endorse that approach to looking at environmental concerns?

Mark Pawsey: Absolutely. Cross-cutting and working together through voluntary agreement is entirely the way forward. That is the main thrust of the waste policy review, and I am delighted that the Minister has said with regard to the review:

"This Responsibility Deal with the waste management industry is most welcome. It is a good example of the way alternatives to regulation can work to achieve better waste management and recycling services for SMEs"—

small and medium-sized enterprises—

"and encourage better sorting of recyclable material to help the recycling industry."

Voluntary arrangements are certainly the way forward and they are arrangements that industry that will respond to. Perhaps the carrot will always work better than the stick.

[Mark Pawsey]

It is not possible to talk about the regulation of business without making some reference to Europe. European legislation and regulation are already in place under the European packaging directive, which requires the packaging industry to meet strict requirements to prevent the use of excessive packaging. Since that directive came into place, the amount of packaging waste recovered and recycled in the UK increased from 3.3 million tonnes in 1998 to more than 7.1 million tonnes by 2009.

On recycling, my experience as local councillor before coming to Parliament led me to conclude, first, that most people are pretty sympathetic to recycling and see activity by their local authority to improve recycling rates as a good thing and, secondly, that individuals are prepared to put time and effort into sorting out waste streams, so it is important for the industry to make it as easy as possible for people to identify the materials used in the manufacture of each product. For example, most Members present will know that plastic is not just plastic; there are many varieties, some of which are recyclable and some of which are not.

How local authorities go about waste collection and recycling leads to a concern that the industry has about localism, which of course is a key objective of the Government. Localism is appropriate in many sectors, but occasionally it has a downside. The packaging industry takes very seriously what happens to its products at the end of their life and, consequently, regularly engages with the authorities that are responsible for the collection and disposal of waste. Of course, for consumer goods, those authorities are local authorities.

The Food and Drink Federation has referred to the difficulty for the packaging industry of responding to the localist agenda given that there are 398 local authorities, each with a different approach and different priorities with respect to waste planning and disposal, including whether it is right to recycle or incinerate. The industry believes that the lack of uniformity across local councils makes life difficult for it in establishing contact and liaising with local councils. It also believes that it might be helpful if the Government suggested some form of unifying strategy and that, in addition, such a strategy might be of benefit with regard to dealing with litter. I recognise the conflict between that objective of the packaging industry and the broader objective of the Government to enable local people to have the right to decide, through their elected representatives, the best way forward in their area.

Given the problems that I have referred to—problems that fall into three categories—how is the packaging industry responding to the challenges that I have outlined? First, regarding its image, the industry recognises the need to convey the benefits of the products that it produces and to put forward examples of positive development and innovation. It is very clear that modern packaging solutions have enabled a huge change in the way that we shop and go about purchasing our goods, but the industry recognises that it needs to do more work to convey its message more effectively and to get across the benefits of packaging. For example, eliminating packaging from fresh produce would lead to massive food waste. The Cucumber Growers Association has conducted tests that show that unwrapped cucumbers are unsalable after three days, whereas just 1.5 grams of plastic packaging can keep the same product fresh for as long as 14 days. The industry recognises that it needs to get that type of message across.

The second response of the industry to the challenges that it is facing is innovation. The industry has been designing products with waste prevention in mind for years. Improvements in packaging design and production techniques have resulted in huge reductions in material use, which have been referred to by hon. Friends. For example, a pint glass bottle is 65% lighter today than it was in 1940; a 330 ml steel drinks tin has been reduced in weight by 63% since 1950; a 1 litre plastic detergent bottle is 58% lighter than it was in 1970; and cardboard outer packs are typically 14% lighter than they were in 1970. Given all that improvement in efficiency and despite growth in the quantity of consumer products over the years, the quantity of packaging material has increased at a slower rate. Between 2006 and 2008, when the economy was growing, there was zero growth in grocery packaging.

Innovation has been about not just reducing the quantities used, but making greater use of recycled material. In March, *The Mail on Sunday* reported that Coca-Cola, one of Britain's biggest users of plastic packaging, had agreed a 10-year £200 million deal with Britain's biggest plastics recycling firm, ECO Plastics, to turn old bottles into new. It is hoped that the Lincoln plant will produce enough recycled plastic to achieve the company's target of 25% of its packaging being made of such material. That will help the Government to achieve their objectives of reducing the volume of plastics sent to landfill sites and of stopping tonnes of material having to be sent to China, as happens at present. Such development and innovation not only benefit the environment, but go some way towards making the industry competitive. The challenge for the industry, however, is that innovation is often recognised and copied, making any competitive advantage short-lived.

I have spoken about the industry's support for recycling. The Save a Cup scheme to collect used plastic and paper vending cups was established some years ago, and its range has now been extended to include cans and pods. In connection with the point made by the hon. Member for Upper Bann (David Simpson) about food safety, the scheme has an online shop where people can buy trays, bins and stationery items such as pencils and rulers that have been made from the recycled material.

Although development costs are high, the packaging industry—in particular, the food service packaging industry—has looked to embrace new materials such as polylactide—PLA—and recycled polyethylene terephthalate—rPET—along with coating developments, and encourages UK companies to participate in efforts to increase local manufacturing.

We have spoken about how litter is created by individuals rather than by companies, but most companies take part enthusiastically in litter-reduction schemes. Many industry participants attended the recent parliamentary launch of the "Love Where You Live" campaign, at which Keep Britain Tidy's ambassador, Kirstie Allsopp, acknowledged the responsibility of end users of packaging:

"Being part of Love Where You Live is a chance for the big brands to become the heroes instead of the villains in the fight against litter. Those who mindlessly chuck their fast food or

cigarette packet on the floor cost our country millions and destroy the places we call home."

Individuals create the problem but industry can help, and is doing so. In its simplest form such help can include, as part of its design, reminders to dispose of packaging responsibly, and the new "Love Where You Live" logo will start to appear on large amounts of packaging. The industry already includes information on materials used in manufacture and on how and where to recycle.

I shall draw my remarks to a close with a shopping list for the Minister of things that the industry would like the Government to consider. The first is action to stop further erosion of the UK's manufacturing base and to ensure that packaging manufacture is not exported outside of Europe to economies that can live with a more carbon-intensive environment. The industry is keen to see greater recognition of its contribution to the UK economy, as a major UK manufacturer with £11 billion of sales and 85,000 employees, and it is keen to see support for action on ensuring a level playing field with overseas competitors, particular regarding the cost, supply and taxation of energy. It also wants there to be an understanding that carbon impact is created only by responding to consumer demand for products and that pursuing a low-carbon economy by squeezing manufacturing without addressing that consumer demand might lead to substantial UK manufacturing job losses.

The industry would like to see an acknowledgement that unilateral action by the UK Government on carbon floor pricing might end up putting the UK packaging industry and its customers at a disadvantage compared with international competitors. It also wants recognition of the progress that it has made in supporting recycling and in decoupling packaging growth from growth in gross domestic product, and it wants greater recognition of packaging's pivotal role in protecting products and providing safe and secure supply chains for a variety of products. The industry would like acceptance that the measurement of environmental impacts must be based on sound research and scientific fact rather than on the emotive language that we occasionally hear. Finally, there is the benefit that would accrue from a little national guidance on local waste and resource management strategies.

The industry recognises that there is a need for greater dialogue between itself and the Government, and I hope that this debate will form part of that. The industry argues that it is vibrant, successful and economically important, and that it makes products that safeguard the environment, conserve resources and enable modern living. It has worked hard to address many challenges and has developed into one of the most innovative industries of its type in the world. It believes that the fears about viability that we heard expressed in the all-party group for the packaging manufacturing industry might not be as serious as presented at the outset, but that it is important for the Government to recognise the challenges.

To sum up the importance of the sector, I can do no better than to quote Steve Kelsey, the founder of PI Global, a company that developed a lightweight bottle for Stella Artois and saved carbon dioxide production in manufacture and distribution:

"Packaging is the forgotten infrastructure that is as important as clean water, electricity and highways."

11.47 am

Nigel Mills (Amber Valley) (Con): It is a pleasure to serve under your chairmanship, Sir Alan, for the second time this morning. I pay great tribute to my hon. Friend the Member for Rugby (Mark Pawsey) for that 47-minute summary of the packaging industry, which demonstrates his knowledge of and enthusiasm for it. He has made almost all the points that I would have cared to make, but I shall reinforce a few of them.

First, we should stress how important the industry is to the UK economy. The data suggest that the UK packaging manufacturing industry has annual sales of £10 billion, employs about 85,000 people and represents about 3% of UK manufacturing. This key industry constitutes a sizeable part of the economy in many of our constituencies, and it is one that we want to protect and encourage.

I have talked to the packaging manufacturing businesses in my constituency. The largest of them is, I think, BPI Consumer Promopack, which made supermarket carrier bags for many years until the business became uneconomic in the UK—the bags are now made in China. The company subsequently changed, and it now makes the heavy-duty garden waste bags that we all buy from the supermarket and spend our weekends filling. One of its product lines is a bag made by recycling the complex agricultural wrap that my hon. Friend the Member for Stroud (Neil Carmichael) referred to. The business chose to invest in recycling those complex agricultural films. The films, which can become dirty from lying around in farmers' fields for several months, are washed in Dumfries, converted into pellets and made back into garden waste bags. Some people are trying to undercut the cost of the process by exporting those incredibly dirty films as clean waste to China, Burma or other places in the far east. It is illegal to export waste that dirty, but they are managing to export it as clean waste, because the regulations are not enforced adequately.

There is a lesson there. If we want businesses to invest in recycling, which we need in the sector, we must be sure that they have a stable regulatory base and that those regulations are enforced, otherwise their investment decisions will not be viable. As my hon. Friend the Member for Rugby has said, many of our businesses are multinationals, which consider their investments closely at board level. If investing in one territory is substantially less economical than investing in another, the investment will go where the best returns are.

That leads me to concerns about our energy policy. The industry requires substantial amounts of energy to create packaging. It does not count as an energy-intensive industry eligible for the special treatment proposed by the Government, but there is no gain to us in accidentally exporting packaging manufacturing to other countries that probably use less demanding environmental standards and then shipping it back to ourselves. I suspect that that will result in a far higher carbon footprint than manufacturing in the UK, where the industry is fully committed to becoming more environmentally friendly and using less material.

The industry tells me that its customers are adamant in wanting less packaging, because less packaging means less weight, less cost and less expense shipping products around the country. There is huge pressure in the market

[Nigel Mills]

to make packaging as efficient and effective as possible. We do not need to get out the big stick and force the industry into it, because it has been doing so for years and wants to keep doing so. It is absolutely in its interests for the future of the business that the industry gets it right. It is important that the Government recognise that we do not want to move too fast and make ourselves uncompetitive.

My hon. Friend has discussed how we all go to the supermarket to buy a pack of potatoes and wonder, "Why do I need the plastic tray and plastic film? Why can't I just buy loose potatoes?" What we do not understand is that from the time food is grown and shipped to when it is sold through the supermarkets and ends up in our fridges, very little is wasted—I think that it is less than 3%. Compare that with the amount of food that we waste once it is in our fridges, when we forget to eat it until it has gone off and end up throwing it away. Around the world, we are having problems feeding the population. Packaging that makes food last longer and ensures that we buy it in a safe, edible condition and do not waste it is vital to an adequate food supply. The last thing that we want to do is damage the industry. It does not have the resources or incentive to invest in the continual improvement of packaging.

I urge the Minister to recognise how important the industry is, both as a UK industry and to various other Government objectives, and ensure that we do not accidentally damage it as we chase laudable goals elsewhere. The industry clearly needs to keep investing in new machinery, new equipment and research and development. It is important that we get the R and D rules right to encourage that research to be done here and that we get the tax rules right to encourage business to invest in new machinery. We had a long debate on that during consideration of the Finance Bill yesterday. I struggled to convince the Government that reducing capital allowances to 18% in a hugely complex way is perhaps not the best way to encourage investment. I will have another go at the Minister of State, Department for Business, Innovation and Skills, my hon. Friend the Member for Hertford and Stortford (Mr Prisk), to see whether I can get an encouraging reply from that angle, but perhaps I should not hold my breath that he will contradict the Treasury.

Creating a business environment that encourages innovation and investment is the best way to reach our environmentally friendly goals. A big stick and a blunt instrument will, I suspect, lead the trend the wrong way, and we will end up importing from far-flung places things that have travelled huge distances and been made in a less environmentally friendly way than they will be if we can protect the industry in the UK and encourage it to invest.

11.54 am

Ian Lucas (Wrexham) (Lab): It is a pleasure to serve under your chairmanship, Sir Alan, and to hear the hon. Member for Rugby (Mark Pawsey) tell us about his background and expertise in the subject. I was interested to hear about it. It shows the value of having Members who have experienced other worlds before coming to this place.

I should say at the beginning that I am a long-standing member of the all-party group on the packaging manufacturing industry, and I have several packaging companies in my constituency, including Ball Packaging, to which the hon. Gentleman referred, and Amcor. I confess that when I was elected—I came from another background than manufacturing—I knew little about the packaging industry, but it fast became clear to me that it was an important industry in the area, in terms of inward investment, jobs and profile in the local community. At the time, in addition to those two companies, another company, Tetra Pak, was located just outside my constituency in Clwyd South and employed many people, although regrettably that company has ceased manufacturing in the UK. Its reasons for doing so are relevant to this debate.

Early in my political career, I visited Tetra Pak and got to know the managing director of the plant well. I also visited Ball Packaging, and I was pleasantly surprised when I visited both companies. When I approached the packaging industry for the first time, my default position, like that of most of the general public, was a bit sceptical. We all have visions of toothpaste being packaged in cardboard boxes and wonder why that is, as we know that our society needs to create less waste. I therefore wondered what the purpose of packaging was. Would not an ideal world be one without packaging? Of course, I was entirely wrong in that approach, as I learned quickly. It fast became apparent to me how efficient the packaging industry is. It is efficient because it depends on two crucial drivers: energy prices and regulation. Over the 10 years that I have been in Parliament, the all-party group has always returned to those two things. They are crucial to the future of the industry in the UK.

When I first visited the packaging plants in my constituency, it became clear early on that they were very efficient in their energy use. At the time, they were much more efficient than individual consumers, because they saw energy costs as a crucial part of their bottom line. Whenever they produced items, they were keen to reduce costs as far as possible, and they worked extremely hard to do so, because energy costs are such an important part of their total costs. Energy costs have always been a major driver for the business.

The second important area is regulation. The drivers of the massive changes that have taken place in recycling and elsewhere have been defined largely by elements of regulation, often from Europe. Those drivers have had an enormous effect on progress in recycling during the time that I have been in Parliament. The hon. Gentleman referred to the improvement in recycling rates in the industry from 28% in 1998 to 67% nowadays. The reason why that is so important is that it reduces costs and is being done in response to regulation originating at a European level. We still need to pursue that regulatory goal.

[Sandra Osborne *in the Chair*]

We all agree with, and all three main parties supported, the Climate Change Act 2008, which will be the fundamental driver of industrial policy, and packaging policy specifically, in the UK for years to come. The Act has compulsory targets that we must achieve, because we all believe that it is important to deal with climate change. It is important that we convey the importance of that to the general public. I still do not think that most individuals—it was interesting to read about this

in the papers that I received from the all-party group on the packaging manufacturing industry—recognise that climate change should be a driver in the decisions that they make when they purchase items. The fundamental driver, particularly in these difficult times, is cost. If we are serious about dealing with the profound challenges that climate change poses, we have to get across to everyone how important it is as a driver.

We need to get the regulation right, including at a European level, which means that whenever draft regulations are proposed, or regulations are introduced, Members of Parliament should engage as early as possible with business and industry in their communities. It is important that business draws to the attention of elected representatives, whether in the UK Parliament or the European Parliament, the impact that regulation can have on their businesses. It is also important that we ensure that regulation extends as far as possible across the world.

The issue of carbon leakage has been referred to on a number of occasions. Unless we reduce the carbon emissions of the planet as a whole, there is no point in reducing carbon emissions in one country alone. It is important that we reduce carbon emissions on a European level, but it is also important that we do it on a worldwide basis. We need to co-operate across the piece on reducing carbon emissions and put in place the right regulations to do so.

Business is very capable of responding to frameworks, provided that they are set early and are clear, and that they enable business to make the right choices as far as investment is concerned. Even the most challenging goals in regulations can often be achieved by industry, provided there is clarity. That clarity depends, crucially, on the relationship between Government, business and industry, the early interchange of ideas, and a close working relationship. In the past, we have not had as close a relationship as we need with the packaging industry. By contrast, we received very good news recently of substantial inward investment in the automotive sector, and of £72.2 billion-worth of orders from the aerospace sector. We have to ask ourselves why we have massive inward investment in some sectors, and the opposite in others. Last year, Tetra Pak decided, after 30 years in the Wrexham area, to cease manufacturing in the UK and to move the company's manufacturing responsibilities to mainland Europe. It has decided to move in the opposite direction when other areas of industry are inwardly investing in the UK.

One of the reasons for the success of the UK aerospace and automotive industries is that there has been a close working relationship between Government and industry. There has been early engagement with the important issues we face, such as low carbon, so that we have excellent innovations, such as the National Composites Centre, and the automotive sector has a constructive and positive approach to the low-carbon economy in the automotive sector.

There will be long-term challenges in relation to low carbon, and the packaging industry and the demands placed on it are one of the areas that will be affected. There has to be a closer relationship, and consumers, industry and Government need to have a better understanding of the issues facing the packaging industry. There is a real threat to a large number of jobs; some 85,000 people are employed in such manufacturing in the UK. We all want more, not fewer, people to be employed in the packaging industry, so we need to make the UK the place of choice for investment in packaging companies. I am afraid that, at the moment, it is clear from the representations we all receive from the industry that that is simply not the case. We need to take a long, hard look at what is different about packaging companies and our successful companies in the UK. We need more successful companies and more successful sectors.

I talked about regulation earlier, and would like to pick up on an area mentioned by the hon. Member for Rugby: consistency of regulation as far as local authorities are concerned. Localism is a little like motherhood and apple pie; everyone is in favour of it, and would like to have a hospital on their street corner and everything sorted out between them and their next-door neighbour. In the real world, however, that is not practical. Localism, with each local authority determining different policies on waste, causes great difficulty, or difficulties that need not be there, for many businesses.

The packaging sector is efficient. I challenge everyone, including Jeremy Paxman, to visit a packaging company. I suspect that he has not visited many during his career, but if he did, he would see that packaging companies are, without exception in my experience, very efficient. If they were not efficient, they would not be in business. Their focus on cost-reduction and energy use is second to none. They work extremely hard at it. We need to ensure that they are enabled by Government to do the right thing. They need to be able to work closely with local authorities, to develop more efficient supply chains through the industry, and to ensure that waste is not made too complicated for business. That is a real problem and is part of the inevitable tension between centralised practices, which in some respects make things much easier for business, and the pool of localism, whereby there are very different approaches in local authorities. I am still unsure about why recycling practices have to be different in every local authority, and I am sure that that makes things difficult for businesses in general.

The Energy Intensive Users Group and the TUC have produced an impressive report on energy. It has some good recommendations, and I urge the Government to look at them. The sector is under pressure. It needs to be listened to more than it has been, and not just by this Government; this has been an issue throughout my time in Parliament, and when I was a Minister in the Department for Business, Innovation and Skills. This has been a difficult time for the industry, but we still have very good and strong companies in the sector in the UK. We need to ensure that those companies have a future in the UK, and that they work to provide the jobs that we all want to see in the UK economy.

First, we need to educate consumers. The cucumber packaging example that the hon. Member for Rugby gave is a good one—packaging can be a good thing. Secondly, we need a closer working relationship between the industry and Government, and perhaps the Government need to listen a little more to the industry. Thirdly, we need to work hard to get the right regulations in place, and we need to engage with all the institutions that create the regulations to ensure that they are clear and fair. That means having very early engagement.

This is a very important industry for the UK that can have a future, if we make the right choices. I urge the Government to engage as much as possible with not just

[Ian Lucas]

the industry, but the all-party group on the packaging manufacturing industry. I am celebrating my 10th anniversary of membership of that group this year. Thank you, Ms Osborne—I note that you have magically appeared in the Chair—for allowing me to speak.

12.10 pm

The Minister of State, Department for Business, Innovation and Skills (Mr Mark Prisk): I congratulate my hon. Friend the Member for Rugby (Mark Pawsey) on securing the debate and, indeed, on the comprehensive range of his remarks, which demonstrate his knowledge of the industry. I do not think you were fortunate enough to have the opportunity to hear his contribution, Ms Osborne, but I know that Sir Alan and the rest of us were fascinated by the range of issues raised. I will do my best to deal with all of the 10 action points raised in my hon. Friend's remarks and with some of the excellent points made by my hon. Friend the Member for Amber Valley (Nigel Mills) and the previous speaker, the hon. Member for Wrexham (Ian Lucas). Everyone has highlighted a different aspect of the subject.

I want to make a small plea. This subject relates to substantial areas that are far beyond my remit and come under the Department of Energy and Climate Change and the Department for Environment, Food and Rural Affairs. We work closely together, and I will do my best to answer hon. Members without creating new policies for my ministerial colleagues.

As has been pointed out, packaging is part of our everyday lives and, in a sense, is commonplace. At the same time, the different elements and materials—the metals, plastics, glass and paper—feed across the whole of manufacturing as they are very broad and are part of a wide range of supply chains. That is why it is right to say that there is a genuinely competitive role for UK industry in the sector. There have been some encouraging signs of innovation both as a discrete sector and as a process that is part of manufacturing as a whole. My hon. Friends the Members for Amber Valley and for Stroud (Neil Carmichael) have set out a couple of good examples of the kind of innovation that hon. Members across the House want to be encouraged.

As has been accurately pointed out, the packaging industry employs 85,000 people and has a value of £10 billion. In terms of the share of the manufacturing industry, it represents about 3% of the work force. It is worth noting—I am keen to put this on the record to demonstrate that we are mindful of this as a Government—that the productivity of the sector is double that of industry's average performance. We are not talking about an industry that is sitting back and waiting for things to happen; it is very responsive. I will come to that point in a moment.

I shall thematically pull together the 10 actions mentioned by my hon. Friend the Member for Rugby and the other points made. He mentioned the industry's role within manufacturing and what the Government can do to help, energy costs—which were raised by several hon. Members—and the broader issue of waste regulation and how that impinges both on the customers of the packaging industry, who are very often industry and business themselves, and the sector.

On the industry's place within manufacturing, my hon. Friend is absolutely right to say that we need to make sure that we rebalance that economy. We want to ensure that an over-reliance on a too-narrow group of sectors is replaced with a broader base, so that manufacturing has a key role to play. As the Minister with responsibility for manufacturing, I include in that not only what we might think of as high-tech, but industry as a whole.

On perceptions, which were rightly raised by the hon. Member for Wrexham, in the past 12 months, there have been good signs in terms of output, investment, exports and, in some parts of manufacturing, jobs, which is encouraging. He mentioned the automotive industry. There have been some encouraging signs in the investment that Jaguar Land Rover, BMW and Nissan all want to make. There are reasons to be encouraged, and we have had a good opening year, but we need to do a lot more. That is why the Government are determined not only to take corporation tax down from 28% to 26%, but to take it on down to 23%. At the end of that process, we will be putting £1 billion back into the coffers of industry, including packaging. That money can be reinvested. As we have heard, one of the key ways in which industrial sectors keep ahead is not simply by trying to reduce costs all the time, although that is important, but by innovating to keep ahead of competitors. That reinvestment capability—the £1 billion extra a year—is a very important part of that equation.

In addition, the Chancellor set out our plans in the Budget to improve short-term capital asset release and to extend it to eight years instead of just four. From talking to a number of people in industry, I know that that is a real boon, because when people invest in an industrial project, more so than perhaps in services, the payback time is often more than four years—it is often five, six, seven or eight years, and in some cases it is beyond that. My hon. Friend the Member for Rugby knows that, because he has worked in the industry. That is another important incentive to enable the packaging industry to progress.

It is also important to bear in mind—several hon. Members made this point—that it is not only the hard capital issues that matter, because soft capital issues and skills matter, too. That is why we have made a determined change in the investment in and development of apprenticeships. During this Parliament, 250,000 additional apprenticeship places will be created. That is particularly important in an industry such as packaging, because it has to adapt and to be able to cope with conventional packaging issues and the growing issues around climate change and the environment. It is a crucial part of the equation for the packaging industry to be able to reskill its work force.

On that note, the hon. Member for Solihull (Lorely Burt), who sadly is not in the Chamber at the moment, raised a point in response to my hon. Friend the Member for Rugby on the perception of industry. Indeed, the hon. Member for Wrexham also highlighted that important matter. There is an outdated perception of industry that is often blown away when someone gets the chance to go and see an industrial facility. We note the generous invitation issued by the hon. Gentleman to Mr Paxman to visit a packaging company, and he is right: we need people to visit centres and see what an industrial facility is all about in the modern era. That is why, last week, we

started a pilot project called "See Inside Manufacturing." I went to the north-west to encourage and talk to careers advisers and teachers. In the autumn, we want to roll out the programme, so that it works not only with the automotive industry—as it does at the moment—but with the whole of industry.

I extend to the packaging industry an invitation to consider joining that programme in the coming few months, so that we can consider how we can show young people and the public as a whole the broader opportunities in that field. It is also important to change people's perception of what is involved in the range of different careers. People often assume that the range of skills and careers in industry is narrow, but it is actually very broad and people are highly skilled in many different ways. I certainly want to see the packaging industry play a part in the "See Inside Manufacturing" programme. I will leave it to the hon. Member for Wrexham to decide whether to accompany Mr Paxman on a visit. It would certainly be good if were to get a broad range of people to see what the industry does.

Let me turn specifically to the challenges faced by the packaging industry. My hon. Friend the Member for Rugby raised the question of getting the balance right and of Government and public dialogue about the role of packaging. He is right that packaging and the packaging industry are not the principal problems in waste management. The statistic that packaging makes up less than 3% of landfill has rightly been mentioned. However, packaging clearly has a role to play if we are to ensure that we have a more effective waste strategy. Our approach is to work with producers and encourage a change in consumer behaviour. That issue was rightly mentioned in a number of contributions. When we consider how consumer patterns have changed in the past few years, we realise that we are a world away from where we were before.

We live in a 24-hour, seven-days-a-week culture in which people expect all kinds of produce that for our parents were never available at certain times of the day, let alone at certain times of the year. We expect them, however, to be available 24 hours a day, seven days a week. Inevitably, the industry has responded to that challenge and has changed the nature of how packaging is produced. I suspect that is why, as my hon. Friend the Member for Amber Valley has pointed out, people suddenly find themselves with things wrapped in things wrapped in things wrapped in things, and wonder why. It is right to say that if we were not to wrap effectively, we would find that food waste would be significantly greater. It is important that while we work with the industry—I will discuss the Waste and Resources Action Programme in a moment—we ensure that consumers are encouraged to change their habits positively.

Let me look briefly at what the industry is already doing because, as my hon. Friend the Member for Rugby has rightly said, that is often something that we do not recognise. It is important that we recognise that lightweighting of packaging in the supply chain has been going on for many decades. In the past eight years, household expenditure rose by 20%, but packaging increased by only 3%. While there has been, perhaps for an individual household, the sense that they have more packaging to recycle at home, the gap between expenditure and actual packaging strongly suggests that the industry is being responsive and responsible in this area.

Several hon. Members have raised good examples of that. Asda saved itself approximately £10 million in 18 months simply by changing basic packaging processes. The Home Retail Group looked at the dreadful waste one has when one gets a new sofa or new piece of equipment—not that we have been able to manage one of those in the Prisk household in recent years—and introduced reusable sofa bags. That particular retail outlet has cut packaging by 1,800 tonnes every year just by that simple change, which is an important example. My hon. Friend the Member for Penrith and The Border (Rory Stewart) raised the point that this industry has models of good practice, particularly regarding local impact in more remote areas, and he is right about that.

The hon. Member for Wrexham is right to say that there needs to be a good, open dialogue in the relationship between an industry sector and the Government. I have sought to develop and continue that in the Department. This is where I suspect the opportunity for the packaging industry, perhaps through such forums as the Green Economy Council, could help us crack the problem to which he has alluded. We have developed a road map, which allows us to look at the issue in the round. As we heard in the debate, the problem in packaging is that it is not quite as simple as just a sector. The nature of what it does inevitably means that it strays into areas relating to waste, water and energy. If we could encourage different parts of our industry to get into that dialogue, that would be good and it is certainly something that I want to encourage.

On energy costs, we recognise that our impact, when we look to set the right energy and climate change polices, needs to reflect both generators of electricity and their users. That is a natural tension in any form of energy or climate change policy. It is also important to stress that we, as a Government and not just as a Department, want to ensure that industry, and especially industry with a high or intensive use of energy, remains competitive. There is an issue about how different forms of energy have risen in price. Information from last year shows that, in the past five years, average industrial electricity prices have gone up by approximately 35% in real terms. In that same period, average gas prices have increased by 10%. It is therefore clear that there is a specific issue around electricity pricing, which might pose a risk to the competitive future of those sectors.

The hon. Member for Wrexham rightly pointed to a joint report by the TUC and the Energy Intensive Users Group. That is a powerful document that highlights the estimated cumulative impact of the future energy price in the coming years. That is why not only the Secretary of State in my Department, but our colleagues in the Department of Energy and Climate Change and in the Department for Environment, Food and Rural Affairs, are working together with the encouragement and involvement of Downing street to ensure that we specifically look at and address those concerns around industry.

Later this year, we will announce a package of measures, particularly for energy intensive businesses, where there may be a danger that their international competitiveness is affected. I appreciate that, per se, the packaging industry would not necessarily be classified as energy intensive. Self-evidently, however, some of the key materials it uses—metals and chemicals—are included. That is one way that we can help. I have always made it clear to

[Mr Mark Prisk]

industry as a whole that I want to know where the pinch points are—the carbon floor price is a good example—so that we do not end up with the danger that has been highlighted. We do not want unintentionally to export jobs and industrial capability, which in the end does not help the climate at all. Several hon. Members have raised that important point.

Mark Pawsey: Does the Minister have any particular advice for the packaging industry to ensure that it is considered as energy intensive and subject to the benefits that he has just outlined?

Mr Prisk: Yes; I want to encourage industry to ensure that specific aspects of the carbon floor price or other elements of our commitment to reduce carbon are incorporated, so that both my Department and other Departments are crystal clear as to where those issues are and that those issues are fed into the current dialogue. I know that there is a dialogue in hand at the moment, but it is important that the industry keep that pressure going.

Mr Russell Brown (Dumfries and Galloway) (Lab): I hope that the Minister will take from the debate the point that for most of the industry energy costs are significantly greater than the average profit margin, which is a massive issue that needs to be tackled.

Mr Prisk: I am mindful of that, and the hon. Gentleman has made a good point about overheads. Clearly, energy is a crucial issue. That is why, while we want to ensure that we set the right regulatory environment so that generators in renewables come forward, we do not unintentionally to create an unreasonable detrimental impact on the users of energy. That is a difficult balancing act to perform, but that is why we have made it clear that, while we want to pursue the regulatory framework, we want to look at those industries that find themselves under particular pressure with regard to their use of energy. Clearly, electricity rather than gas is the centre of that process.

Other regulatory issues have been raised with regard to waste policy. The waste strategy is focused on waste reduction, driving recycling and the reduction of packaging. We take the view that that can best be achieved in partnership with the sector. That comes back to the important issue, which a number of hon. Members have raised, about the balance between carrot and stick. We genuinely believe that voluntary agreements are one of the best ways forward. In a sense, that is the way in which WRAP operates. It started in 2000 and was designed to advise and help businesses change and innovate—for example, the Courtauld commitment focuses on how waste management can be improved. There have been some important changes. WRAP has been able to secure backing for infrastructure projects with savings of approximately 120 million tonnes of waste from landfill. It also backs programmes such as Rethink Waste, which looks specifically at working with manufacturers to reduce waste and improve resource efficiency. A number of hon. Members have mentioned food and drink. I point to the Federation House commitment, which is important.

In conclusion, this has been a positive debate. We recognise and value the industry, and the change that it is making is important. It is crucial to support and encourage consumer behaviour that enables innovation. We want to work with the industry in a positive dialogue in the weeks and months to come.

Debt Management Plans

12.30 pm

Nic Dakin (Scunthorpe) (Lab): It is a pleasure to serve under your chairmanship, Ms Osborne, to have secured this debate, and to see so many hon. Members in the Chamber. Many other hon. Members have contacted me to say that they would have liked to be present, but unfortunately cannot attend. I thank the Under-Secretary of State for Business, Innovation and Skills, the hon. Member for Kingston and Surbiton (Mr Davey), for meeting a delegation from the all-party group on debt and personal finance a few weeks ago. He had a positive discussion with us about debt management plans.

Unfortunately, increasing numbers of people are getting into debt. In the Scunthorpe county constituency, for example, the average debt of clients of the Consumer Credit Counselling Service is £16,870. I fear that the trend might continue in the years ahead. When people summon up the courage to ask for help in dealing with their debts, they need to get the best support to clear their debts, not to make matters worse. However, at present, people who try to take responsibility for their debts can find themselves at the mercy of unhelpful, aggressive and sometimes unscrupulous practices that can make dealing with debt an even more unbearable experience.

Gordon Banks (Ochil and South Perthshire) (Lab): A debt management plan has a real purpose: to return something to the creditors, but also to get the consumer out of debt as soon as possible. Does my hon. Friend have similar concerns to mine, about the many instances in which consumers find themselves with more debt, rather than less?

Nic Dakin: My hon. Friend makes his point well. Under a debt management plan, a debt management company collects a single monthly payment from its clients and administers the repayments on their behalf to each of the non-priority creditors, such as for consumer credit debt. Usually, the client pays for the service, although some organisations will do it for free, such as the charity Consumer Credit Counselling Service and the company Payplan, which are funded through the "fair share" approach to debt management, the virtues of which my hon. Friend extols. Such an approach ensures that the creditor, rather than the debtor, pays for debt advice and support by returning a percentage of the payment made by the debtor to the debt management plan operator. The creditor, however, credits the debtor with the amount of the full payment. That is the best possible approach to debt management, because it aligns the debtor and the debt management company, which is in their interests and the interests of the creditor. That model enables charities such as CCCS to help the nine out of 10 people lacking the means to repay their debt.

Other debt management companies also behave responsibly, but some companies' practice has significant risks for the client. Most DMCs charge an initial up-front fee, which can be quite high, as well as an administration fee each month, leaving the clients with less money to pay off their debts. CCCS estimates that clients of commercial DMCs will take up to two years longer to repay their debts.

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): I thank the hon. Gentleman for securing this important debate. Before my elevation to this place, I used to work for the citizens advice bureau movement, and I saw how debt problems had risen significantly in our community. The hon. Member for Makerfield (Yvonne Fovargue), who is present, surely shares that viewpoint. Is it not the case that those debt management companies often target the most vulnerable in society, and that their plans are doomed to fail, which is why we need regulation of the sector, and especially of debt sharks?

Nic Dakin: Although there is some good practice, which we need to recognise and celebrate, a number of DMC practices identified by the CAB cause me great concern: cold-calling and aggressive marketing; charging up-front fees for services that fail to materialise; or poor advice in some cases, particularly when other debt remedies would be more suitable for a client's circumstances.

Justin Tomlinson (North Swindon) (Con): It is a pleasure to hear the hon. Gentleman's contribution on a subject on which he has spoken on many previous occasions. On his point about poor advice, the obvious answer is that we need some form of quality mark, so that when people seek help—more often than not, the most vulnerable people, who are least well equipped to ascertain whether they are getting good or bad advice—they have the assurance that they are taking the right steps.

Nic Dakin: That is a good point. We certainly need more in the system than is there. Other examples of bad practice include: failure to pass on payments to a client's creditors; ignoring priority debts, such as mortgage or rent, fuel, and council tax, which involve the ultimate sanction of loss of home, fuel supply or even liberty; and excessive charges for debt management services. All such practices have occurred.

Tessa Munt (Wells) (LD): I have been consulted by a debt management company in my constituency. The gentleman who runs that company said that, if I wanted to become a bailiff, he could probably make me one by next Monday morning, because the legislation on, and control over, the bailiff system is sadly adrift from what it should be, and an awful lot of bailiffs do not act as they should. Does the hon. Gentleman agree that the legislation needs to be tightened up, so that it gives some sort of scrutiny of the process?

Nic Dakin: The hon. Lady makes a good point which, in a sense, underlines that made by the hon. Member for North Swindon (Justin Tomlinson) about the need for tighter regulation, or a tighter quality mark, in this area generally. Recent research by the Association of Business Recovery Professionals has confirmed worries about a lack of impartial advice, insufficient information about fees, and agreement of too many debt management plans that were always going to be unworkable.

Jim Shannon (Strangford) (DUP): The hon. Gentleman has been generous in giving way. Does he feel that, given the benefit changes that are to be made next year, there will be a greater need for debt management? Also, does he feel that the desperation that arises from debt will

[Jim Shannon]

fuel an already volatile situation? Does he agree that social security officers and housing associations could give expert advice to help?

Nic Dakin: The hon. Gentleman makes a good point. Sadly, we are moving into more austere times, in which more people are likely to get into difficulty. Indeed, the Joseph Rowntree Foundation this morning published figures suggesting just that. The Office of Fair Trading reported widespread non-compliance, misleading advertising by businesses involved in the area, and a lack of competence among front-line advisers working for DMCs. Sadly, the OFT found that self-regulation is not working and continues to be an abject failure.

Yvonne Fovargue (Makerfield) (Lab): Is my hon. Friend as concerned as I am that even where there is evidence of unfair practice, the OFT has taken more than two years to close companies down? In those two years, the companies still operate, make a profit and charge vulnerable customers. The OFT needs more power to investigate such companies and shut them down early.

Nic Dakin: My hon. Friend has much knowledge and expertise in this area, and she makes a powerful point about the need for the Government to act now to protect vulnerable people. I know that the Minister has concerns, and I look forward to his response.

Citizens Advice believes that there should be a statutory scheme, with better powers for the regulator, coupled with improved funding of free debt advice. The solution, to improve current arrangements and protect vulnerable people from getting further into debt as a result of the behaviour of those to whom they turn for support and advice, might be to have a regulated environment in which providers are independently audited to standards set by an independent body, fees are controlled, and there is clear certainty about the repayment term, for creditors and debtors alike.

Gordon Banks: My hon. Friend is generous in giving way. He has hit the nail right on the head. This is a little bit of advertising: I hope later this year to promote a private Member's Bill on this very issue, providing for a statutory scheme that is binding and includes a rigorous audit process and a fee cap. Does he agree—this has already been touched on today—that when someone approaches a debt management company for advice, they are at their most vulnerable? If they are told, "Give me £50", or £200 or £600, "and I will sort the matter out, and spread that payment over a period," that is exploiting their vulnerability.

Nic Dakin: My hon. Friend makes a powerful point. We look forward to his private Member's Bill, which will raise the issue again. We need a regime that will encourage providers to compete on quality, rather than the size of their advertising budget. Debt management plans would then be more likely to lead to debt repayment and genuine resolution of debt problems for the majority of customers who entered into them. That would be achieved at far lower cost than under the current regime, and would significantly increase the speed with which creditors were repaid. That would be good for debtors, good for creditors, and good for UK plc.

12.40 pm

Damian Hinds (East Hampshire) (Con): I congratulate the hon. Member for Scunthorpe (Nic Dakin) on securing this important and timely debate. I thank him and the Minister for allowing time for several hon. Members to make short contributions. The issue is not party political, and it is encouraging that hon. Members from six political parties are here. We had an opportunity to debate related issues in the House yesterday, and almost everyone now coalesces around the fact that a proper approach to the issue must have three strands: education, regulation and provision of alternatives. The important issue that we are discussing, which relates to a growing problem, touches on all three strands, but has to do with regulation especially.

I am a Conservative Member of Parliament, and not a great fan of new regulation, but this is one area where it is needed. It is astounding that when some markets are grappling with sometimes unreasonable regulation, regulation of debt management has not hitherto been more effective. I daresay some hon. Members may take a purely libertarian, "caveat emptor" view of the matter, but I have not yet met them. If I have, I have not heard them expressing that view. As has been said, the market that we are considering deals with some of the most vulnerable consumers. "Vulnerable" is a word that is used an awful lot these days for all sorts of things, but it applies in the purest sense in this case. Much as it may challenge our view of economic theory and so on, the fact is that many people are not making rational choices, and the debt solutions that they seek are often about the first advert that they see, rather than what is most appropriate for them.

Gordon Banks: The hon. Gentleman's point is appropriate; people get sucked in by the first or last advert that they see. However, there is another side. As I have said, one objective must be to give money back to creditors, and the more that is paid in management fees, the less goes back to creditors. We certainly want to help consumers, but we must also recognise that creditors are entitled to repayment of debts.

Damian Hinds: The hon. Gentleman makes a fine point. The "fair share" model works for various not-for-profit organisations and can be effective. We should foster and encourage that. A lot could be done with regulation in this area. I want to focus on a couple of measures that the hon. Member for Scunthorpe mentioned, which are relatively straightforward and would be effective.

The first is the banning of cold-calling canvassing for new business, and the second is the banning of up-front fees. The two together would make a big difference. On up-front fees, many people suspect that some operators in the market have a cash-flow model that recognises that they may not be around for ever. Those are not the sort of debt management companies that we want. There are responsible operators, and those are the ones that should be encouraged.

I want to make a final, brief point about the visibility of various debt management services. The Consumer Credit Counselling Service, citizens advice bureaux and others offer free advice services, and the internet is an important source of information for people these days. When people get round to looking into ways of solving their problems, they should be able to find those services

easily. I hope that search engine providers, particularly Google, which to all intents and purposes is the search engine provider, will be encouraged to act.

Mrs Jenny Chapman (Darlington) (Lab): I congratulate my hon. Friend the Member for Scunthorpe (Nic Dakin) on securing this debate. Will the hon. Member for East Hampshire (Damian Hinds) add to his list a ban on the sale or passing on of information about people to debt management companies? We have been concerned about that practice in the motor industry, with regard to insurance claims. Does he share my concern that the same practice takes place in debt management?

Damian Hinds: I do indeed. By definition, a ban on cold-calling would include the selling of lists and the sharing of data.

I conclude on the point about search engine marketing, and encourage search engine providers, as part of their corporate social responsibility agenda, to take a different view, so that rather than considering only the pay-per-click bid times the click-through rate, they consider what they can do to help people in some of the most difficult circumstances. I again congratulate the hon. Member for Scunthorpe on securing the debate.

12.45 pm

Yvonne Fovargue (Makerfield) (Lab): I congratulate my hon. Friend the Member for Scunthorpe (Nic Dakin) on securing this debate, which we have needed for some time. I confirm that I believe that creditors must be paid, but the practices of some debt management companies do not encourage that. They load the fees up front, and recoup all their charges in the first two years. They provide no encouragement for people to carry on with a sensible plan, because the up-front loading discourages people from continuing after that period, and frankly they do not worry about that, because those two years are where they make their money. They cannot offer the full range of solutions, and are not allowed to do so, because only authorised providers can produce debt relief orders, and in the main those providers are citizens advice bureaux.

There was great concern last year when the financial inclusion fund was due to finish. Fee-paying debt-management companies were circling like sharks, thinking, "We'll be the only option, and debt advice will not be available." I urge the Government to consider a financial inclusion fund and free debt advice, because that is all that will stop some debt management companies.

I am worried about the link between such companies and high-cost lenders, some of which now have another arm: a debt management company. They get people into debt, charge them for that, and then put them through to their own debt management company, which will charge to get people out of the debt that it put them into in the first place. That is not acceptable. Regulation was introduced in the United States and Australia, which are not countries noted for over-regulation, and it has worked. That is why there is a proliferation of debt management companies here.

Gordon Banks: I suggest that my hon. Friend ask the Minister to look over the border at Scotland, where there is a system that works much better than that in the rest of the UK.

Yvonne Fovargue: I agree that regulation has worked, which is why American companies have come over here. It is too hot for them to operate over there, so they are now operating in England, and our consumers are suffering. Along with regulation, we must give the organisation that has the regulatory power the means quickly to close down companies, or suspend them from trading, when there is consumer detriment and bad practice. Two years is not acceptable.

I thank the Minister for listening last time we were here, and ask him to consider free debt advice. I appreciate that debt management companies have a role to play, but they must be regulated if they are to play the kind of role in society that we all want them to—a responsible role.

12.48 pm

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Mr Edward Davey): I congratulate the hon. Member for Scunthorpe (Nic Dakin) on securing this debate. I was pleased that he did, and it is good that so many hon. Members have contributed to it and aired their concerns. The Government are acutely aware of those concerns, and we share many of them. It is a sign of our desire to protect vulnerable individuals that debt management issues were a major part of the questions that we asked as part of the joint Treasury and Department for Business, Innovation and Skills call for evidence. The "Consumer Credit and Personal Insolvency Review" was published last year, and covers all aspects of the consumer credit life cycle, including what happens when things go wrong.

Hon. Members will appreciate that it is difficult to obtain a precise picture of the debt management industry, even to the extent of obtaining accurate figures for the number of plans in place. Some of the concerns that we have heard recognise that lack of information. I cannot give details today, but I am keen to improve the quality of information about the industry. I will say more about that when we publish our response to the call for evidence, which will be soon.

Despite the constraints, improvements have recently been made to protect the most vulnerable debtors. By extending the eligibility criteria for debt relief orders, we have enabled more of the most vulnerable people to find a way out of unsustainable debt. Some safeguards are already in place, although I understand that several of my colleagues would like us to go further, and I will go on to talk about that. Providers of debt management plans are required to hold a consumer credit licence, and holders of those licences are monitored by the Office of Fair Trading. The OFT has strong enforcement powers. Following its compliance review last year, it issued warnings against 129 companies, of which 43 have since left the market and investigatory work is ongoing in many other cases. The OFT is determined to see that work through as soón as possible.

The OFT has recognised the need to improve its guidance, and it recently published proposed revised guidance for debt management plans. That guidance sets out the standards that the OFT will expect of debt management businesses, and makes it clear that, among other things, such businesses must be fully transparent about the service on offer and the fees charged; explain to consumers the risks and benefits of each proposed

[Mr Edward Davey]

solution; not use misleading names or advertising, including misleading web-based adverts; and ensure that the advice provided is in the best interests of customers. Any business that fails to adhere to that guidance can expect strong action to be taken against it, including, where appropriate, the removal of its licence. The industry has recognised the need to improve its practices, and it is welcome that a number of debt management organisations have joined the Debt Managers Standards Association, which, as the OFT has recognised, is trying to improve standards.

What more needs to be done? The Government believe strongly that those struggling with debt must be assured that they will receive the best advice and be directed to the solution most suitable for their needs.

Gordon Banks: Will the Minister give way?

Mr Davey: I am concerned about the time; perhaps I can make a little more progress and then give way to the hon. Gentleman.

Free and impartial advice is available for people in difficulty. We need to make sure that such advice is well publicised and that vulnerable people know where to find it and can avoid unscrupulous businesses that may seek to take advantage of them. We know about Citizens Advice, and I was pleased that the hon. Member for Scunthorpe mentioned the Consumer Credit Counselling Service, which is a fantastic organisation. He also, quite rightly, mentioned Payplan. We must ensure that people are aware that they can get quality advice for free. That is essential.

Hon. Members have expressed concern that the aim of some fee-charging debt management companies is to make money for themselves, rather than to ensure that an individual finds the appropriate solution for their circumstances. We have also heard, both today and on previous occasions, that some individuals who enter a debt management plan find that they emerge from that plan in a worse position. Clearly, that cannot be right.

I am concerned that those who are in a vulnerable position might seize on an advert that offers what appears to be an easy way out of their difficulties. If they are told that the organisation that they approach will deal with all their debt problems, they may not ask about the likely costs and that will create difficulties. The answer to that complex problem does not necessarily lie in more regulation. We need to empower debtors to find the right information, access the right sources of impartial advice, and find the solution that best meets their needs. We confirmed some time ago that we will fund the face-to-face debt advice project for a further year, while work is done to move the provision of such advice to a more sustainable footing. As my hon. Friend the Financial Secretary to the Treasury said yesterday in the House,

"it is the intention that the Money Advice Service—which is funded by the financial services industry—will take on that work."—[*Official Report*, 4 July 2011; Vol. 530, c. 1254.]

It is important that free debt advice is available through Citizens Advice, the Consumer Credit Counselling Service and other quality, free debt advice services.

I want to look at what more can be done to ensure public awareness of reputable debt advice sources, whether online, over the telephone or face to face. Everyone involved in the debate—creditors, debt advice agencies and providers—should be involved in finding the best way forward. When we publish our response to the call for evidence, we will make proposals designed to foster that collaborative approach and help people with unsustainable debts to get the help and advice they need to take control of their lives once more.

Gordon Banks: The Minister talks about ensuring that creditors get the best advice. Many of the major lenders fund debt management processes through Payplan, for example. Is there any mileage in making the main funders of an organisation such as Payplan, which could be the major creditor of someone entering a debt management plan, have a role in guiding someone from a fee-paying to a non-fee-paying organisation?

Mr Davey: The hon. Gentleman makes an interesting point. It is surprising that many public bodies—whether local authorities, utilities or lenders—do not make those who cannot pay their bills or are in debt as aware as possible of quality, free advice services. We need to talk to those organisations because raising awareness is critical.

Yvonne Fovargue *rose—*

Mr Davey: I will give way in a moment to the hon. Lady; she made a very valuable contribution.

When people are in debt, that can affect their health and there could even be mental health consequences. We must ensure that people do not end up in the clutches of a company whose advert they heard and do not recognise that there are free, quality advice services. We must deal with that issue.

Yvonne Fovargue: Does the Minister accept that we must not only make people aware of the free agencies available, but ensure that those agencies have quick, available appointments? When somebody wants to get out of debt, they do not want to wait six weeks for an appointment. That is where the debt management plans win; they say, "We'll deal with you immediately."

Mr Davey: The hon. Lady makes a vital point. We must ensure that people are aware of all the different options. Online options are increasingly being taken up; they are effective and can be accessed 24/7. There is a high usage of online helplines, and if people are vulnerable or ill, they should have access to quick and quality face-to-face advice. I agree with the hon. Lady.

We have heard a number of ideas during the debate, and we will reflect on them, just as we have reflected during the call for evidence. We have heard interesting ideas such as that from my hon. Friend the Member for East Hampshire (Damian Hinds) about whether search engine providers ought to think about their social responsibilities when people search for advice. There are issues about audits and so on.

Mark Durkan (Foyle) (SDLP): May I take the Minister back to when he referred to the more robust guidelines that the OFT will produce? He said that the OFT will move against firms that breach those guidelines, possibly

by withdrawing their licences where appropriate. Who will determine when such action is appropriate? What will be the exact criteria? If those decisions are open to challenge, will the OFT end up having a paper power that it never exercises? The firm from which the OFT might wish to withdraw a licence will always have deep pockets, and the OFT might feel that a challenge is not worth its while.

Mr Davey: The OFT is the regulator. If it deems an organisation to have breached the guidance, it can act. Indeed, it has acted. Some 43 out of the 129 companies that it identified and investigated have left the market. The idea that it is a regulator that does not take action or track companies down if they do not behave properly is not correct. That does not mean, however, that we cannot improve the overall framework.

When I met the hon. Member for Scunthorpe and a number of his colleagues from the all-party group on debt and personal finance—which, I should say, is doing fantastic work—we had a number of discussions, some of which were reflected in the debate. We share a lot of the concerns that have been raised today. I cannot prejudge the response to the call for evidence, which will arrive soon, but I share the views of colleagues and we will take action.

Neuroblastoma

12.59 pm

Neil Parish (Tiverton and Honiton) (Con): It is a great pleasure to speak under your chairmanship, Ms Osborne. I thank Mr Speaker for granting me this debate on primary care trust funding for neuroblastoma. I am delighted to welcome the Minister with responsibility for care services and look forward to hearing his response to these grave matters.

Neuroblastoma is a rare solid tumour cancer that tragically occurs in very young children and infants, primarily under the age of five years. It accounts for 17% of cancer deaths in children. Only 100 children are diagnosed with neuroblastoma each year in the UK. That is a blessing in itself, but it is of little comfort to the parents coping with the emotional strain of knowing that their child must face the long, hard battle against cancer.

The disease is caused by the development of cancerous cells in neural crest nerve cells, which play a key role in the development of the sympathetic nervous system. Most neuroblastomas begin in the abdomen or adrenal gland, next to the spinal cord or in the chest. In nearly 70% of children diagnosed, the disease has metastasised, which means that it has spread to other parts of the body. That makes it a particularly hard cancer to treat. The disease commonly spreads to the bones, and it can cause pain and difficulty in walking. Occasionally, it can affect the spinal cord, causing numbness, weakness and loss of movement in the lower part of the body.

The symptoms depend on where the cancer starts and whether it has spread to other parts of the body. Initial symptoms can seem as innocent as tiredness, fever and loss of appetite. The vagueness of those symptoms makes neuroblastoma hard to diagnose in the early stages. Because neuroblastoma usually develops in the abdomen, the most common symptom is a lump in the stomach, which can make the child's tummy swell, causing pain and great discomfort.

The disease is treated through a variety of means, including surgery, chemotherapy and stem cell replacement. However, even after those treatments, high-risk neuroblastoma remains a major cause of death due to malignancy—patients have a two-year survival rate of approximately 20%. On top of that, the majority of high-risk neuroblastoma patients will experience disease relapse.

It saddens me, then, that a young constituent of mine, named Sam Daubany-Nunn, is being denied funding by his local primary care trust to receive vital treatment in Germany that might well be curative. Sam was diagnosed with neuroblastoma at the age of 16 in July 2008. Such a diagnosis is quite unusual in someone as old as that. At the time, Sam was undertaking his GCSEs at Colyton grammar school. He went through eight hours of surgery, gruelling high-dose chemotherapy, a stem cell transplant and radiotherapy. Fortunately, he responded well to his treatment and, despite his illness, he excelled at school, achieving high grades in every subject. He went on to pursue his studies at sixth-form level. I met Sam and his family in Seaton in my constituency. They live in Uplyme, right on the border between Dorset and Devon. That is why Dorset PCT is in the dock today.

[Neil Parish]

Sadly, Sam became ill again in October 2010 and the family were informed that he had relapsed and that the neuroblastoma had come back. Sam went through six further courses of chemotherapy, two cycles of metaiodobenzylguanidine treatment at University college London and another stem cell transplant.

Following that, a new treatment was added to the front-line protocol in the UK for all new children diagnosed. That new treatment is a targeted cancer therapy called monoclonal antibody therapy. Monoclonal antibodies are made in a laboratory and introduced to the body intravenously. They attach themselves to areas on the cancer cells. In this case, the antibodies bind to a protein called GD2 on the surface of neuroblastoma cells. Those antibodies operate as markers for the patient's own immune system, encouraging it to attack and destroy cancerous cells. Without those markers, the immune system would not attack cancerous cells, as those tumours are part of the body.

I was pleased to receive a letter from my right hon. Friend the Secretary of State for Health in response to a point that I raised with my right hon. Friend the Leader of the House at business questions. The letter informed me that UK patients now get access to that treatment via the Cancer Research UK-supported European trial and that there is now wide clinical agreement that all children with high-risk neuroblastoma who might benefit should have access to monoclonal antibody treatment, as it increases survival rates to about 70%. That is extremely important. However, that clinical trial, led by Dr Penelope Brock from Great Ormond Street hospital, is not available in this country for relapsed cases—it is available for newly diagnosed cases only—and five or six patients a year would not meet the strict criteria for the trial.

A second trial is being established with wider eligibility criteria, and it will include those children who, like Sam, have relapsed, but it will not be available until January 2012. That is an unworkable time frame for neuroblastoma sufferers who cannot wait for the UK trials to start. That is certainly the case for Sam. As a result, some parents have opted to take their children for treatment in Germany, which is piloting the new trial that will be available across England in 2012. That has been paid for by their local primary care trust after an individual funding request. However, Dorset primary care trust, near my constituency, has refused to support the funding request in Sam's case. His family have been raising funds to pay the €80,000—a very big sum—that the treatment in Germany costs. Indeed, they have remortgaged their house. Hon. Members will understand that not everyone can take that action, which is why I am raising this matter with the Minister today in the House.

Sam's case is not isolated. After raising neuroblastoma funding in both the House and the media, I was contacted by a father whose son, Adam, suffers from neuroblastoma. Like my constituent, he is not eligible for the clinical trials in the UK and he made an individual funding request to Surrey primary care trust, which, like my constituent's, was rejected. I understand that Adam's father is now in contact with his local MP. I wish him and his family well and hope that he can receive the treatment that he needs.

That contrasts with the decision made by NHS Northamptonshire's individual funding request department in an almost identical case involving a constituent of my hon. Friend the Member for Wellingborough (Mr Bone). I will take this opportunity to thank my hon. Friend for all the assistance that he has given me in this regard. A young boy named Zach, whose case my hon. Friend has previously debated in Westminster Hall and who, like Sam, was not eligible for the clinical trial, was offered funding for monoclonal antibody treatment in Germany. In its letter to the family, the individual funding request department made this clear:

"Given the timescales involved NHS Northamptonshire does not wish further obstacles to stand in the way of treatment and we have agreed that if necessary the cost of monoclonal antibody treatment in Germany would be covered by NHS Northamptonshire."

Fortunately for my constituent, there has been a last-minute change of heart by Dorset primary care trust. I received a call last night from the chief executive of Dorset PCT, who informed me that it had reviewed Sam's situation and concluded that his was a unique case and that it would be unfair not to support the request for funding. That is fantastic news, and I extend my thanks to Paul Sly, the chief executive of Dorset PCT, for his assistance and for reviewing the original decision. However, I cannot help but feel that this case may not have had such a happy ending had I not been contacted by Sam's family, written to the chief executive of Dorset PCT, raised the matter in the House, written on the subject in the press and finally secured this debate today.

I emphasise that other families might not be able to raise the funds to go to Germany. It is essential that Samuel gets this treatment now; otherwise, his chances of survival will be hugely limited. That is why it is good to raise this matter. That raises the question of how two primary care trusts can come to two completely different conclusions and why some people should be denied potentially life-saving treatment in such an ad hoc manner. People should be treated fairly throughout the country, and although I realise that the PCTs probably have a great deal of autonomy, I urge the Minister to iron out the problems, if he can. We can then get to January and February next year, when monoclonal antibody treatment will be available in this country.

Finally, I want to read from the conclusion of the letter from Paul Sly, the chief executive of NHS Dorset and of NHS Bournemouth and Poole:

"Our local processes for individual treatment requests are set up to try to deal fairly with the vast majority of requests. However as we went through the request it became apparent that the only possible funding route for Samuel at this time was a referral to the National Cancer Drugs Fund. Unfortunately as the Fund only covers 'drug costs' they were unable to assist.

In the light of the above, we carried out a further review of Samuel's situation and concluded it is unique for three reasons...the treatment will be available in the UK later this year...he meets the trial inclusion criteria...he has to have the treatment within a specified time frame and cannot wait for the UK trial to start".

That is extremely important.

I have put the issue on record. I hope that the problems faced by Samuel Daubany-Nunn and his family will reach a good conclusion. I reiterate to the Minister that there are not many such cases in the country, but it is extremely important that people receive this treatment when they need it, otherwise their chances of survival are very limited. I therefore ask the Minister to look at

the general process. I am certain that NHS Dorset will honour the position that it has taken in its letter, but I am naturally keen to ensure that the Daubany-Nunns get help with funding Samuel's treatment, because they very much need it, and it is only fair that people are treated similarly throughout the country.

1.12 pm

The Minister of State, Department of Health (Paul Burstow): It is a pleasure to take part in the debate. I congratulate the hon. Member for Tiverton and Honiton (Neil Parish) on securing it. A quintessential feature of Adjournment debates is that they give Back-Benchers the opportunity to bring to the attention of the House and a wider audience issues that are of real importance to the lives of our constituents—literally, in this case. I therefore thank the hon. Gentleman for bringing this issue before us.

Few things are more distressing for a parent than learning that their child has cancer. Everyone's heart would go out to any family that found itself in the same circumstances as Sam's family, and I shall say more about their case in a moment. First, however, I want to say a little about the Government's overall approach to paediatric cancer. I then want to say something about neuroblastoma and the Government's approach to it. Finally, I want to say something about this case.

On paediatric cancer services, the Government are committed to improving outcomes for all cancer patients, especially children and young people who have to deal with this disease at such a young age. That means ensuring that patients have timely access to high-quality treatments based on the best available clinical evidence. That is very much the Government's ambition and goal. We want to deliver care that is safe and effective and that provides the best possible experience for young patients. Let me highlight a number of things to demonstrate that commitment.

First, we will ensure that the recommendations in the guidance from the National Institute for Health and Clinical Excellence on improving outcomes for children and young people with cancer continue to feature in all commissioned services.

Secondly, one of the recommendations includes ensuring that children and young people with cancer are offered entry to any clinical research trial for which they are eligible and that adequate resources should be provided to support such trials. We expect providers and commissioners of services to be mindful of that recommendation, and that goes to the heart of the hon. Gentleman's concerns about the lessons that need to be learned from this case.

Thirdly, NICE guidance recommends that children who are not eligible for clinical trials should be treated according to agreed treatment and care protocols based on expert advice and that resources should be provided to monitor and evaluate progress and outcomes for the patient.

Fourthly, we have committed more £150 million over the next four years to the expansion of radiotherapy capacity and to ensuring access to proton beam therapy for all high-priority patients who need such treatment. Evidence shows that, compared with standard radiotherapy, PBT leads to improved outcomes and reduced acute and late effects, such as growth deformity, loss of hearing and lowered IQ, which can lead to learning difficulties. We are exploring options for developing PBT facilities in England to treat up to 1,700 patients a year.

Through the national cancer survivorship initiative, we are improving the quality of services supporting the long-term needs of children and young people. That needs to provide for a seamless transition from children's to adult services and a constant focus on outcomes.

We are demonstrating the affordability and efficiency savings that one-to-one support for cancer patients can bring. Based on the emerging evidence from test sites and the core principles defined by the children and young people group, four models were identified and are being piloted in four sites to help to bring innovation to the delivery of support for children with cancer. Those models include a primary treatment centre aftercare model; a shared care model of aftercare, in which care is shared between the primary treatment centre and GP and primary care services; and a nurse-led model of care, which may include variations such as a telephone or text message model of aftercare.

The Royal Marsden hospital, in my constituency, has tested the benefits for the patient experience of introducing a clinical nurse specialist to their late-effects set-up. That has been combined with developing psychological screening tools to improve access to appropriate psychological therapy services. A number of things are therefore being done, as we strive generally to improve paediatric cancer services.

Let me turn now specifically to neuroblastoma. As the hon. Gentleman said, neuroblastoma is a cancer of specialised nerve cells involved in the development of the nervous system and other tissues. It can occur anywhere in the body, but it most often occurs in adrenal glands, particularly in the tummy, as he said.

About 100 children, usually under the age of five, are diagnosed with neuroblastoma each year. Of them, about 50 are in the high-risk group, with the most serious forms of the disease. We want to give every one of those children the best chance to beat the disease by ensuring that they have access to specialist oncology centres and good access to clinical research trials.

The UK has a good and long track record of achievement in basic cancer research, and the Department of Health invests more in cancer research than in any other area of human health. We now have the highest national per capita rate of cancer trial participation in the world. That is relevant to the debate, because there is now wide clinical agreement nationally that all children with high-risk neuroblastoma who might benefit should have access to a trial of monoclonal antibody treatment.

For the benefit of the hon. Gentleman and others who are following the debate, I should explain that the monoclonal antibody is not available as a normal drug supplied by a pharmaceutical company. To obtain it, a production run must be commissioned and produce enough doses to treat a large number of children. Most UK patients will now access this treatment through the Cancer Research UK-supported European phase III trial. The trial is led in the UK by Dr Penelope Brock from the Great Ormond Street hospital, as part of the UK Children's Cancer and Leukaemia Group.

On 12 May, my ministerial colleague Lord Howe was privileged to visit Great Ormond Street to see at first hand the impact of Dr Brock's work on families affected by neuroblastoma, as well as the real hope it offers to

[Paul Burstow]

those most seriously affected. The national cancer research network of the National Institute for Health Research provided the NHS support for the trial, which is running in all 20 childhood cancer clinical trial centres across the UK. It is anticipated that the trial will recruit 160 children between 2009 and 2013, and it is estimated that about 40 children a year in the UK will be eligible for the treatment.

The hon. Gentleman was right to raise concerns about children, particularly those with high-risk neuroblastoma, who have unfortunately been considered ineligible for the first trial. Dr Brock is now setting up a second trial, which should benefit those five or six patients a year who do not meet the strict eligibility criteria for the first study. The Department has agreed to fund a second batch of antibody for that purpose. I understand that Dr Brock is planning to run the second trial in five centres in England, from this autumn—not next year.

The proposal is with the clinical trials academic review board for Cancer Research UK, and once it is approved it will go to the Medicines and Healthcare products Regulatory Agency for approval. While the trial proposal is progressing, Dr Brock's colleague in the European monoclonal therapy trial, Professor Holger Lode, has been piloting the new trial at the SIOPEN centre in Germany, which the hon. Gentleman mentioned. It is perhaps inevitable that one or two patients will be identified as needing the treatment while the trial proposal is going through the necessary approval stages. The hon. Gentleman highlighted in that regard his own constituency case and that of the hon. Member for Wellingborough (Mr Bone).

I am aware that some PCTs have paid for patients who meet the eligibility criteria to go Germany for the treatment. Non-routine treatment abroad will usually be considered in exceptional circumstances and primary care trusts may at their discretion take into account the individual circumstances of the patient and authorise treatment abroad that they do not normally fund. Each case needs to be considered on its merits as issues such as progression, relapse and the use of second-line treatments can all affect an individual's suitability for treatment, including clinical trials. Each case needs to be discussed carefully with experts in the field.

The hon. Gentleman talked about his case experience and Sam's diagnosis and mentioned the good news that the PCT has further considered the matter and, I understand, has taken into account Dr Brock's views about the way the trial will work. I think that that has materially affected the judgment that the panel made originally and allowed it to make a new decision to allow for the funding of the monoclonal antibody treatment in this case.

I hope that the treatment, which, I understand, may already have started, will be a success and that that will be further good news for the family and offer them hope for the future. I hope that the hon. Gentleman will pass on my best wishes and those of my ministerial colleagues for Sam's future and the success of the treatment and that we shall draw lessons from the case to ensure that, when other PCTs consider cases with exceptional circumstances, they are properly aware of the criteria that they should use.

1.22 pm

Sitting suspended.

Great Lakes (Africa)

1.27 pm

Eric Joyce (Falkirk) (Lab): I want to say a few words, in opening, about the nature of the debate. It is a little unorthodox, in the sense that normally there would not be several hon. Members speaking in such a short debate; however, there was great interest in the subject. The all-party group on the great lakes region of Africa went to the Congo recently. I was not on that trip. There is a great deal going on there, of course, and I am sure that the Minister will say more.

Although most hon. Members who are present are aware of the broad context and much of the detail, it is worth setting out some of the things that are happening. Some things that are happening in the Democratic Republic of the Congo are very important, one of which is that very soon, we hope, there will be an election. That is planned for November, which is a little later than it might have taken place. Nevertheless, it is a good sign. The UK was very involved the last time round, and sent several official observers. Members of this place and the other House went with non-governmental organisations to observe the elections. It was a very successful election process for the region, all things considered. There was a good, high turnout at the last presidential and prime ministerial elections in the DRC, and an independent commission ran things. International observers from all sorts of NGOs, UK bodies and Governments thought it went pretty well. There was a pretty good tick in most of the boxes.

Some years later, there is a rather different backdrop to the elections. The cost of the elections last time was about $225 million. One assumes that the cost is similar this time, but the international community was more reluctant, understandably, to find the large amount of money needed to run such a large-scale election in a place as difficult as the DRC, which is the size of western Europe but covered in tropical rain forest, making the logistics very complex. The election was well run last time, but this time there are one or two question marks. That is not to say that the election will not be legitimate. However, political development in the country over the past five years has been modest.

I have met Mr Tshisekedi, the person who would probably be considered the leader of the opposition, in so far as one can be considered to exist. He is an important figure in Congolese politics, and he is capable of putting together an alternative platform in the presidential re-election campaign. At root, however, it seems to be a fairly basic offer. One assumes that unless the elections are run tidily and independently, there will be questions about the process.

The elections have been put back a bit, and the constitution has been changed to take out the second round in the presidential elections. That is significant, as some think that President Kabila may not win a second round. Nevertheless, he will certainly get the majority of votes in the first round; so many people stand as presidential candidates that it is hard to prevent that, but who knows? What gave the last election considerable legitimacy was the fact that it was a tightly run process; the result was 57% to 43% in the second round, which was a clear result for everyone. It was clear that there was a genuine opposition, albeit the chap who was the opposition is now banged up in The Hague. That is a pity, but there it is.

This time round, the electoral commission is being run by an ally of the President, which is cause for concern. This is primarily a Foreign and Commonwealth Office issue, but although the Minister may have a view, my instinct is that he will want to wait and see how it goes. It is fair to say that we should let the processes take place and express our judgment after the elections. The elections are important, because they change other things that are happening at the same time.

Jim Shannon (Strangford) (DUP): Does the hon. Gentleman agree that the formation of an integrated and professional army that does not abuse the people, but gives them the chance to express themselves, is important? It is essential that people can use the ballot box unhindered.

Eric Joyce: I thank the hon. Gentleman for making that profound point. We cannot do anything in countries such as the DRC unless we have security. We cannot have justice, effective infrastructure, hospitals and schools if people are too frightened to leave their houses or move around the place safely. In parts of the east—not only there, but significantly in the east—that is very much a fact of life for many. They live in dour conditions, and security is of the first order.

The FARDC, the army, has a history of having some competently trained people—trained in conjunction with the UK and the French. I do not want to say anything pejorative, but it does not have a high capacity, if I could put it like that. It has one or two people who are perfectly competent, and a large number of people who are not. First and foremost, the DRC needs a proper security regime, but in a good way; in effect, the country needs the army function, rather than a policing function. At a different stage of development, we would be talking about police, but it is a case of the army trying to maintain law and order.

There are some programmes, particularly from the United States, and there is a common European effort to assist in building capacity, but it is a long-running process. One of the early things that has to be done is to get the army to behave decently towards its own people. Poor discipline—it often breaks down, particularly in the east, where deployment of the army is coincidental to the mining operations—is a matter that should be scrutinised by us and international authorities, but the hon. Gentleman makes a profound point.

I turn to the question of minerals. The DRC is enormous, and its mineral reserves are unbelievably huge. One thing that prevents their full exploitation is that many companies are still concerned about the environment and corruption, and the damage that that does to their brand. The DRC produces about 18% of the world's diamonds, but mainly in an artisanal manner; they are not produced industrially, as one might imagine it being done in South Africa, because the big companies are reluctant to play in the DRC. Some companies have invested in proper infrastructure—they have built proper mining operations—but they find things quite unstable at the moment.

I have waxed rhapsodic endlessly in the main Chamber, and in Westminster Hall, about a deal that involved First Quantum Minerals. It is a quite famous case that also involved ENRC, a FTSE 100 company, but I do not want to bang on too much about it and bore all who

[Eric Joyce]

have heard me talk about it before. The essence of the case is that if there is an unstable trading environment, a company's reputation could be damaged by one or two decisions that a Government may make in places such as the Congo, which may make it difficult for companies to invest properly.

First Quantum was the largest taxpayer in the Congo, which collects very little corporate tax and almost no income tax per annum. At the time, First Quantum was employing several thousand people at a mine in Kolwezi near the Zambian border. The mine was effectively expropriated by the Government, sold on for a small amount and then sold on again for a large sum. The question is where the bit in the middle went. No one knows, but we can guess. That, of course, makes it hard for other mining organisations, who saw that mine being expropriated, to invest in DRC. Sadly, that mine is an exemplar of what can happen; it sits empty, basically rotting, with no work going on there. There are no jobs. Companies that can provide several thousand jobs are a rarity all over the Congo, but particularly in the east and south, where jobs are a lifeline for the extended family. Those jobs have gone; there are no operations, and of course no tax is being paid.

As other Members wish to speak, I shall conclude by mentioning PROMINES. I am speaking without notes, so I am not sure whether I have mentioned it already, but ProMines is an excellent effort by the British Government, working in conjunction with other Governments, to increase transparency in the mining industry, and to make it legit so that people can invest with confidence. I understand that things were held up briefly at the time of the First Quantum deal, because the World Bank was concerned about that expropriation. The project stalled as a result, but I believe that it is on the go again. It is an essential developmental issue and a super idea. I hope that Minister will speak about it when the debate concludes.

1.37 pm

Paul Uppal (Wolverhampton South West) (Con): I am delighted to serve under your stewardship, Ms Osborne. I congratulate the hon. Member for Falkirk (Eric Joyce) on securing this most important debate.

I shall highlight some of the ongoing problems in the DRC, and particularly the eastern region. Time will not allow me to go into the topic in great detail—I am sure that everyone is aware of the complex and wide-ranging problems that the country faces—so I shall speak instead about women in the DRC, and the frightening and dangerous situation that many women face.

In a recent survey by leading gender experts, the DRC was named as one of the worst places in the world to be a woman. Sexual violence is widespread there, and there are instances of it being used as a weapon of war. I am encouraged that, in recent years, the international community has highlighted the problems of women in the DRC and has campaigned against sexual violence. However, as news reports show, the issue is ongoing, with hundreds of women—and also men, I understand—being sexually assaulted.

To empower women, we need to ensure that stability and peace are brought to the region, a point made by the hon. Gentleman. I was disappointed to learn from news reports yesterday that violence has marred the registration process for the elections. It is important for the international community to ensure that elections are free and fair, and that everyone is able to vote—most importantly, of course, women. If better governance is to be created, it is imperative that the elections be conducted correctly.

I was encouraged to read the Foreign and Commonwealth Office action plan to implement stricter legislation on sexual violence. Progress has been made in recent years with the Congolese law on rape in 2006, coupled with a better understanding and legal qualification of what constitutes rape, and the introduction of UN Security Council resolution 1888. Stability is essential, but we must work to tackle the attitudes and conditions that allow such violence to take place. Training and education for the army is essential, but it must be coupled with a strong legal system that will bring those who commit such crimes to justice.

Tackling corruption is vital. We must also ensure that high-level officials are brought to justice for crimes committed. Government aid to local NGOs, including that provided by the UK, is imperative to ensure that those organisations have the funding to allow them to reach people in towns and villages across the DRC. Such organisations can also encourage women to speak out, empower them to be involved in public life and help to reconcile them to the past. They can also address the issues at a local level. The NGOs will remain after the conflict ends and help to ensure that women's rights continue to be protected. Those are short-term measures, so let me address more long-term issues.

Sexual violence should not just be seen in the context of the instability in the eastern areas. It did not originate from the conflict; the conflict intensified an existing problem. Discrimination against women is of long standing and will need to be tackled, alongside promoting peace, to ensure that women are in a better situation in the years ahead.

1.40 pm

Stephen Twigg (Liverpool, West Derby) (Lab/Co-op): I congratulate my hon. Friend the Member for Falkirk (Eric Joyce) on securing this important debate and the hon. Member for Wolverhampton South West (Paul Uppal) on his contribution. The hon. Member for Oxford West and Abingdon (Nicola Blackwood), Lord David Chidgey for the Liberal Democrats and I were part of an all-party parliamentary group that had the privilege to visit the DRC in May. The two speeches covered some of the issues that we addressed and I want to say a bit more about each of them.

As the Department for International Development is responding to this debate, may I begin by praising the excellent work that it is doing in the DRC and the great lakes region more broadly? It was encouraging to see that the work that was started under the previous Labour Government is continuing under this Administration.

I echo what my hon. Friend the Member for Falkirk said about the elections. Will the Minister tell us what progress has been made towards free and fair elections? My hon. Friend also mentioned the importance of monitors in the previous election. Clearly, monitoring

will be even more vital if the election is to be run by the Congolese themselves rather than by the international community, as has happened previously.

I echo what the hon. Member for Wolverhampton South West said about the role of women in the Congo. Although we met some amazing women politicians in the region, women are sorely under-represented in Congolese politics. When we were in Goma, we met women who had survived rape and other forms of gender-based violence. An incredibly courageous five-year-old girl who had been the victim of a rape calmly told this group of strangers from the United Kingdom the story of her ordeal, which she had already had to describe in court.

I ask the Minister to say something about progress towards the millennium development goals. There is real concern about the continuing high levels of infant mortality in the Congo and low levels of primary school enrolment.

A major focus of our visit was the minerals question, which my hon. Friend rightly focused on today. Perhaps the Minister will update the Chamber on progress at a European level to some kind of European version of the Dodd-Frank legislation that has been adopted in the United States.

At the end of the visit, I had the opportunity briefly to go to Kigali in Rwanda, which has made remarkable progress since the genocide in 1994. The United Kingdom has played an important role in supporting that progress. Clearly, there are concerns about relations between Rwanda and the DRC, especially in relation to the impact of the Rwandan Government's wish to invoke the cessation clause in December 2011, which might exacerbate tensions in the Kivus. I would be grateful to the Minister if he were to say something about that today.

Clearly, there is concern about lack of freedom of the media in Rwanda. I had an excellent meeting with the UK high commissioner in Kigali, and I recognised that the British Government are supportive of efforts to see an opening up of the Rwandan media. I want to put it on record that I appreciate the efforts that are being made by the UK high commission in Kigali.

Mr Angus Brendan MacNeil (Na h-Eileanan an Iar) (SNP): The hon. Gentleman has raised his justifiable concerns about Rwanda. Having been to Rwanda myself with RESULTS UK earlier this year, one of the things that came home to me are the great strides that have been made there. Kagame might have his critics, but if he was being toted around Africa as part of a transfer system for political leaders, he would probably be No. 1 in the African transfer want league.

Stephen Twigg: I agree with the hon. Gentleman. In the five years when I was out of the House, I worked with the Aegis Trust, which established the Kigali memorial centre to the genocide. As friends of Rwanda, we should put it on record that incredible progress has been made under President Kagame, but we must also be candid when we have concerns. I want to put my concerns on the record without in any way detracting from the truly remarkable achievements of that country since 1994.

1.45 pm

The Parliamentary Under-Secretary of State for International Development (Mr Stephen O'Brien): I thank the hon. Member for Falkirk (Eric Joyce) for securing this debate and for giving me the opportunity to reply. I am glad that DFID has been chosen to reply, because it will give me a chance to cover some of the development issues. Much of what is relevant to the DRC is Foreign and Commonwealth Office business, but hopefully I will be able to cover both areas.

The hon. Members who have recently returned from their visit to the region will have had a rewarding and informative visit, as indeed I did when I went with the Minister with responsibility for Africa on a joint visit to the DRC. I went to Rwanda last year. Great challenges remain in all the areas that we visited. The overriding priority is to continue to bring sustainable peace and prosperity to the great lakes region.

There are also an enormous number of potential opportunities, but many of them are choked off, because the conditions for them to be usefully explored are simply not yet in place. Much of the potential is still largely untapped. Let me address the points that have been raised by setting them in the appropriate context. I want to take this opportunity to explain how her Majesty's Government, through DFID in particular, are trying to help to unlock the potential in the DRC and the great lakes region.

The DRC is still recovering from the shock of Africa's first inter-state war in the modern age, which was laid on top of decades of corruption and misrule. Recovery is hampered by continuing lawlessness and armed violence, particularly in the east. The country is physically disconnected, and politically highly disjointed. The hon. Members for Falkirk and for Liverpool, West Derby (Stephen Twigg) have mentioned that the elections must be seriously monitored. That monitoring process will be welcome, because it will encourage independent verifiability At the same time, we must work with civil society organisations to enable them to use their voice and express the various views across the DRC. We all welcome the broad sentiments that were expressed. We hope that the elections go well, and we will do everything that we can to assist the country at this time. It is important for the credibility of the Government that the elections go well. At the same time, though, we must not rush to judgment, and we must enable the process to go through rather than assuming the worst.

The DRC has some of the worst social indicators in the world, and it is far from achieving any of the millennium development goals, which is one of the questions that I have been asked. Violence against women is endemic and horrifying. The country is second to the bottom of the "doing business" league table. Although growth has been sustained through the past decade, the public purse is still far too small to meet basic needs, so there may well be a very small tax take on taxable transactions of value even under normal regulatory conditions. Clearly, there is a lot of work to be done there.

We must all recognise that the MDGs are way off track. That is true whether we consider the number of children being enrolled at school or the number of girls staying on at school. All of us who care about development issues need to consider how we can meet the MDGs and

[Mr Stephen O'Brien]

how the UK, through DFID, can make a transformative difference and help to deliver on those MDGs, The DRC has to be our main focus, which is something that we are determined to do.

There are signs of hope, and our new country programme in the DRC aims to build on those signs. Macro-economic management has improved, which led to international debt relief being granted last year, as I am sure hon. Members know. In addition, levels of violence are slowly dropping, although the amount of violence in the DRC is still extremely high as measured against all comparators. Nevertheless, we must recognise that there has at least been progress in terms of the trend rate. And the DRC Government are showing a greater will—the practice is a long way behind, but there is a greater will—to get the minerals sector under control. I do not mean "control" along the lines of one unfortunate recent incident, which actually amounted to sequestration. What I mean by "control" is appropriate regulation, whereby there is an appropriate opportunity for businesses to take a risk in a predictable environment and for there to be a yield to the country's exchequer under a system of democratic and transparent accountability, which will then be used for the benefit of the people of the DRC rather than to reward any form of elite.

Anas Sarwar (Glasgow Central) (Lab): I am sure that the Minister is sick of the sight of me, after he spent two hours in front of the Select Committee on International Development this morning discussing this very region and specifically Burundi. I want to make a point about mineral extraction. As he knows, members of the International Development Committee have recently returned from visiting the DRC and one of the most shocking statistics that we heard while we were there is that $400 million of gold is extracted each month in the DRC, but only $28,000 is paid in tax each month for that gold. What is his Department doing to try to get greater transparency and hopefully some binding agreements along the lines of the extractive industries transparency initiative and the Dodd-Frank Act?

Mr O'Brien: The hon. Gentleman is entirely right to make that observation. There are various estimates about the DRC, but what he has just said is broadly what we all understand to be the case. Part of the answer lies with what the hon. Member for Falkirk hinted at earlier. He suggested that the lack of confidence among foreign direct investors—confidence they can take the risk of going into the DRC and using their world-class skills to extract the unique assets that the DRC is particularly blessed with—means that 80% or more of all the gold that is mined in the DRC is extracted by artisan extraction, as is the case with the other valuable minerals found in the DRC that are sought on world markets. Of course, that makes it almost impossible to capture the revenue from that activity within any kind of regulatory environment.

That is why we are putting such emphasis in the design of the DFID programme on considering what will create the conditions for private sector development. By that, I mean not just foreign direct investment, which is important, but measures that will help regional economic integration. That economic integration is important not only in the east of the region, which we discussed extensively in the International Development Committee this morning, but across the various corridors in the region, particularly the north-south corridor that includes the copper belt in Zambia and the Katanga region of the DRC. That corridor will be vital for the future of many countries in southern and eastern Africa as trade passes up and down it.

The hon. Member for Glasgow Central (Anas Sarwar) referred to the extractive industries transparency initiative. As he knows, we are a strong supporter of that initiative for resource-rich countries. It is absolutely the right way to ensure that, as part of the measures to build confidence and credibility, people are genuine in both countries—both the UK and the country from which the materials are being extracted—and companies must sign up to it. Both the hon. Gentleman and I welcome the DRC's efforts fully to implement the EITI.

On the Dodd-Frank issue, I hope that the hon. Gentleman knows that my right hon. Friend the Chancellor made it clear at the G20 Finance Ministers meeting in February that the British Government support the development of new international rules that, to some degree, are prompted by the Dodd-Frank Act in the US. Such rules would require oil, gas and mining companies to report payments that they make to Governments. The UK seeks to make progress on that issue in both the G20 and, very importantly, within the EU. This process will work if we move together, so that both a combined, common purpose and combined, common standards and values are reflected in the way those reporting mechanisms are developed.

While I am discussing minerals, perhaps I should talk about PROMINES, which the hon. Member for Falkirk referred to. As he knows, the British Government are co-funding that project with the World Bank, and I was grateful for his complimentary remarks about it. It is a major minerals sector reform programme. A PROMINES agreement is about to be signed with the DRC Government, and it will tighten up regulation in the DRC's minerals sector. Obviously, we hope that it will improve conditions for mine workers and increase tax revenues from mining, which is another issue that we have discussed. That agreement has been cleared by the World Bank's executive board, and we expect the DRC Government to sign it within the next few weeks. That is progress.

If the hon. Gentleman will forgive me, I will not comment on the particular case of First Quantum Minerals, because it is the subject of an ongoing dispute.

In recent years, we have gathered a lot of evidence about how to work effectively in war-torn and fragile states, and the key issue is ensuring that we learn from that evidence. Learning from such evidence, alongside a renewed emphasis on results and value for money, has helped us to develop the new country programme that we have now put in place for the DRC. Through that programme, we believe that we can deliver fantastic results in what is, by any test, one of the world's most difficult aid environments. We believe that we can combine major improvements in basic services, which are much needed, with new efforts to promote trade and investment and, of course, new efforts to create wealth. If we can find ways to create wealth for the broader population, that would be the biggest reliever of poverty.

Over the four-year period of the spending review, we have a total aid budget for the DRC. For the two inner years of that four-year period, we have settled on a budget of about £147 million and £165 million respectively. We will review the progress that is made in the DRC, because we want to ensure that milestones are being identified and that we are achieving results. If progress is made, we have signalled that we want to have a total aid budget for the DRC over the four-year period of about £790 million. That would obviously mean a significant increase in the two outer years of that four-year period.

Without wanting in any sense to undo the absolutely essential element of being in a partnership with the DRC Government in this work, the modalities of delivery have to take place. Often that means that we are unable to use Government systems—for no other reason than that the Government systems do not exist. We must ensure that there is a sense of "earned increase" because progress has been banked and secured, because it is real and sustainable, because it is pro-poor and because it does not benefit those for whom aid might be regarded as being unjustified.

That aid programme will allow us to address the point that was made very forcefully by my hon. Friend the Member for Wolverhampton South West (Paul Uppal) about women in the DRC who are subject to appalling violence, including sexual violence such as rape and female genital mutilation, and who lack access to economic opportunities, including any form of land registration, which would give them the incentive to move into the economic sphere. We hope that we learn the lessons about all those factors.

Jim Shannon: Does the Minister have any concern about the influence of China in the region at present? I believe that there is great concern about it among a great many people in this Parliament and indeed in other countries, too.

Mr O'Brien: The issue is how we all operate in the various countries of Africa. The essence of that is partnership and recognising that we can make a great contribution through development spend, giving aid where appropriate but also having a programme whereby over time we can graduate away from giving aid. Equally, China has an enormous interest in terms of capital expenditure and infrastructure development. Instead of seeing that as a form of competition, there is a real opportunity, which we hope to develop, of having more of a consortium approach, whereby we can partner and perhaps use some of our technical assistance skills allied to the resources of what is unquestionably the world's greatest capital investor. We must also ensure that the benefits of such investment are truly mutual, because nobody enters into a contract without mutuality. Moreover, mutuality must include the poor people of the countries in which the operations take place. Those are ideas that we want to take forward.

I am very conscious that this debate is not only about the DRC but about Rwanda and Burundi, too. Although the neighbourhood issues, not least those affecting areas across the border from Rwanda, are still not sufficiently calm, settled and satisfactory, there has been enormous progress given the cycles of conflict that have played out over recent decades, both in the post-colonial period and more recently. I am pleased to see the hon. Member for Liverpool, West Derby in Westminster Hall today, because I know myself, having been to Rwanda, the great work that the Aegis Trust has done to find a fitting and indeed deeply moving memorial to the events in Rwanda in the 1990s—it defies belief that those events were taking place in our lifetime.

The future progress of Rwanda cannot be taken for granted. There is still an awful lot that needs to be done to build upon the successes that have been achieved so far. There must be strong and legitimate institutions, security and the rule of law to ensure that there is a more open political space, an ability to tolerate media plurality and a lessening of the strains with neighbouring countries. As is widely known, we have a plan to increase our commitment to Rwanda in the future.

I will touch on Burundi briefly. Burundi was discussed extensively in the International Development Committee this morning, but in the last half-minute of this debate I hope that I can at least summarise matters and say that we have thought very carefully about the appropriate modality of delivering continuing aid to Burundi. In particular, we can work through TradeMark East Africa, which is the operating end of the East African Community, and Burundi stands to benefit enormously from the improvements in infrastructure and lowering of costs that are necessary to participate in economic development, while other donors—particularly multilateral donors—fill the gaps.

2 pm

Sitting adjourned without Question put (Standing Order No. 10(11)).

Westminster Hall

Wednesday 6 July 2011

[HUGH BAYLEY *in the Chair*]

Dangerous Dogs

Motion made, and Question proposed, That the sitting be now adjourned.—*(Miss Chloe Smith.)*

9.30 am

Caroline Nokes (Romsey and Southampton North) (Con): It is a pleasure to serve under your chairmanship, Mr Bayley. I am immensely grateful to Mr Speaker for allowing this debate. We can see from the number of Members present in the Chamber what an important subject this is and how much concern it has caused.

I should declare an interest at the outset as the owner of two adorable cocker spaniels. However, although they are both quite mad, exhibiting all the natural exuberance of the breed, neither has an aggressive bone in its body, and they are dangerous only in their capacity to leap around.

The issue of dangerous dogs affects many rural and urban constituencies and has been raised with me on numerous occasions since last year's general election. Experiences differ: in one constituency, I have been faced with complaints about dogs being used as weapons and with the problem of dogs exhibiting pack behaviour and attacking farm animals and domestic pets. I will never forget the day when I received in the post a package containing photographs of a Jack Russell terrier that had been ripped to shreds by a larger dog.

Legislation is outdated and ineffective in addressing a problem that evidence indicates is growing. The Dogs Act 1871 is still in force, but it was significantly updated by the Dangerous Dogs Act 1991 and the Dangerous Dogs (Amendment) Act 1997, which made owning certain types of dogs a criminal offence. Until then, to be responsible for a dangerous dog was only a civil offence. The 1991 Act was a legislative reaction to a series of high-profile attacks by pit bull terriers.

I am not saying that that legislation was wrong, but it has caused heartache for the owners of dogs that have done nothing wrong other than appearing to be of the wrong breed or type. It has certainly not prevented further tragedies—indeed, they have increased—and it has caused police forces and local authorities enormous sums in court cases and kennelling fees. It has been in desperate need of updating for a long time.

Why do I believe that now is an appropriate time to update the legislation? At long last, there is widespread agreement among different organisations about the way forward. Some 20 different bodies, including the National Dog Warden Association, the Police Federation, the Royal College of Veterinary Surgeons, the Royal Society for the Prevention of Cruelty to Animals, the Communication Workers Union and Battersea Dogs and Cats Home have now reached a level of agreement about what might be effective.

Neil Parish (Tiverton and Honiton) (Con): I agree that it is not the dogs but the owners who are dangerous in many respects, especially people with status dogs who train them to be vicious. Such dogs are known to be vicious, and postal workers and midwives go into homes where such dogs have been trained to be vicious and are attacked. We must do something about that.

Caroline Nokes: I thank my hon. Friend for making that point, which I will certainly address later. The crucial point is that in many cases it is the owners who are dangerous, not the dogs.

Any proposed solution must be practical and in the best interests of both dogs and their owners. Not only dog welfare organisations but professional bodies, trade unions and charities covering wide interest areas have all concluded that the current law on irresponsible dog ownership is simply inadequate. New legislation has been passed in both Scotland and Northern Ireland, and consistency across the whole United Kingdom would be helpful. Finally, in an era of austerity, the current legislation places an immense financial burden on hard-pressed bodies, such as local authorities, our police, national health and ambulance services and not to mention animal welfare organisations, which all too often end up picking up the pieces.

Under the Dangerous Dogs Act 1991, it is a criminal offence for a dog owner or the person in charge of a dog to allow it to be dangerously out of control in a public place. Such a dog is defined as one that has injured someone or that a person has reasonable grounds to believe might do so. The most contentious part of the 1991 Act is section 1, which details the breeds of dog that it is an offence to own or keep. Four types of dog are referred to specifically, including the notorious pit bull terrier, Japanese fighting dogs and Brazilian mastiffs.

The original intention of the 1991 Act was that due to the restraints and conditions placed on owners, such dogs would simply die out, having been destroyed or compulsorily neutered, and that they would all have been eradicated by now. However, that clearly has not been the case. Evidence suggests that their popularity, and hence their number, has risen. The number of bull terriers taken in by Battersea Dogs Home has increased dramatically. I mention Staffordshire bull terriers in particular for reasons that I hope will become clear. In 1996, 380 bull terrier types were received at Battersea. Last year, there were nearly 2,500. Many of those dogs were not pit bulls but Staffies. I appreciate fully the clear difference between a Staffordshire bull terrier and an American pit bull. The Staffie is well known as a bold and fearless dog, but it is also affectionate, particularly with children. By contrast, the pit bull is a breed created by interbreeding terriers and bulldogs specifically for illegal dog fights.

Mr Gregory Campbell (East Londonderry) (DUP): I commend the hon. Lady on securing this debate. Does she agree that the trick is to get the balance right so that the law takes action on irresponsible owners of any breed of dog? We need to enact legislation in respect of those owners without penalising responsible dog owners who are prepared to look after their dogs, keep them on a leash and ensure that they do not get out of control.

Caroline Nokes: That is exactly the problem. It is all very well to ban a particular breed, but any dog can be dangerous, whatever the breed. We must consider behaviour and responsible ownership. I am the first to concede that getting that balance right will be difficult. I am sure that that is part of the reason why—

Jack Lopresti (Filton and Bradley Stoke) (Con): I congratulate my hon. Friend on securing this debate. On that point, before we all rush to enact more legislation and regulation, in many cases the current legislation is not always enforced properly. Before we introduce another Act, we must ensure that local agencies, the police and so on enforce current legislation. In many cases, they do not.

Caroline Nokes: That is valid. My hon. Friend makes a good point. Enforcement is certainly not consistent. However, I am seeking consolidation of the legislation to make it easier to enforce consistently across the country.

As I was saying, the problem is that Staffordshire bull terriers and pit bulls share many visual characteristics. Naturally affectionate Staffies are either mistaken for pit bulls by the authorities, resulting in seizure, kennelling and lengthy legal battles to prove that they are not one of the banned breeds, or—which is much worse, in my view—are deliberately selected for their status dog appearance and then trained to be aggressive, or not trained at all. As all of us who are dog owners know, any pet requires a reasonable level of training and discipline to become a pleasant, well-behaved member of the family.

I contend that much behaviour is learned rather than inherent, and that wrong handling or deliberate training to provoke aggression can turn any dog into a potential problem. The rise of so-called status dogs, which are often linked to antisocial behaviour, cannot necessarily be addressed by breed-specific legislation. The real cause of the problem is the owner's actions rather than the breed of dog.

David Simpson (Upper Bann) (DUP): I congratulate the hon. Lady on obtaining this important debate. I pay tribute to Banbridge high school in my constituency, which has taken a great interest in the matter and made it into a project. She has mentioned Northern Ireland. One blight on Northern Ireland is illegal dog fights for gambling and so on. Does she agree that if illegal dog fights are found to be occurring—we need the general public to provide information about them—the full rigour of the law must be brought to bear on the people who hold such fights? Those people train dogs to be vicious, while people who look after their pets properly are penalised.

Caroline Nokes: I thank the hon. Gentleman for raising the problem of illegal dog fighting. He is correct to say there has been a rise in such cases not only in Northern Ireland, but here in the capital, London, in particular. He is right that the full rigour of the law must be brought to bear.

One problem is that, while some dogs may have certain characteristics, it does not mean that they are fighting or status dogs, either by temperament or by upbringing. There is a fundamental problem with the assumption that one breed or type is dangerous and others are not. That misses the point that it is owners, not dogs, who pose the risk, and that a dog's behaviour will be largely dependent on its upbringing, socialisation and home environment. Ultimately, the law should be targeted at individuals taking responsibility for their dogs, not at dogs for simply being dogs.

There is, however, a significant problem with aggressive and out-of-control dogs. I emphasise that much of the problem stems from irresponsible ownership, but we cannot get away from the fact that eight people have been killed in dog attacks in the past four years. According to the Communication Workers Union, 6,000 postal workers are attacked by dogs every single year. Attacks on farm animals cost in the region of £2.8 million a year, and there have been 74 reported attacks on horses in the past three years. Other dogs are certainly not immune. According to the Guide Dogs for the Blind Association, there are three attacks a month on guide dogs.

Jessica Morden (Newport East) (Lab): I congratulate the hon. Lady on securing this incredibly popular debate. I have a constituent whose guide dog was attacked by another dog and, when the guide dog was retired, my constituent was refused a replacement on the grounds that there were too many dangerous dogs in the area. Does the hon. Lady agree that we should ask the Government to look at that specific issue?

Caroline Nokes: The hon. Lady makes a valid point. Guide dogs are not simply pets or companions, because they enable the visually impaired to lead a normal life. It is critical that we look at that problem. It is unacceptable that a blind person should be penalised simply because there is a type of aggressive and unpleasant dog in the surrounding area. Statistics for the number of attacks on family pets in public places are not available, because those attacks are too numerous.

I represent a small corner of New Forest national park, which is extremely popular with dog walkers, and I am conscious from both my own experience and the comments of local residents that not all owners who utilise the area to walk their pets have their dogs adequately under control. I am not suggesting that Wellow common is rife with dog attacks—it is not—but incidents involving out-of-control, aggressive dogs do occur, and for every person or other dog involved, it is not only terrifying, but dangerous.

There is also a significant cost, both to individuals and to the public purse, as a consequence of the rising incidence of dog attacks. Every single strategic health authority has experienced an increase in accident and emergency admissions due to dog bites. It is hard to estimate the financial cost accurately, but attempts to do so indicate that, over the past few years, it has been more than £2.5 million a year. In Hampshire, the local police have experienced a clear rise in the number of incidents involving dangerous dogs, and there is increasing anecdotal evidence of status dogs being used in the county instead of firearms or knives. Among the criminally inclined, there is a growing awareness that the potential punishments for having a dangerous dog are far lower than for other weapons.

Tackling the issue is expensive for my local police force. Last year, it spent about £30,000 on kennelling fees, but that is tiny in comparison with the Metropolitan police, which spends £9,000 a day and has budgeted for £10 million to be available for the seizure and kennelling of dogs over the next three years. For every dog seized, there is a human cost. As owners struggle to prove that their family pet is innocent of any crime, families are deprived of its companionship, and the poor animal

itself is deprived of its liberty and the chance to have a normal existence. The great irony is that the stress placed on a kennelled dog makes that pet more likely to develop behavioural issues.

Dr Thérèse Coffey (Suffolk Coastal) (Con): This is an important debate. Perhaps the Minister will address this later, but does the hon. Lady have any information about the tests that are available nowadays which show the DNA of a dog's parents and their breed types in a matter of minutes? We can use technology to accelerate decisions and make sure that dogs that should not be kept in kennels are released back to their families.

Caroline Nokes: My hon. Friend is right. DNA testing to determine the type of dog is much easier now than it was when the legislation was introduced. It is interesting that, in the past week, the Government have acknowledged the dreadful stress placed on dogs in quarantine and have announced a relaxation of those time limits, yet some dogs whose breed type is under question end up kennelled for several years.

Jim Shannon (Strangford) (DUP): In our previous jobs, my hon. Friend the Member for North Antrim (Ian Paisley) and I were members of the Committee for Agriculture and Rural Development in the Northern Ireland Assembly and were involved in legislative change in relation to dangerous dogs in Northern Ireland. Does the hon. Lady agree that it would be helpful for the Minister and his Department to make direct contact with the Northern Ireland Assembly in order to gauge the lessons that we learned about important legislative changes?

Caroline Nokes: I thank the hon. Gentleman. Progress towards legislative change has been made not only in Northern Ireland, but in Scotland. Such progress has, sadly, been lacking here.

Any legislation must be evidence based, proportionate and, importantly, best debated and drafted away from the perfectly understandable reaction that is always to the fore when there has been a dreadful attack. I do not seek to undermine the importance of and need for legislation to protect the public from dogs that are a danger, that have been trained and encouraged to be aggressive, and that, in increasing instances, are used as a weapon. That is why I welcome several of the components of Lord Redesdale's Dog Control Bill, which was introduced in the other place and is currently on Third Reading. It aims to consolidate existing legislation, give greater flexibility and discretion to enforcers and the courts, include a genuine preventive effect, improve public safety and animal welfare and reduce the costs of enforcement.

At present, enforcers have to wait for an incident to occur before they can step in and deal with the animal. As we have heard, there is a lack of consistent enforcement, but if police have a dog of a banned type drawn to their attention, they must act, whether that dog has done anything aggressive or not.

Mr James Gray (North Wiltshire) (Con): I have agreed entirely with every word my hon. Friend has said until now, but she seems to have slipped back from her argument of a moment ago that it is the deed, not the breed, that matters. She now seems to be saying that it is the breed that matters and that, if the police are aware of a particular breed and that there is DNA evidence or a microchip to prove it, they should step in prior to an incident. Surely the process should be incident-driven, not breed-driven.

Caroline Nokes: With respect to my hon. Friend, that is my exact point. Under the current legislation, if a banned type or breed is drawn to the police's attention, the police must act, regardless of its behaviour. There is currently no provision for an owner to be able to apply to a court for a seized dog to be returned, and the 1991 Act predicts a dog's behaviour based on its physical conformation, which, I would contend, is simply wrong.

Indeed, to drift off into the anecdotal, the dog that made me run in the opposite direction fastest during last year's general election campaign was a golden retriever. That breed is never going to appear on a list of dangerous dogs, but the one that I encountered seemed rather enamoured by the prospect of chewing my leg off. We need to establish in law the principle that it is the deed, not the breed, that determines whether a dog is dangerous or not. That view is widely held, even at the very highest levels of Government.

Ian Paisley (North Antrim) (DUP): As my hon. Friend the Member for Strangford (Jim Shannon) has indicated, I used to chair the Committee for Agriculture and Rural Development in the Northern Ireland Assembly, which is a grand place. Whenever we dealt with the issue of legislation, the key point was that it was backed up by adequate resources, so that the police or whoever was responsible for enforcement—it could be another agency, such as a local authority—would be able to enforce it. The most important issue was that the local authority was adequately resourced by central Government. Whatever legislative change the hon. Lady goes for, I urge her to insist that the necessary resources be made available to allow it to take proper effect.

Caroline Nokes: I thank the hon. Gentleman for that contribution and hope that the Minister will comment on it later.

I would appreciate the Minister's comments on the range of possible measures to tackle the problem. The possible solutions include dog control notices, compulsory microchipping, muzzling in public places and, importantly, training for owners. Rather than generalising a type or a breed, those are practical suggestions that directly address the specific behaviour and the ways to ameliorate it.

Failure to comply with a dog control notice could lead to the responsible person becoming liable to a fine and potentially being disqualified from owning or keeping a dog for a prescribed period. This issue has been the subject of numerous written and oral questions, consultation and reviews of existing legislation. The issue is not confined to cities, but I highlight the work of the deputy Mayor of London, the Metropolitan police and many hon. and right hon. Members who represent constituencies in the capital, where there are certainly greater issues than in other parts of the country. Yet still we have unsatisfactory legislation that does not address the rise of the so-called status dog, which has impacted on the police and on their ability to carry out their role. The legislation desperately needs updating.

[Caroline Nokes]

I urge the Minister to publish the Government's response to the consultation on dangerous dogs, for which we have been waiting a considerable time. Will he also indicate whether he supports the measures in Lord Redesdale's Bill, and whether he will consider introducing compulsory microchipping? I am the first to acknowledge that that is a measure of traceability rather than prevention, but it was simply not an option in 1991 when the Dangerous Dogs Act was introduced. Microchipping was first introduced in the UK in about 2000. The procedure is now commonplace and can be carried out by not only vets but registered practitioners, which has brought down the cost. I appreciate that microchipping will inevitably be most prevalent among the law-abiding majority, but it will indelibly link dog to owner and provide an important step forward.

Obviously there will need to be a register that is updated at every change of ownership, but dogs do not change hands that often. The vast majority of owners have dogs for life and, although I understand concerns that a register will be another imposition on responsible citizens, it will also be a way to steadily move towards a situation in which owners are accountable and dogs behaving in an antisocial way are identifiable. If there is no excuse for mistaken identity, enforcement officers will be able to judge the deed not the breed.

Mr Gray: I absolutely agree with my hon. Friend up to now. However, does she not remember the days when we had dog licences? They did not work. The bad guys did not have them; only the good guys had them. Surely what she is proposing is a bureaucratic, interventionist, centralised solution to the issue. If we want to deal with the problem of people who have criminal intent and behave badly, licensing dogs will not achieve that.

Caroline Nokes: I thank my hon. Friend for that intervention, but I disagree with him. This is not about licensing; this is about being able to scientifically identify a dog that has perpetrated some sort of unpleasant deed. Many other types of animals are microchipped and are identifiable from birth. We could easily have registers that trace any transfer of ownership. As I have said and as the Dogs Trust has taught us, a dog is for life, not just for Christmas. They rarely change hands, and we simply need to move to a situation whereby we can identify who is responsible for which dog.

As I said at the outset, we are 20 years on from the Dangerous Dogs Act 1991. Police forces, animal welfare organisations, vets and nurses all believe that that legislation failed to solve the problem. It is high time that that failure was addressed.

Several hon. Members *rose—*

Hugh Bayley (in the Chair): Order. It is clear that there is likely to be more demand than supply when it comes to speeches. I intend to start the winding-up speeches at 10.40 am, so we have about 50 minutes for debate. I do not have any power to stop Members speaking, but I ask people to try to be kind to their colleagues.

9.53 am

Angela Smith (Penistone and Stocksbridge) (Lab): It is a pleasure to contribute to this debate under your chairmanship, Mr Bayley. I congratulate the hon. Member for Romsey and Southampton North (Caroline Nokes) on securing this important and timely debate. The vital context for many of her comments is the consensus, to which she referred, around the need to introduce, update and consolidate the laws on dog control. The fact that Scotland and Northern Ireland are legislating makes it important that we follow the lead of the devolved Assemblies and update the legislation.

The hon. Lady set out clearly the case for changing the law. Between 2004 and 2008, the Royal Society for the Prevention of Cruelty to Animals has seen a twelvefold increase in reports of dog-fighting. As she mentioned, more than 6,000 postal workers are injured every year by dogs. The estimated cost to the state of dealing with issues relating to irresponsible dog ownership is £76.8 million, which does not include the costs of dog welfare enforcement. That figure alone indicates the need to update the legislation, prevent and educate in order to reduce the incidence of irresponsible dog ownership, thereby reducing the overall cost.

Some 2,500 adults and 2,200 children were either treated in A and E or admitted to hospital for dog-related incidents in 2006-07, and eight people were killed by dogs in the past four years—six children and two adults. I think we would all agree that that is six children and two adults too many. In addition, some 197 people were seriously injured.

In an age of austerity, we can't go on like this, to borrow a phrase from the general election. We need to educate, prevent and enforce. Many hon. Members have long been persuaded of the need to act. For me, the starting point was Christmas 2006, when there was a horrendous attack on a postal worker called Paul Coleman in Sheffield. He was dragged to the ground by a dog in a street outside the property at which the dog resided. Paul Coleman suffered horrendous injuries. He needed plastic surgery and skin grafts to his leg to try to repair the damage. I have met him and the scars from that attack are visible to this day. The psychological scars will remain for ever, along with the physical ones.

Dr William McCrea (South Antrim) (DUP): I accept that it is vital that on the mainland in the United Kingdom there is an essential strengthening of the legislation, and we must get it right. However, that in itself is not the answer. We need to ensure that the legislation is enforced. How does the hon. Lady think that will be done in reality?

Angela Smith: I will come on to that later, because it is a very important point.

After the attack I mentioned, the Communication Workers Union—the postal workers' union—launched its bite-back campaign, which has been incredibly successful in raising the profile of the issue. I think that the Minister acknowledges that. I place on the record today the importance of the work done by the CWU in partnership with the RSPCA. They have played a critical role in bringing us to where we are today. About three years ago, I introduced a ten-minute rule Bill based on the bite-back campaign to try to get the law changed.

However, before I could get the Bill on the Floor of the House, there was another serious attack involving a postal worker in Cambridge, who nearly lost his arm as a result of a dog escaping from inside the gates of a property. Two Rottweilers dragged him to the ground and, as I say, he nearly lost his arm.

In that case, there was an attempt at prosecution on the grounds that the dog attacked on public property. However, the case was thrown out because the attack happened in an unadopted cul-de-sac. That judgment effectively means that there is very little protection not just on private property, but beyond the boundaries of what most of us would understand to be private property. That case alone highlights and underlines the need not only to consolidate, but to strengthen the law, as the hon. Member for South Antrim (Dr McCrea) mentioned a moment ago.

Andrew Griffiths (Burton) (Con): I would like to mention a case in my constituency, where a young child was attacked by a dog on private property. After the child had been taken to hospital and things had calmed down, the parents understandably rang the police and said, "Can you do something?". They were told, "We can't act because it's on private property and therefore it's a civil matter." Surely we must do something about such cases.

Angela Smith: We must absolutely do something about that. Every single time a child is seriously attacked or killed on private property, usually in the home of a grandmother or a relative, it makes it incumbent on legislators to strengthen the law, so that we can reduce and possibly eliminate such attacks. It is absolutely critical that we act. I am fed up of being asked to go on radio or television to comment on yet another attack on a child on private property, or another attack on a postal worker, a midwife, a health visitor and so on. It goes on and on.

Last year, Labour Members persuaded the then Prime Minister, my right hon. Friend the Member for Kirkcaldy and Cowdenbeath (Mr Brown), to initiate the consultation that we are discussing. I place on the record my appreciation of the work of my right hon. Friend the Member for Kingston upon Hull West and Hessle (Alan Johnson), who was then Home Secretary, and my hon. Friend the Member for Poplar and Limehouse (Jim Fitzpatrick), who was at that time a Minister in the Department for Environment, Food and Rural Affairs. They were both absolutely instrumental in persuading the then Prime Minister of the need for change. The consultation finished more than a year ago, and since then the case for updating the law has not changed. The health costs of dealing with dog-related injuries have not reduced. In fact, if anything, the case since June last year has strengthened.

What needs to be done? The hon. Member for Romsey and Southampton North laid out the case for change very well indeed. We need to prevent. We need dog prevention notices, or dog ASBOs, as they are often called. That may require a range of measures on the part of a dog owner to restrain and control a dog properly, including muzzling in public and keeping a dog on a lead at all times. There are all sorts of measures that could be included in a dog penalty notice to encourage more responsible ownership. I agree with the hon. Lady that we need to repeal section 1 of the Dangerous Dogs Act 1991. It is deed, not breed, and it is the owner, not the dog, that we need to focus on in legislation.

We need to enforce, which is a point that was raised earlier. We need the law to apply to private property, so that enforcement can be initiated. At the moment, it is impossible to do anything at all. We need a range of penalties for irresponsible dog ownership, including disqualification if necessary and/or deprivation of ownership. We need more severe penalties, especially at the extreme end of irresponsible dog control, involving dogs as weapons. We need more consistent and effective enforcement of dog control measures, including, if necessary, more dog wardens and police dog legislation officers. That is the point about the microchip and the reintroduction of a licensing system. That system not only helps with enforcement, but means that we can raise the funds necessary to enforce more consistently across the country; that is the key point. Local authorities will lose 28% of their budgets in the next four years. They need the funds to enforce properly, as do the police.

We need education. We need dedicated budgets for local authorities and trained officers to be made available, not just to enforce new legislation, but to ensure that owners are educated about responsible dog ownership. I met a woman a couple of years ago whose dog attacked her own child on her own property. She was in the house doing a bit of hoovering. The dog attacked her boy in the garden, and she has never reconciled herself to what happened that day. She is now passionate about the need to educate owners about responsible dog ownership.

I think it seems obvious to everyone in the Chamber that nobody should ever leave a dog alone with a child, but people out there do need to be educated on these points—they need that. Education is critical to the success of any legislation. There is public support for updating the legislation: 78% of the public want the law updated and consolidated. I call on the Minister to put on the record today that he will inform the House, before the recess, of his response to the consultation, and that he will recommend that we update and consolidate the legislation.

Finally, the Prime Minister sent a letter to the Communication Workers Union on 30 April 2010, in which he stated that his party's manifesto pledged support for

> "updating the Act in such a way that it provides adequate protection for all and ensures that dog owners are fully responsible for their dogs."

He went on:

> "We support extending dangerous dogs law to cover all places including private property".

I therefore call on the Minister to fulfil the manifesto commitment, and the commitment made by the Prime Minister last year.

10.3 am

Angie Bray (Ealing Central and Acton) (Con): I, too, congratulate my hon. Friend the Member for Romsey and Southampton North (Caroline Nokes) on securing this important debate.

I first raised the issue of dangerous dogs in my maiden speech in the House last year. Having heard a number of horror stories from constituents about out-of-control dogs terrorising parks and open spaces, it

[Angie Bray]

was quickly obvious that Ealing and Acton, like the rest of London, has a serious problem. I put on record my support for the approach in the coalition agreement—cracking down on irresponsible owners who use their dogs as weapons—and I hope that we still agree that that is the correct approach. This debate is important, a year on, because we really need to see some action.

There have been some whisperings that an announcement from the Department for Environment, Food and Rural Affairs might be imminent. I shall be interested to hear the Minister's words this morning. It is true that last year's DEFRA public consultation provided some interesting responses and talking points, as I am sure the recent Home Office consultation on antisocial behaviour will. Yet, in essence, that is part of the problem. The issue of dangerous dogs cuts across several Government Departments. We need a co-ordinated approach to finally get something done.

My Adjournment debate on dangerous dogs, this time last year, touched on that. In my speech, I focused on two measures that I thought might be helpful as a way forward. At the time, the Minister reacted positively. The first measure would be to attach court orders to the sentence of anyone found guilty of a crime involving violence or drug dealing. Those court orders would ban the person from being in control of a dog in a public place for a fixed amount of time. My local police assure me that that would be easily enforceable—they know their local criminals. That would not deal with the problem entirely, but would provide a measure of reassurance to the public. The second idea is to make local authorities attach conditions on dog ownership to tenancy agreements. I am pleased to hear that a number of local authorities are considering that and beginning to apply it. That would go some way towards dealing with dogs that are a nuisance to neighbours, as would a requirement to microchip, which is essential to ensure proper responsibility. I am aware, however, that neither of the measures are necessarily areas that DEFRA could take the lead on. Nevertheless, this is a pressing problem, and we need a common approach across Departments.

The issue filters down to a local level, too. Our local dog warden in Ealing has told me on a number of occasions how frustrating it is that doing something about dangerous dogs is talked about endlessly, but nothing ever actually gets done. Similarly, he cannot understand why each borough attempts to tackle their own problem in their own way, often quite differently. He feels that a common approach is surely needed. We need direction from the top.

The Deputy Mayor of London, Kit Malthouse, has been leading the way on the issue for the Mayor of London, as my hon. Friend the Member for Romsey and Southampton North mentioned. His focus on getting tougher sentences for owners of weapon dogs or status dogs—whatever you want to call them—who use their dogs for crime, is entirely right and a good example to follow. I hope that we start to see some action soon. He also wants tougher enforcement against ownership of banned breeds. I take the point that we are talking about deeds rather than breeds. I also suggest that it tends to be dangerous owners who are more of a problem than dangerous dogs. We have to recognise, however, that there are breeds that very much lend themselves to weapon status, and they must be controlled. Kit Malthouse says, rightly, that the whole court process must be speeded up, partly to save the public purse from the costs of kennelling, which costs £2.5 million a year in London alone, but also because it is cruel to keep animals cooped up for weeks on end.

Speaking as a London MP, I am only too aware that our open spaces are especially precious in built-up areas. That is why it is so galling when some thug dominates the space with a weapon dog kitted out with the usual status paraphernalia and spoils everyone's pleasure. Not so long ago a puppy was ripped to pieces in Walpole park in my constituency, in front of a distraught mother and her son. I also recognise, however, that we need to amend the law to cover private land. The law must be able to intervene when a dog attack takes place on private property, just as it can in a case of domestic abuse. Somebody pointed out the other day that it seems ridiculous that if a postman puts his hand through a letter box and is bitten by a dog, no action can be taken. However, if the owner of the house happened to be standing behind the letterbox and for some reason decided to bite the hand of the postman, that would automatically be an assault—an offence that the police would look into. We need a proper balance. We must protect those workers who need access to private properties and children who are at risk.

The problem will not go away. It is getting worse and we need our Ministers, right across Government, to get together and sort it out before we are all confronted by yet another terrible tragedy.

10.9 am

Jim Fitzpatrick (Poplar and Limehouse) (Lab): It is a pleasure to see you in the Chair this morning, Mr Bayley. I congratulate the hon. Member for Romsey and Southampton North (Caroline Nokes), who saw off a lot of competition to secure this debate, on giving us all the opportunity to have this discussion with the Minister.

I asked about dangerous dogs twice last week in the House, at Home Office questions and in Department for Environment, Food and Rural Affairs questions. As the hon. Member for Ealing Central and Acton (Angie Bray) has just said, because the issue is cross-departmental, it is more complicated. However, I was grateful for the positive responses from both Ministers on the Treasury Bench. Also, as was referred to earlier, the coalition agreement is positive in that its programme for government states:

> "We will promote responsible pet ownership...and will ensure that enforcement agencies target irresponsible owners of dangerous dogs."

On the back of last year's DEFRA consultation, which received more than 4,000 responses, I and other colleagues hope that the Minister will indicate the Government's conclusions and the way forward.

I have had, as have many colleagues, various meetings with a number of organisations, most recently with the Dogs Trust, the Battersea Dogs and Cats Home, the Royal Society for the Prevention of Cruelty to Animals and the Association of Chief Police Officers. They all want a Bill. I am grateful to them for their briefings, and the consensus across the piece is that any Bill must consolidate legislation concerning dog control, allow

greater flexibility and discretion to enforcers and the courts, include a genuine preventive effect, update some offences, improve public safety and animal welfare and reduce the cost of enforcement, all of which have been referred to by colleagues so far.

As the hon. Member for Romsey and Southampton North said, breed-specific legislation is not effective in tackling the real cause of the problem, but should—there is agreement—relate to the owner's acts and omissions rather than the type of dog. All the groups mentioned also believe that, without the political will to repeal breed-specific legislation, it must be amended to ensure better canine welfare and a clear strategy must be put in place to phase out the breed-specific legislation. The third main pillar of the consensus is that the scope of updated legislation must be extended to cover all places, including private property, to ensure better public safety and animal welfare. It must also provide suitable defences for responsible dog owners—for example, if people are attacked and their dog defends them. I want to focus a few remarks on the third point.

I was e-mailed by two constituents, Mr and Mrs Sprosson of Wapping. They were walking their dog last Friday and were subjected to a vicious attack by a dogo Argentino. Both their dog and Mr Sprosson were seriously injured. It was very much the usual story, with no owner in sight, although one eventually came into the open. My constituents are very unhappy with the response to their 999 calls to both the police and the ambulance—I am pursuing those concerns with the borough police commander and the chief executive of the London ambulance service—but those responses were almost symptomatic of the problem caused by inadequate legislation, which does not give the emergency services clear indications of how they ought to respond. Mrs Sprosson, in her e-mail, concluded:

> "It is only a matter of time before this dog attacks again. Judging by its size, strength and alarming aggression it could easily kill a child and very badly damage an adult. What will it take for the police to address this terrible situation? How many more people will it be allowed to damage before they are forced to take action?"

The statistics, quoted by many and in the speeches this morning, are quite clear. We have seen a twelvefold increase in dog fighting between 2004 and 2008, according to figures from the RSPCA; 6,000-plus attacks on postal workers every year, according to the Communication Workers Union; 1,000-plus dogs seized by the Metropolitan police in 2009 and 2010, according to the Mayor of London's office; and, sadly, as has been referred to, eight people killed and 197 seriously injured in the past four years. All of that is costing the taxpayer money, quite apart from the untold suffering.

I have not mentioned compulsory microchipping for all dogs, which many of us support, although perhaps not the hon. Member for North Wiltshire (Mr Gray). That would be a modern, 21st-century solution to registering dogs, tracking owners and ensuring that those responsible are held to account when things go wrong.

In conclusion, there is cross-party, animal welfare, police and public support for a Bill dealing with dangerous dogs and irresponsible owners. The Minister is sympathetic and DEFRA and the Home Office want to make progress. Colleagues in the Chamber are not being over-critical but genuinely trying to be helpful in giving momentum to what Ministers and civil servants want to achieve, which is updating the legislation.

10.15 am

Simon Hart (Carmarthen West and South Pembrokeshire) (Con): I am grateful to you, Mr Bayley, for allowing me to speak now. I join in the congratulations for my hon. Friend the Member for Romsey and Southampton North (Caroline Nokes).

I will deal with two issues, one of which is to add to the momentum about consolidation, and the other is to touch on the law of unintended consequences. I have been fascinated and to some extent enlightened by the rare outbreak of consensus among all parties—we seldom hear so many hon. Members making the same points for the right reasons in Westminster Hall or the main Chamber—but one issue does concern me. There has been much reference to evidence and statistics that suggest an increase in attacks by dangerous dogs or, indeed, by dogs. Is that a trend with evidence to which the Minister can refer us, or is there simply a greater awareness or reporting of such incidents? Is there perhaps greater enforcement of which we are not aware, because we might not be privy to the statistics, and can the Minister put us right?

Another important point was the reference to the Dangerous Dogs Act 1991 as amended. If ever there was an example of a piece of legislation that has clearly had no effect, the 1991 Act is surely it. Many of the speeches made today were made then as well, back in 1991, with just as much passion and feeling. Legislation was forthcoming, and those in Parliament at the time presumably felt that they had done the right thing by voting for the legislation; yet, a few years on, here we are, having the same debate and referring to statistics that appear to have got worse rather than better. So I ask the Minister to exercise some caution in thinking that the solution to the problem mentioned by so many Members is simply further legislation. Unless we deal with the problem of enforcement, such legislation will serve only to restrict legitimate dog owners, while not restricting illegitimate ones, which is contrary to what we are all attempting to do.

I want to touch on the six pieces of existing legislation, although I will not go into them all. There are provisions in the Dogs Act 1871, as amended in 1989, for some civil recourse for people such as postmen who might be the victims of vicious dog attacks. I note that no one has highlighted the plight of poor old parliamentary candidates—apart from my hon. Friend the Member for Romsey and Southampton North, who touched on the issue—who might also find themselves being attacked on private property.

Angela Smith: To satisfy the hon. Gentleman, I put on the record that I was attacked in the general election last year, in precisely the circumstances outlined earlier—the hand through the letter box and the dog on the other side—so I sympathise with the plight of parliamentary candidates in elections.

Simon Hart: I do not think that there would be much public sympathy for our plight, but it might be the only area in which we could generate some sympathy for ourselves. That is why I made the point. I accept that such an incident is a civil rather than a criminal matter, so that might need some attention as part of any consolidation process that follows. We must also not overlook the Animal Welfare Act 2006 or the Policing and Crime Act 2009, which do at least provide an opportunity for injunctions forbidding ownership.

[Simon Hart]

As other Members have mentioned, there is therefore quite a lot of legislation, dealing with quite a lot of issues, varying from using dogs as a form of weapon to using dogs in a way that might cause them suffering, let alone the people that they might come into contact with—indeed, there is a power to prevent some people from owning dogs at all. Such provisions already exist, suggesting that instead of new legislation necessarily being the solution, the proper and cross-departmental consolidation of existing legislation might be the way to proceed.

I also want to touch on the law of unintended consequences. There are some grey areas in what constitutes a dangerous dog or activity that might cause alarm and distress to members of the public. Plenty of dog owners have fallen foul of concerned if not mischievous people who are worried that the activity of a dog might be dangerous, although it is not at all. We must protect those whose livelihoods depend on working dogs. There is a distinct line to be drawn between legitimate scrutiny by law enforcement agencies and individuals, and people who may simply be caught up as a consequence of owning a dog responsibly and thoughtfully, but which might seem to an outsider to pose a danger. There have been numerous examples of people who have fallen foul of that distinction.

This debate has shown, if nothing else, that the Dangerous Dogs Act 1991 did not have the desired effect, nor did the Dangerous Dogs (Amendment) Act 1997. Clearly, there is much work to be done on the activities of irresponsible dog owners, for which the dog usually gets the blame. One wonders whether some of the measures for dog control notices that have been suggested or are in place would be better applied to the owner instead of the dog. The point raised by my hon. Friend the Member for Romsey and Southampton North about attitude and education is crucial. I fiercely defend the Minister's position that the Government are not bossy and that it is not their business to interfere with people's daily lives, but there is line to be drawn.

With a little knowledge, a lot of progress can be made in persuading, educating and informing people about the difference between irresponsible dog ownership and responsible dog ownership, and that could be easily and cheaply achieved. Consolidation of existing legislation, coupled with other measures, would be a sensible and proportionate way forward.

10.22 am

Simon Wright (Norwich South) (LD): I congratulate my hon. Friend the Member for Romsey and Southampton North (Caroline Nokes) on securing this debate. The behaviour of aggressive, violent dogs and their irresponsible owners has been raised with me by constituents time and again. Earlier this year, I was presented with a petition of more than 350 signatures from residents living in the West Pottergate area of the city demanding that local authorities take action. I heard terrible stories from some of those residents about pets that had been mauled to death by loose dogs running freely around their neighbourhood. Patricia McAndrews saw her dog killed by a Staffordshire bull terrier in September, and Patricia Harker lost her kitten to another aggressive dog in the same area.

The residents who came to see me told me of their fears, not only for their pets and their neighbours' pets, but for children. Horrifyingly, their fears were realised on Friday last week when a 10-year-old child was attacked by two dogs in a park near West Pottergate and sustained injuries to his arms and legs. Those residents are right to call for action and right to call for protection, so that they can enjoy their neighbourhood without fear of what may happen to them or their own loved pets if confronted by a dangerous dog.

As we have heard, the problem is generally with so-called status dogs, which are kept not as pets but as symbols of aggression or, even worse, as weapons. We would not allow young men on the streets waving knives around, but dogs in the wrong hands can be just as dangerous. Many dogs have been deliberately trained by irresponsible owners to be aggressive and violent, and others have been neglected, abused and deprived of the love and attention that other pets receive and develop an aggressive personality as a result. Those owners have no respect for their animal, and instead see them as a means of gaining respect for themselves, but fear does not equate to respect.

One breed that has been abused as a status dog is the Staffordshire bull terrier, but I want to say a few words of support for the Staffie. It gets some dreadful press, partly due to its historic use as a fighting dog, and because it is also associated with many reported incidents, including some of those that I mentioned in Norwich. My brother is the proud owner of a Staffie called Milo—a lovely dog with an affectionate and playful personality. To assume that all Staffies are aggressive is far from the truth, as I have seen for myself. Indeed, the UK Kennel Club describes Staffies as

> "Extremely reliable, highly intelligent and affectionate, especially with children."

The temperament of any animal will always be due in large part to the care and attention that it receives at a young age from its owner. When we talk about dangerous dogs, it would often be more reasonable, as other hon. Members have said, to refer to dangerous owners. Government policy should focus on responsible ownership over and above a breed-specific approach.

Returning to the situation in West Pottergate, I have been asking Norwich city council to introduce a dog control order to require owners to keep their dogs on leads in public in that part of the city. Compelling people to keep dogs on leads raises questions about whether it is fair for responsible owners of harmless dogs to have their liberty constrained, but I do not believe that that argument holds up in areas with an established problem. Many responsible pet owners are terrified of what could happen to their animal, and many would gladly exchange the right to allow their animal to run free in problem areas for greater peace of mind. I will continue to make the case for dog control orders as part of a proportionate response to a real problem, and I hope that there will be no more incidents before the council changes its mind.

The compulsory microchipping of dogs has been mentioned and is endorsed by the RSPCA and others. There is merit in such a policy, and it would certainly be of huge help in tracing stray and lost animals, but in the context of today's debate, it would also help authorities to identify ownership and accountability of dangerous dogs immediately. However, if a compulsory scheme is

introduced, it needs to be done in such a way that it will make a difference. I suspect that responsible dog owners will be queuing up with their pets, and the irresponsible—those whom we are most concerned about in today's debate—will try to find ways of avoiding the system. Any system must be watertight.

A significant issue is who should bear the burden of cost. It would almost certainly be the owners of the pets, but if the system were not watertight, it would not be fair for responsible owners to shell out £35, while those whom we are most concerned about today fail to do so. The system must be drawn up in such a way that it would minimise the risk of large numbers of dogs being made homeless by owners who would sooner dump their pet than pay for microchipping. That prospect could be minimised by applying the new compulsion at times of change of ownership of the animal, or by exempting groups of owners who find it hardest to pay the charges. Microchipping may have an important role to play, but these issues need to be clearly addressed in any scheme.

This debate is important, and my constituents are eagerly awaiting the Minister's response. I appreciate the Government's difficulties in reconciling the rights of responsible pet owners with irresponsible ones. The issues are quite complex, and proposals cannot be rushed. However, many of my constituents are appalled by the dreadful treatment that many dogs receive at the hands of their owners, and horrified by the all-too-real consequences on the safety of the wider community. They are calling out for the Government to help to make our neighbourhoods and areas such as West Pottergate safe for animal lovers, for children and for all who wish to enjoy public spaces without fear of out-of-control dogs. If the Minister can explain how new measures can make all pets safer from both aggressive dogs and abusive owners, he will have the support of animal lovers throughout the country. We must address this issue before more pets and children become victims of aggressive dogs and dangerous dog owners.

Several hon. Members *rose—*

Hugh Bayley (in the Chair): Order. Three hon. Members are trying to catch my eye, and 12 minutes remain.

10.28 am

Caroline Dinenage (Gosport) (Con): I add my congratulations to my hon. Friend the Member for Romsey and Southampton North (Caroline Nokes) on securing this valuable debate. You will be pleased to hear, Mr Bayley, that my comments will be brief. I shall concentrate on the increasing incidences of status dogs—dogs that have been bred and, more importantly, trained to be weapons.

The Government have made inroads in tackling antisocial behaviour and violence on our streets. Knife crime has been vilified, and serious steps are being taken to stem the gang culture and youth violence that fuelled its rise. In place of the knives and offensive weapons that people carry in their pockets, more imaginative ways are springing up for people to look scary, fierce and suitably menacing. Status dogs should be seen for what they are: a violent weapon, a source of fear and something that fuels the rise in crime and antisocial behaviour.

As my hon. Friend the Member for Carmarthen West and South Pembrokeshire (Simon Hart) said, we do not necessarily need more legislation, but we must ensure that existing legislation is interpreted correctly and is flexible enough to get to the heart of the problem. We need to bring about a culture of more responsible and positive dog ownership.

The rise of the status dog is striking. Between 2004 and 2008, the Royal Society for the Prevention of Cruelty to Animals reported a twelvefold increase in reports of dog-fighting. Over half those cases involved youths fighting with their dogs in the street. A clear connection exists between the breeding and training of such dogs and criminal activity, and dogs are often used as a way of threatening and coercing others. As many of my colleagues have mentioned, attacks on humans have also increased and convictions have doubled over the past decade.

That troubling rise has been confirmed by my experiences and those of my constituents in Gosport. A great number of constituents have contacted me, sometimes in great distress, following attacks on much-loved family pets in public places. Dangerous dogs make the streets less safe for all by supporting and exacerbating violent crime. Current legislation is failing to deal effectively with the use of dangerous dogs as weapons, and ownership of the four breeds prohibited under the Dangerous Dogs Act 1991 has increased. Perversely, the pariah status of such dogs is an attraction for youths involved in violence.

I want to see a more cohesive vision for tackling the use of dogs as weapons. We must recognise that such dogs are part of a wider network of street violence and antisocial behaviour. The most troubling attacks—those linked to gang warfare—must be met with immediate and severe penalties. Furthermore, courts must be enabled to disqualify offenders from dog ownership altogether when the clear intention is for dogs to be used to cause harm.

We must not lose sight, however, of the suffering of the animals. Despite the danger that they pose to the public, in many cases their experience involves severe animal abuse. Through a partnership between the police, councils and animal welfare charities, it is possible to combine effective enforcement with wider educative goals. Dog ownership can have a beneficial and socialising effect on disadvantaged and demonised youths. Pioneering work has been done by organisations such as BARK—Borough Action for Responsible K9s—which seeks to teach responsible animal ownership in deprived and crime-ridden areas.

The beneficial and socialising effects of dog ownership on disadvantaged youths presents a powerful case for thinking imaginatively about future legislation. The straightforward ban on breeds and the reactive enforcement action of the current legislation has proved ineffective in the face of an increasing use of dogs as weapons. Such animals present a serious threat to the public; they are a significant prop for street violence, but in themselves a tragic example of animal abuse. I welcome this debate, and I look forward to hearing the Minister's thoughts on proactive steps that could be taken to address the issue of dangerous dogs and the wider culture of gang crime and animal cruelty that perpetuates their use.

10.33 am

Martin Horwood (Cheltenham) (LD): I, too, will try to be brief. I congratulate the hon. Members for Romsey and Southampton North (Caroline Nokes), for Ealing Central and Acton (Angie Bray), and for Penistone and Stocksbridge (Angela Smith) on their accurate and appropriate comments about this serious issue.

I would like to draw the Minister's attention to the latest in a long series of cases that have hit the headlines in my constituency. On 7 May, the headline in the local paper stated: "Savage dog went in for the kill". It recounted the story of an Alsatian cross called Cleo that suffered horrific injuries at the teeth, I suppose, of a husky-type dog in Springfield park in Cheltenham. Her owner was 71-year-old Mr Robbins, who has already had a triple heart bypass. I imagine that he was terrified by the whole incident. It probably posed a threat to his health, and it would certainly have terrified any bystanders, especially parents, who may have imagined what could have happened had it been their child, rather than another animal, that irritated the dog. Mr Robbins said:

"It was a vicious attack and it was horrible to watch...The man was kicking his dog to get him to stop."

The dog that attacked Cleo was on a lead, but dragged its owner to the ground as it pounced. According to the article,

"Police have not established whether the owner of the other dog could be charged with breaching the dangerous dogs act."

That may provoke looks of astonishment from the Minister and other hon. Members, but we can draw a few conclusions from that story. First, the dog in question was not one of the four banned breeds—I am not sure when a Japanese Tosa was last seen in Gloucestershire, or whether Gloucestershire constabulary would recognise it if it saw one. Although that part of the legislation should remain—I would not want to be the Minister who removed it and later saw an attack by a dog of that breed—emphasis needs to shift away from breed and towards behaviour.

Secondly, because the attack was on an animal rather than a human, it carries less weight under the Dangerous Dogs Act 1991, and that issue needs to be tackled. Thirdly, the owner tried to control his dog by kicking it which, as we have often noted, suggests that the origin of the dog's problem lies with the owner. As the hon. Member for Ealing Central and Acton rightly pointed out, there is no definitive way of identifying a dog's owner. I know from Cheltenham animal shelter and other places that at times, people have claimed ownership of a dog until they realised that they were at risk of prosecution, at which point they passed the animal to someone else. That also has to be tackled. Universal microchipping is ready to roll. Welfare charities know how to run the system; it takes seconds and costs a few pounds, and if it makes a surplus to enable the provision of more resources for dog control, that would be desirable. The time for universal microchipping has arrived.

We must not, however, wear rose-tinted spectacles when looking at this issue. As well as owner behaviour we must tackle dog behaviour. If a dog is showing extremely aggressive behaviour, as in the case I mentioned in my constituency and other such instances, we need powers to deal with that. The Association of Chief Police Officers, the Royal Society for the Prevention of Cruelty to Animals and other organisations have pointed out the importance of early intervention. Whether or not that involves control orders—dog ASBOs, as they have been called—we need something to enable properly licensed persons in a local area, including those who work in animal shelters, local authority employers and the police, to exercise professional judgment about whether a dog is dangerous.

One animal I saw at Cheltenham animal shelter was so aggressive that the well-trained staff could approach it only with a humane version of a cattle prod. They were not clear who the owner was, and did not know whether, if someone claimed to be its owner, they would have to release that dog out into the community. The dog that attacked poor Cleo is still at large in Cheltenham. Something is badly wrong if we cannot confiscate a dog when necessary. Even if no attack has taken place on a human being or been documented to the satisfaction of current legislation, if a dog is clearly aggressive in the eyes of professionals, they should have the power to confiscate it. They do not necessarily need to put it down; it could be neutered, trained or re-homed. In extremis, sometimes a dog may need to be put down. Unless such matters are tackled with care and a degree of urgency, I fear that I will read more headlines like the one that I quoted from the *Gloucestershire Echo*, and I would not want that. I hope that the Minister understands the urgency of the problem.

10.38 am

Paul Uppal (Wolverhampton South West) (Con): I congratulate my hon. Friend the Member for Romsey and Southampton North (Caroline Nokes) on securing this debate. I have one minute and 30 seconds for my speech, so I will make one basic point. For me, the issue comes down to basic common sense, and in that respect, dog-owners are like parents. I echo the sentiment that the issue is not about dangerous dogs, but dangerous owners.

I am a parent of three children, and in the minute that remains I would like to repeat a brief quote. When I was a candidate, the wisest thing said to me came from an individual in a mosque who recited a saying that I believe is 3,500 years old. It is an Indian Veda; it may be apocryphal, but its essence is as follows: we spend time with children from the age of nought to seven; from seven to 14 we educate them; and from 14 to 21 we love them unconditionally. If dogs are brought up in an environment where they have little engagement with their owners and little emotional input, are we surprised that society has to pick up the pieces? In essence, it is about responsibility.

I will finish by echoing the words of my right hon. Friend the Prime Minister. If a person chooses to own and look after a dog, they should be legally responsible for the actions of that dog. In agreeing to take the dog into their home, they must ensure that the dog is safe and behaves appropriately wherever it is. That is the essence of the issue. I am sure that my right hon. Friend the Minister will cover all the other points about breed and deed, microchipping and so on, but for me, the essence of the issue is the ownership of the dogs.

10.40 am

Mr William Bain (Glasgow North East) (Lab): It is a pleasure to speak under your chairmanship again, Mr Bayley. I congratulate the hon. Member for Romsey

and Southampton North (Caroline Nokes) on securing the debate. It has been remarkably well attended and has shown great insight from hon. Members from Northern Ireland, from urban constituencies and from rural constituencies. There has also been great consensus across the Chamber that this problem must be dealt with for the benefit of people throughout the country.

We heard some fine speeches. A particularly fine speech was made by the hon. Lady, who dealt with the issues in a very practical and consensual way. We also heard from the hon. Member for Ealing Central and Acton (Angie Bray). We heard from the hon. Member for Carmarthen West and South Pembrokeshire (Simon Hart) on the impact of the dangerous dogs legislation in rural communities. The hon. Member for Norwich South (Simon Wright) spoke about responsible ownership and the effects that compulsory microchipping would have. The hon. Member for Gosport (Caroline Dinenage) spoke about the ineffectiveness of a reactive approach to the current dangerous dogs strategy.

The hon. Member for Cheltenham (Martin Horwood) spoke about the need for early intervention and addressing the behaviour of the owner. The hon. Member for Wolverhampton South West (Paul Uppal), in his brief but very cogent remarks, stressed the need for policy makers to address the environment in which dogs are being brought up and stressed responsible dog ownership.

My hon. Friend the Member for Penistone and Stocksbridge (Angela Smith) spoke very cogently about the need to extend the dangerous dogs legislation to private property. She spoke movingly about the impact that the failure to do so has had on her constituents. She also spoke about the need for education on responsible dog ownership. My hon. Friend the Member for Poplar and Limehouse (Jim Fitzpatrick) has great experience in these matters, having been in the Department for Environment and Rural Affairs and having been involved in launching the consultation. He spoke with great power and authority about the need for an urgent Government response and action on the part of the House to deal with the situation now.

The need for further action is shown by even a cursory analysis of the number of prosecutions and the number of persons found guilty of offences under the Dangerous Dogs Act 1991 in the past 13 years. In 1998, 764 people were proceeded against under the 1991 Act in England and Wales, yet by 2008, the number had risen to 1,247. In 1998, of those 764 people proceeded against, 406 were found guilty of an offence; that number had risen to 889 by 2008. The problem has become so serious in London that the Metropolitan police set up a status dogs unit in March 2009. They did so because of the serious impact on antisocial behaviour in London.

Department of Health figures show that 565 dog attack victims needed to go to hospital in August 2010. That was up from 538 in June 2010. The problem is one that constituents throughout the country are raising with Members of Parliament, and the Government have to get a grip on it and address it urgently.

I am in the very good position—perhaps even the hon. Member for North Wiltshire (Mr Gray) will be satisfied with this—of being the walking embodiment of the West Lothian question this morning, because from 26 February 2011, my constituents have benefited from improvements to the law made by the Scottish Parliament. Of course, the issue is largely devolved. It is instructive to consider what the Scottish Parliament decided to do, having explored the issue for the past 18 months.

The Control of Dogs (Scotland) Act 2010, passed by the Holyrood Parliament last year and enforced from February 2011, did not end the prohibition on the four prohibited breeds. It did not bring in a scheme of compulsory microchipping. Those may be issues on which there would be a difference with England. However, the Act did ensure that the legislation would apply to private property, so that postal workers and other employees, children and other dogs and animals would be protected. It also brought in a system of dog control notices—sometimes referred to as dog ASBOs—which place real responsibilities on the owner, in terms of their conduct. Conditions imposed by a notice can relate to such things as training and neutering of animals. There is a great deal in the Scottish approach that could be taken up by DEFRA. There may be differences, but certainly the direction of travel followed by the Holyrood Parliament and, indeed, the Northern Ireland Assembly commends itself to this House and DEFRA.

The consultation closed last June. Since then, the Government have been informing us that we will hear soon what the response will be. In a written answer in December, the Minister said that we would hear early in the new year. We are now into July, but hon. Members are none the wiser. I hope that when the Minister winds up this debate, he will be able to outline the broad principles of the changes that will be taken up by DEFRA. We can see from this debate that there is consensus across the House. The Government would have support from those on the Opposition Benches for the introduction of a Bill in 2012, after the next Queen's Speech, to deal with the fact that the 1991 Act does not apply to private property, to deal with the lack of enforcement options available and to allow for compulsory microchipping to be introduced if DEFRA wanted to do that.

What is remarkable about the issue is the degree of consensus in civic society. Battersea Dogs and Cats Home, the Blue Cross, which I visited late last year, Guide Dogs for the Blind, the Kennel Club, Prospect, the Police Federation, the Royal College of Nursing, Unison, the Union of Shop, Distributive and Allied Workers, Unite and, of course, the Communication Workers Union all support the campaign for a change in the law in England.

When we examine the data—what is happening on the ground year by year—we see that the case for change is strong and urgent. As many hon. Members pointed out, 6,000 postal workers are injured every year in dog attacks. Hospital admission statistics show that 2,500 adults and 1,200 children were either treated in accident and emergency departments or admitted to hospital in the 2006-07 financial year alone. As has also been said, most notably by my hon. Friend the Member for Poplar and Limehouse, in the past four years, eight people have been killed and 197 people have been seriously injured in dog-related incidents. This is a serious problem, not just for urban Britain but in rural Britain.

Hon. Members ably set out the case for preventive action. In the public's response to the consultation launched by DEFRA, 78% of people believed that

[Mr William Bain]

consolidation of the law and taking proactive and preventive steps were the most important way of improving the law at the moment. Hon. Members also pointed out the need for discretion in the seizure of dogs. In a written answer, the Minister provided stark statistics on the number of animals seized in the past two years. Perhaps DEFRA could consider giving the police greater discretion regarding the necessity of seizure in any legislation.

The case advanced by the public is clear: 88% of the public believe that change is needed. We need to move to an approach that is based less on the breed of the animal and more on the deed of the owner. We need to promote responsible dog ownership. We need to ensure that local authorities and police authorities, which are under great stress because of some of the Government's public spending policies, have dedicated resources in place to deal with enforcement. The Opposition are prepared to work co-operatively with the Government, and if we move forward together, we can secure reforms that will be in the interests of animal welfare, employee safety and public safety.

10.50 am

The Minister of State, Department for Environment, Food and Rural Affairs (Mr James Paice): I am pleased to serve under your chairmanship, Mr Bayley, and to reply to the debate, which was introduced by my hon. Friend the Member for Romsey and Southampton North (Caroline Nokes). I, too, congratulate her on securing it; like the hon. Member for Poplar and Limehouse (Jim Fitzpatrick), I heard that a number of people wanted to secure a debate on this subject, but fortune favoured my hon. Friend. Clearly, I will not be able to pick up every point that has been made in the debate in the time that remains, but I will try to explore the main issues, as DEFRA is indeed doing.

I start by saying that there is absolutely no difference between the Government's position and that shared by every Member who has spoken this morning—there is a need for change, and there can be no doubt about that. My hon. Friend the Member for Carmarthen West and South Pembrokeshire (Simon Hart) asked whether there is real evidence that the situation is worsening, and I assure him that there is; indeed, after he spoke, other Members, including the hon. Member for Glasgow North East (Mr Bain), trotted out some statistics. Action must, therefore, be taken. As hon. Members have said, the issue crosses different Departments, which is unfortunate, but they will appreciate that that means that DEFRA has to work closely with other Departments, particularly the Home Office.

My hon. Friend the Member for Romsey and Southampton North said that she owns a couple of exuberant cocker spaniels, and any of us who owns one or more dogs should, like me, treat that close relationship as a privilege. When a dog actually does something that we tell it to do, because it is properly trained, that is a privilege and a reflection of a close personal relationship—sometimes, it is probably easier than trying to train our children. *[Interruption.]* I will not repeat the sedentary comment from my hon. Friend the Member for North Wiltshire (Mr Gray). However, such a relationship is a privilege, and all of us who consider ourselves to be responsible dog owners understand that. It is therefore difficult to understand the mentality of people who do not have that relationship, who even go out of their way to create a totally different relationship and who treat their animals with the cruelty that hon. Members have mentioned. In that respect, we are seeing a deterioration, and, tragically, there has been another attack on a child in the past 24 hours. Fortunately, it was not fatal, but we all send our support and sympathy to the family and hope that the child recovers quickly.

We need to respect the principle that we should get these things right and avoid jumping in simply because something must be done. I agree that something must be done, but if we are not careful, we tend to take precipitate action, which is exactly what happened in 1991, when, as we all accept, the Government of the day rushed to introduce the Dangerous Dogs Act, which was not the salvation that people thought it was. We therefore need to get things right and to ensure that any changes have a real impact on reducing instances of irresponsible dog ownership—the issue of the deed, which so many hon. Members have spoken about.

Let me take a minute or two to go through what we have been doing in the past 12 months. In that context, the hon. Member for Poplar and Limehouse gave his successor—namely me—a hospital pass. It must have been one of his last decisions before the general election to launch the consultation—as has been said, the consultation did not finish until well after the election. Since then, we have been analysing the 4,250-odd responses. Clearly, now is not the time to go through all the results, but it is interesting that some of the answers are not what one would have expected. The first question was about whether to extend the 1991 Act to private property, an issue that the hon. Member for Penistone and Stocksbridge (Angela Smith) mentioned. Some 63% of respondents said no, and 37% said yes, which is a surprise, but it just shows that there is not great agreement on all the issues, and the same interpretation could apply on other issues.

The Home Office consultation was launched by my right hon. Friend the Home Secretary, who made it clear that the Government expect everyone to have a right to feel safe in their home and neighbourhood. She also made it clear that antisocial behaviour should be a priority for local agencies, including the police, councils and landlords. She was referring to antisocial behaviour across the piece, and much of what we discuss in relation to dogs involves people, too, which is why there is a crossover.

I will not go through all our proposals in the consultation document, because I assume that hon. Members have read it, but the new flexible tools proposed by the Home Office would replace the 18 formal powers currently in use, including those applicable to dogs. Under the proposals, control measures on dangerous and nuisance dogs would be effected largely through the new crime prevention injunctions and community protection orders. The Home Office is analysing the results of its consultation and will publish a summary soon.

In addition, DEFRA is looking at the results of the earlier consultation to see how the Home Office's actions and ours would meld together to address the very real problem that we face. I assure hon. Members that my noble Friend Lord Henley, who leads on this issue, is discussing it with all the civic organisations that the hon. Member for Glasgow North East mentioned.

I want to refer to the quite proper point about Scotland and Northern Ireland. I assure hon. Members that we are very much aware of the decisions that have been taken there, and we are in close contact with those involved. As the hon. Gentleman said, the provisions have been in place for only a few months, so it is early days in terms of judging whether they will work. However, I assure hon. Members that we are not averse to introducing such measures, if they work.

Several Members discussed dog control notices, which many people see as an example of preventive action, in that they can be used in circumstance where a dog is unruly without actually being dangerous. The Home Secretary's review, which I have just mentioned, includes the full range of measures currently being used to prevent people from allowing their dogs to be a nuisance or a threat to others. The measures include everything from keeping dogs on the lead to dog fouling and tackling those who allow their dogs to threaten and intimidate. We are working closely with those involved.

For those who use dogs as a weapon, there are already some severe penalties. Although it is an old Act, the Offences Against the Person Act 1861 provides that a person guilty of such an offence can face a long prison sentence, including up to life in certain circumstances. There is legislation—it might not be the easiest to use, but I assure my hon. Friends that it exists.

There is also the issue of section 1 of the 1991 Act—the breed-specific legislation—which we discussed. ACPO tells us that without breed-specific legislation and, more specifically, the prohibition on pit bull terriers, there would have been many more attacks. The vast majority of police officers are of the view that pit bull terrier-type dogs are not suitable to be kept as pets, unless they are in strictly controlled conditions. We must also recognise that other breeds—the hon. Members for Cheltenham (Martin Horwood) and for Norwich South (Simon Wright) mentioned some—have occasionally attacked people or other animals. That is why section 3 of the 1991 Act applies to all dogs, regardless of breed.

There is also the issue of extending the criminal law to private property. I mentioned the response in the consultation, and I do not want anybody to read anything into that, other than that it is an example of how public consultation does not always produce the answer we expect. As the hon. Member for Penistone and Stocksbridge rightly said, there is currently no criminal liability if the dog itself is not trespassing. Extending the law would allow the police to investigate all dog attacks on private property to establish the facts and see whether a prosecution should be brought. Extending the law in that way might, on the face of it, be an easy thing to do, but we must avoid the law of unintended consequences, which is a frequent problem. Do we really want a home owner to be investigated as a possible offender and to be at risk of prosecution because their dog acted in a way that most people would consider only natural, in that it defended the property on which it was brought up?

I do not have time to answer the many other points that were properly raised. Let me conclude by saying that we are ruling nothing out at this stage. All the measures that have been advocated are under close consideration. I wish that I could give a precise timetable, but I can only repeat that it will be soon. We are working closely with the Home Office to get on top of what we all accept is a serious situation.

Flood Defences

11 am

Miss Anne McIntosh (Thirsk and Malton) (Con): It is a privilege and pleasure to serve under your chairmanship, Mr Bayley, as my immediate constituency neighbour and someone who is familiar with the problems of flooding in Yorkshire.

I am delighted to have secured this debate on the implications of the potential delays to planned flood defence systems. In the short time available, I want to focus on a technical point and relate it to my constituency, North Yorkshire and Yorkshire and the Humber, areas with which I am familiar. I hope to put to my hon. Friend the Minister a once in a lifetime opportunity. I am sure that there are occasions when he lies awake in the middle of the night wondering what he can do, in what one hopes will be a long ministerial and parliamentary career, to make a difference. I suggest that he has an opportunity here and now to make a difference to a large number of people not only in Pickering, Thirsk and North Yorkshire, but in the rest of the country.

The Minister is familiar with the background to the scheme, and I am delighted that the Secretary of State had the opportunity to visit Pickering and see the work on the "Slowing the Flow" project. The Minister will know that the original £6 million scheme for flood defences at Pickering was rejected by the town and the district civic society, but, eventually, in April 2009—with confirmation in 2010—funding for the Pickering pilot project was announced. It is a unique, pioneering scheme, with Government bodies working closely with communities, where there is not an established pot of money. There are particular difficulties with the course and nature of the river upstream of Pickering, which, as you will be aware, Mr Bayley, is where the beautiful North Yorkshire Moors railway is located. The innovative and pioneering scheme involves creating buffer strips along water courses, digging ditches and blocking moorland drains, as well as planting trees.

The scheme was created with the compliance of the landowner and in partnership with the Environment Agency, the Forestry Commission, Durham university, as an academic partner, the North York Moors national park authority, Natural England and Ryedale district council, primarily driven by Pickering town council and the local floods group. There was extreme shock, surprise and disappointment when in June, at the eleventh hour—the technical aspect of the scheme that I want to discuss was due to start this summer—the scheme was put on hold and effectively cancelled, as the cost was deemed to have undergone a staggering increase from an initial £1.3 million to a total of £3.2 million. That was alleged to be due to the requirements of the 1996 guidance to the Reservoirs Act 1975, which is the focus of my questions to the Minister and of my call for action.

The guidance states that the bunds must be able to withstand a one in 10,000 year flood event. However, one local, who is expert in the matter, has said:

> "While I appreciate that more detailed modelling and info was constantly coming to light to influence the res engs decision, the fact remains that the critical factors of bund capacity of 85k m3 and the number and proximity of properties at Newbridge remained constant throughout."

[Miss Anne McIntosh]

You almost could not make this up, but I did not appreciate before preparing for the debate that a community is 10 properties. Were there only nine properties at Newbridge, the scheme would proceed apace. There would be no cause for delay or concern about the reservoir. Newbridge has been there for far longer than the proposed scheme.

One option—not my favourite—would involve the compulsory purchase of one of the dwellings or properties at Newbridge. That would be the most regressive and least favoured option, but it shows how daft it is that some of the definitions, such as the number of properties that form a community, lead to perverse decisions. As my constituent goes on to say:

"I just cannot understand an anomaly within effective legislation that allows this."

That is a reference to the fact that the interpretation of the Reservoirs Act 1975, through the guidance, is either woolly or misleading. Although it appears on the one hand that high-risk criteria are precisely laid down, there appears to be a get-out clause to lower the classification to low risk. My constituent concludes:

"I shudder to think what these obligatory Res Engineers are being paid"—

that is his personal comment, I hasten to add—

"but there is something seriously wrong when their interpretation can vastly alter the design criteria from one month to the next when all the physically present criteria remain constant...unless the application of common sense is overtly permissible."

Mr Andrew Smith (Oxford East) (Lab): Will the hon. Lady give way?

Miss McIntosh: I wish to make progress.

I do not want to use the debate to apportion blame. I want to use it in a constructive way to urge the Minister to remove the barriers to this project and to other projects. There are similar difficulties in Thirsk, and the common thread of the flood defence schemes is that part of the project in both Thirsk and Pickering allows a storage bund to be created. However, that is now being defined as a reservoir under the Reservoirs Act 1975. My conclusion is that the projects are being over-engineered with structures that are too complicated, and falling foul of the iniquitous 1996 guidance note to the 1975 Act. Clearly, there is a gap between aspirations for individual projects, such as the Pickering pilot project and the Thirsk flood defence scheme, and the ability of the Environment Agency and others to deliver on such schemes.

The Pickering bund scheme has highlighted a lack of clarity about high risk and lower risk in the 1975 Act, and, therefore, a major disconnect between legislation and guidance. There is little guidance beyond the matter of actual reservoirs. It does not seem sensible to build bunds to withstand a flood of biblical proportions, when communities downstream of 8,000, 10,000 or 14,000 properties are being held back by a community of 10 properties. Those communities downstream, in that eventuality, would already be both evacuated and in any case devastated. I agree with another of my constituents that that massively over-engineered standard is denying Pickering residents protection from repeated and frequent flooding. Will the Minister confirm that the return periods are based on data since the late 1980s? In that case, one in 10,000, or 235 cubic metres per second, can barely be described as an educated guess. On what basis were the figures reached? Pickering starts to flood at 12 cubic metres and seriously floods at 15, but in 2007 there was approximately 29 cubic metres. At 235 cubic metres—the one in 10,000 years risk—the town would be devastated and possibly extinct. The Flood and Water Management Act 2010 contains no specific provisions for bund schemes of this type.

I turn next to the personal liability of reservoir engineers in the event of structural failings. It would be totally impractical to ask the two reservoir engineers to risk their personal liability, as it would result in hugely over-cautious, over-engineered and therefore over-priced structures. Liability needs to be shifted from the individual to a public body such as the Environment Agency—or, in my view, the Environment Agency's political master, the Minister.

Well over £1 million has been wasted in Pickering, and it has produced nothing. We do not want more feasibility studies, consultants or modelling unless specifically needed for a bund. There is a scheme on the table, which everyone believed would work, and there is a great desire and the practical and political will to make it work.

I shall take this opportunity to put a number of questions to the Minister and to tell him of a number of possible solutions that I have identified. The "Slowing the Flow" project in Pickering has been hampered by the fact that although it is a demonstration project, and although part of it is already under way—I have mentioned the creating of buffer strips, the digging of ditches, the planting of trees and the blocking of moorland drains—I am told that no engineer has yet quantified the volume of water that will be retained. That is staggering, given the work that the Conservative party did in opposition, the fact that the Department recently produced its natural environment White Paper and the work undertaken by a number of water companies.

Mr Andrew Smith *rose—*

Miss McIntosh: I wish to make progress.

"Slowing the Flow" was always a demonstration project. Implementation requires a major policy change by the Environment Agency, from highly expensive hard defences to affordable simplicity. We should keep things as simple and unstructured as possible, working with nature as closely as we can. However, that appears to be outside the engineers' and the agency's comfort zone. Where is the expertise? Is the answer in the White Paper? Is it already known by the water companies? If it does not exist, it should be developed. Is the Department minded to develop it?

The key to this debate is whether the Minister has the power to vary the 10,000 and 25,000 cubic metre thresholds. I understand that the reservoir guidance notes drafted by the Institution of Civil Engineers and agreed by the Department and the Environment Agency can be varied. Schedule 4 to the Flood and Water Management Act 2010 amends the Reservoirs Act 1975. New section A1(6) of the 1975 Act states:

"In making regulations under subsection (5) the Minister shall aim to ensure that a structure or area is treated as large under the

regulations only if 10,000 or more cubic metres of water might be released as a result of the proximity or communication mentioned in that subsection."

New section A1(7) of the 1975 Act states:

"The Minister may by order substitute a different volume of water for the volume specified in subsection (3) or (6)."

This is the thrust of my debate. The project could probably go ahead if the Minister were to be bold and use that power of variation. He could also instruct the Environment Agency to replace the dam at Mill lane with an automatic sluice. In the longer-term, he could ask Yorkshire Water to consider storing water underground through enlarged sewer pipes. He could even instruct the Environment Agency to compulsorily purchase one of the 10 properties at Newbridge. I have been reliably informed that the chances of finding extra money or exploring local authority options through the flood defence committee or through development gain are minimal.

This is an individual debate, and I am asking for the Minister's urgent reply. I urge him to go back to the drawing board to find a similar scheme that can use the £1.3 million already on the table and re-examine the engineers' judgment that category A status applies to the reservoir and the two bunds upstream. Most urgently, I ask him to waive the reservoir guidance notes by using his ministerial discretion and common sense, for which he is well known.

11.15 am

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Richard Benyon): I congratulate my hon. Friend the Member for Thirsk and Malton (Miss McIntosh) on securing this debate. On behalf of her constituents, she has raised the subject through every conceivable parliamentary mechanism, and I entirely understand why. I know that the matter is extremely important to her constituents. My hon. Friend was right to say that my right hon. Friend the Secretary of State has visited Pickering. She saw the project at first hand, and returned to the Department impressed with innovative ideas that involved a variety of mechanisms, particularly those that incorporated the natural environment as a flood alleviation and flood resilience asset. I note the presence of right hon. and hon. Members from other areas that face similar problems. The concept of holding back water is vital to a variety of communities and we want to ensure that our legislation supports common sense and is governed by proportionate rules.

Mr Andrew Smith: Will the Minister give way?

Richard Benyon: My hon. Friend the Member for Thirsk and Malton asked a number of questions, and I shall answer some of them before allowing others to intervene. She has submitted some written questions, and she will receive a reply in the next day or so. Today, she asked a question about the number of people who live below a reservoir risk. I understand that it is not 10 properties; the definition of a community in this instance is considered to be not less than about 10 persons who could be affected by a disastrous breach as a result of the under-provision of spillway capacity. That is the crux of the issue. The independent assessment said that the reservoir would require greater spillway capacity. To me and to other laymen, that does not sound a massive issue, but it increased the cost of the project way beyond what was possible.

Certain questions float around, such as what is a bund, and what is a reservoir? A flood defence bund is an embankment designed to prevent flood-water flowing from a watercourse and flooding adjacent land. The water is held up and then released through a controlled mechanism. We have to be compliant with the Reservoir Act 1975, which my hon. Friend identifies as the villain of the piece.

My hon. Friend will be pleased to know that we are reviewing the guidance. I do not know whether she has seen a copy of it, but I have. It is thick and highly technical. She is right that the independent assessors from the Institution of Civil Engineers who make these judgments are singularly liable. Once the asset is built, it will be the Government who are liable through the Environment Agency. At the moment, however, liability for the level of comfort that has to be achieved rests with individuals, so they want to get it right. There is undoubtedly an incentive for them to be precautionary, but the Government have to ensure that, in our desperate desire to see comfort given to communities such as Pickering, we do not rush measures through that in years to come, with the climate changing as we know it is, may pose catastrophic risks for many people.

Mr Andrew Smith: I am grateful to the Minister for giving way. Given that this was a pilot project of national significance designed to find out what could be achieved through land management to reduce flooding—an issue of concern in many parts of the country, including my constituency—what implications will the shortcomings that the hon. Member for Thirsk and Malton (Miss McIntosh) rightly identified have for the evaluation of the pilot for other areas?

Richard Benyon: That is a key point, and I will come on to talk about how we are reviewing the situation, principally in Pickering, and the implications that it will have for other areas.

The Environment Agency is responsible for technical judgments on flow rates and volumes. The Institution of Civil Engineers is the expert, and it is vital that we have such organisations. The Environment Agency has assessed with the panel engineer the volume of water that needs to be stored. My hon. Friend the Member for Thirsk and Malton made a point about powers that I may or may not have to do with variation. Under the Flood and Water Management Act 2010, the threshold has been reduced from 25,000 to 10,000 cubic metres. That is the area in which Ministers can apply variation, depending on the circumstances. However, that element of the Act has yet to be formally adopted. When it is, that variation will be in the power of Ministers. Under the current scheme, the Secretary of State and I do not have the power to vary the rates.

Miss McIntosh: I am delighted to be able to help my hon. Friend on that point; someone in the Institution of Civil Engineers has put it to me that that might be suitable for Ministers, but not under the 2010 Act. Its provisions and the reduction in rates caused shockwaves in golf clubs and farms. Those reductions have huge implications for future reservoir building, but that is not

[Miss McIntosh]

the purpose of the debate today. Under the 1998 guidance to the Reservoirs Act 1975, the Minister has the power to make an order proposing the scheme in Pickering. We have to balance removing the risk of river flooding with the slight risk caused by the presence of a reservoir upstream to the communities at Newbridge. He has the power; I urge him to use it before the House rises for the recess.

Richard Benyon: I recognise the point that my hon. Friend makes and it is now on the record. My officials and I will look carefully at it. However, that is not the information that I had when preparing for this debate, so I will take that point away and get back to her.

Let us look at the case that my hon. Friend raises, because it is important to understand the history. I apologise to other hon. Members who might wish to intervene, but I have only a few moments left. My hon. Friend called this debate and I want to be able to answer her points. Last September, an independent reservoir engineer was appointed to assess the proposals in the context of the Reservoirs Act 1975. The Act is designed to ensure that public safety is maintained. The engineer acted in accordance with guidance produced by the Institution of Civil Engineers. At that stage, the engineer identified the reservoir as a category A reservoir. That classification means that a breach of what could be an 85,000 cubic metre reservoir could seriously endanger a community—we have already discussed what constitutes a community. As a result, it is only right that the highest standards of public safety apply. At best, a failure would increase the level of flood-water, thus defeating the purpose of the scheme. At worst, a catastrophic failure would result in human tragedy. The engineer agreed necessary design standards that should apply in this case to maintain public safety.

In March, new modelling led the engineer to conclude that a higher design standard was necessary. In May, a second opinion was sought, again from an independent reservoir engineer. The second opinion confirmed that the Institution of Civil Engineers guidance on the 1975 Act had been correctly applied and that a higher standard was needed. That led to a redesign that incorporated the higher design standard of the spillway, to which we referred earlier. Inevitably, that pushed up costs. Despite the significant local investment already on the table, the shortfall in funding amounted to around £2 million. Frustratingly, at that level of cost, the scheme is not cost-beneficial under the Treasury Green Book rules. It is not my view that the guidance is wrong. That said, the case does underline the sense in reviewing the guidance. That is a firm assurance that I can give to my hon. Friend today. A review on highly technical guidance—I have already referred to the complexity of the document—is not a quick fix, and will require broad engagement. In the mean time, I welcome efforts to reassess these proposals.

The reservoir is clearly an important part of the plans for the area. That said, I know that many of the innovative approaches that my hon. Friend has described are continuing in parallel. It may well be that we can fairly quickly achieve a different scheme that complies with the Reservoirs Act 1975 and has a sensible cost frame and a sensible cost-benefit analysis result. All the work going into reviewing the guidance will not affect the implementation of the Flood and Water Management Act 2010. If it does, Ministers will have the power to apply other criteria to assess whether, on the balance of risk, it is right that these schemes should go ahead even with the lower threshold.

The reservoir is clearly an important part of the plans for the area, so I genuinely applaud the real openness and innovation. There has been engagement with the local authorities, local landowners and many other partners, and leadership from my hon. Friend.

The Environment Agency and local partners are working hard to reassess the designs and to drive down costs. Other options that were originally put forward are also being discussed. Once consideration is complete—I expect that to be at the end of July—the agency is eager to continue working with local partners to explore what can be done while maintaining public safety.

Anne Marie Morris (Newton Abbot) (Con): I am sure that the Minister will listen carefully in this case, as he did when he enabled me to have a flood scheme in Teignmouth, for which I am extremely grateful.

Richard Benyon: I am grateful to my hon. Friend for coming to this debate; not all hon. Members come to debates to give a thumbs up. The difficulty with flood defences is that we only know that they work when issues are not raised because problems have been resolved. I know that the issue is a burden for the constituents of my hon. Friend the Member for Thirsk and Malton, the right hon. Member for Oxford East (Mr Smith) and the hon. Member for Wansbeck (Ian Lavery). There are serious problems affecting communities around the country. We are changing the way in which we approach flood funding.

Ian Lavery (Wansbeck) (Lab) *rose—*

Richard Benyon: If the hon. Gentleman's intervention will take no more than two seconds, I will give way.

Ian Lavery: My point relates to the potential delays. We now have funding from Northumberland county council, as well as the Environment Agency. Will the Minister see whether we can progress the Morpeth flood alleviation scheme as a matter of urgency?

Richard Benyon: I can assure the hon. Gentleman that the scheme is being progressed as a matter of urgency, following meetings on the subject, and thanks to the forceful way in which he puts his case—as does my hon. Friend the Member for Thirsk and Malton. There are no national secrets here. There is no impediment other than the need to find a sensible way forward that can be afforded. As my hon. Friend rightly points out, her local authority—and that of the hon. Member for Wansbeck—has put forward some more money to ensure that the scheme can operate. I will go through any proposal that my hon. Friend the Member for Thirsk and Malton brings forward. We will consider all the points that she has made and ensure that the absolute powers of the Minister are understood. If we can make a difference at this stage, prior to the change in the guidance, we will make it, but my understanding is that

that will require the implementation of an element of the Flood and Water Management Act 2010, which we are keen to see taken forward.

My hon. Friend says she wants a result before Parliament rises for the recess; she wants to be able to give her constituents the assurances that they need. I can promise her that I will give every assurance that I am able to give. I will work with officials and local people in her constituency to ensure that we achieve the result that they all want, which is a lifting of the burden of the threat of flooding from their lives.

11.29 am

Sitting suspended.

Employment (North-West)

2.30 pm

Mr Gordon Marsden (Blackpool South) (Lab): As always, Mr Bayley, it is a great pleasure to serve under your chairmanship; I have done so on a number of occasions. I give thanks—spiritual or otherwise—for having been given the opportunity to introduce this debate, which is particularly timely given that we have just had a series of apprenticeship results and some major Government announcements on employment.

As I hope any MP would do, I want to start by singing the praises of my region and saying what it can do about employment. The north-west and its young people benefit from having a diverse, dynamic region with strong areas of sectoral employment. It is strong in manufacturing and in the service and creative industries, many of which are based in my constituency in Blackpool.

These issues are not just of historic importance. We have a proud history of achievement and innovation in industrial apprenticeships, but we also have new developments coming on stream. I particularly want to pay tribute to all the work that is being done to bring the BBC to Media City in Salford, Greater Manchester, thus building on the legacy of Granada Television. Of course, all such developments offer opportunities for young people to get not only skills but jobs in the region. The retention of young people in the region will build and strengthen our potential in the years to come.

Excellent work is being done to attract young people into fulfilling careers by a number of businesses, both large and small. In particular, I want to bring to the attention of Members today the work that is being done at BAE Systems. In my constituency, hundreds of people are directly employed at BAE and a large number of people are employed indirectly by BAE. Of course, the BAE apprenticeship scheme is frequently hailed as one of the best in the sector, because it gives young people real career opportunities that are comparable to those enjoyed by graduates.

In 2009, in my capacity as chair of the all-party group on skills, we conducted a major inquiry into progression through apprenticeships. One of the most vivid pieces of evidence was given by a young apprentice—a young man—who had actually worked for BAE at Warton. He had just completed his course and acquired a very good degree. He spoke before all the current discussion about fees in higher education and made the point that, as a result of being employed by BAE, he had come out of the system with a good degree, which would enhance his career prospects within BAE and without incurring the debt that some of his school contemporaries had incurred.

Of course, in the Blackpool area, we also have the nuclear skills complex, or academy. Again, it would be fair to say that, after a number of years of quiescence, the ability of that academy to take on young people has expanded. That is important to people in Blackpool, because a number of our people have been employed at the Springfields nuclear site.

I pay tribute to the National Apprenticeship Service in the north-west for working tirelessly to encourage businesses to take on apprentices and to encourage young people in the north-west generally to consider the options offered by apprenticeships. In 2009-10, more

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than 20,000 young people in the north-west started apprenticeships, and more than 500 of them were in Blackpool.

As MPs, we see the importance of apprenticeships most vividly when we go to particularly successful companies in our constituencies. Last week, I had the privilege of visiting a company called Ameon, which is a major construction-based business on the edge of my constituency in Blackpool. I quote from *The Blackpool Gazette*:

> "The firm, which boasts a turnover of more than £20m, has created six new electrical apprenticeships...awarded to teenagers from Blackpool and Manchester".

While I was at Ameon and talking to its very dynamic managing director, Robin Lawson, I was introduced to two young men who had been employed by Ameon and who had just completed their part-time degrees at the university of Central Lancashire. Again, those young men had gone through that system without incurring debt.

Of course, the north-west also benefits from a vibrant collection of universities, further education colleges, schools and sixth forms, including many in my own area. I pay tribute to the North West Universities Association for its sterling work in establishing the link between schools and universities.

As many north-west MPs know, there are also many excellent schemes that can offer young people opportunities to train and learn on the ground. For example, there are opportunities with some of the local volunteering teams. I found myself working on such an initiative with the Blackpool Circus school—a school that is very appropriate for Blackpool. Those teams help many young people into volunteering and training opportunities. The Get Started unit in Blackpool, which was funded by the local enterprise grant initiative established by the previous Government, has helped many young people in Blackpool into jobs and careers. Many of them work for small businesses or have become sole traders.

Like many local newspapers, my own local newspaper—*The Blackpool Gazette*—launched a campaign earlier this year to find 100 apprenticeships in 100 days. I was very pleased to attend the launch of that campaign and the newspaper achieved its target.

Those are all good things, but it would not be reasonable if I did not say that there are big problems in the north-west, particularly for young people in the region who are looking for career opportunities. Many local authorities in the north-west were hit with a double whammy in the cuts programme: first, the cuts last year in area-based grants and, secondly, the general comprehensive spending review cuts, which hit the north-west particularly hard. Area-based grants were historically used—certainly in my own local authority—to support youth work schemes and the voluntary sector. As a result of the cuts to those grants, the position is now nigh-on catastrophic.

On top of the cuts to area-based grants, there has been an 80% cut in the teaching grant in higher education and a 25% cut in capital funding for further education over four years. Again, those cuts could put severe pressures on schemes and training opportunities for young people.

The most striking and difficult change has been that in the all-age careers service. The Minister will know that I have paid tribute to him on previous occasions for the work that he has done on that service, so I hope that he will not take amiss what I am about to say; I say it not to him but to the Department for Education as a whole. As a result of removing the potential—not the actuality, but the potential—for face-to-face advice and closing off the vocational route for many people, I believe that there will be severe difficulties.

In Blackpool, as in many other places, the Connexions team has already been halved as a result of the budget reduction caused by the cuts programmes that I have talked about. I will just give some statistics on the effects of those cuts: £2 million was taken out of the budget by the outgoing Conservative administration in Blackpool earlier this year, which was a 50% cut; there was a 46% cut in full-time youth workers; a 48% cut in part-time youth workers; a 59% cut in Connexions posts in schools and colleges; and a 61% cut in posts for people working with young people not in education, employment or training. Of course, none of those cuts is exactly good news for young people and their careers.

In its 2009 report, the all-party group on skills highlighted the importance of quality information, advice and guidance to help young people towards vocational routes. That importance was also recognised in the Department for Children, Schools and Families "Quality, Choice and Aspiration" report, with which my hon. Friend the Member for Hartlepool (Mr Wright) was closely associated when he was in government. The Department for Education said in the past that it would, in principle, provide £200 million for careers provision via Connexions funding, but that funding seems to have vanished from the new service.

In June 2011, the Minister of State, Department for Education, the hon. Member for Bognor Regis and Littlehampton (Mr Gibb) responded to a written parliamentary question that I had submitted. He stated:

> "The Department for Education is providing funding through the Early Intervention Grant to support access to impartial careers guidance for young people in the academic year 2011-12."—[*Official Report*, 7 June 2011; Vol. 529, c.56-57.]

However, the Department's website says that the early intervention grant is there to fund Sure Start centres, free child care for disadvantaged two-year-olds, short breaks for disabled children and targeted support for families with multiple problems. One is bound to ask just what will be left for careers provision after the money has been divided between all those worthy causes. I hasten to suggest that it is not the loaves and fishes fund, and I do not think that Ministers have yet demonstrated the ability to walk on water, so in both those respects the Department needs to look carefully and rapidly at the negative implications of the current situation.

The axing of the education maintenance allowance will also be a serious blow to young people right across the north-west. I met with young people from my constituency who came down to Westminster to protest against the abolition of the EMA, and they echoed the sentiment that I am sure many of my colleagues throughout the north-west have heard: the allowance was vital in that it gave them the opportunity to stay on in education. A survey that I conducted in local colleges showed that half the respondents felt that losing their EMA would

affect their future plans, and I know from meetings with people at Blackpool and the Fylde college and with students in the sixth-form college that the potential the EMA offered was really valued. It remains to be seen whether the replacement that the Government have put in place will be adequate for purpose.

The Government decided not to continue the future jobs fund, despite having indicated before the general election that they might do so, and despite enthusiasm for the scheme. I saw in my constituency how well the scheme worked, with innovative placements such as a group of young people being given apprenticeship roles at Blackpool football club. I am not passing judgment too soon I hope, but it remains to be seen how such proposals will work out via the Work programme. The Government have not yet, it seems, got a handle on how to tackle the growing problems of youth unemployment, particularly in the north-west.

I want to turn to apprenticeships, because despite the positive progress being made—again, I pay tribute to the work being done by all concerned—there remains in the north-west a lack of apprenticeships for young people. The head of the National Apprenticeship Service himself admitted at a recent conference that there remained a chronic lack of apprenticeship places for school and college leavers. However, it is, of course, a question of pull as well as push. There can be apprenticeships—indeed, the Government have increased the number of places—but the question is: how will they be filled?

A City and Guilds survey at the beginning of this year showed that 31% of businesses in the north-west felt that in the current economic climate it was too risky to take on apprentices. That was the highest percentage among the English regions. At a time when the Government have ended the future jobs fund and the previous Government's guarantees on opportunities for 16 to 24-year-olds, there is a real danger of young people being nudged away from training and from investment in their careers.

Meanwhile, the Secretary of State for Education has been distracted—that is the kindest word to use—over the micro-management of schools and has allowed a crowded and confused marketplace to surface for young people, with academies, free schools, studio schools, university technical colleges and free colleges all jostling in the mix. Is that not a distraction from what should be our clear goal of providing good quality vocational education to those who wish to take it up? How does that haphazard environment fit in with Alison Wolf's recommendations to the Secretary of State on improving vocational employment? The Government need to strengthen and make clearer their plan to promote apprenticeship take-up, with a much stronger emphasis on work-based learning.

On the use of the voluntary sector, I can cite examples from my own constituency. Volunteer groups are involved with Stanley park. Army cadets play a major part in the organisation of the armed forces and veterans weeks. Fantastic work with disadvantaged young people is being done by the Prince's Trust and the Lancashire fire and rescue service—again linked with Blackpool football club. All those initiatives provide tasters that offer young people pointers and other outlets for their careers; but ultimately, we have to get right the structures for that process and for that progression to apprenticeships or to whatever career option. University technical colleges might well have a role to play in that, but it is important that we have clarity.

The Association of Colleges just yesterday produced a booklet entitled "Sticks & Carrots: Will Every 16 and 17-Year-Old Stay in Education or Training?" It rightly draws attention to the four things that are key to the policy being best implemented:

"Consistent and sufficient funding…to help Colleges and other education institutions support those who stay in full-time education… Good and appropriate careers advice—

which—

"requires the support of Ofsted and teachers in order to create rigorous standards for Information, Advice and Guidance… The right learning opportunities - We should not assume that all young people wish to stay in 'academic' education".

The final key thing mentioned is financial support and transport, which picks up the point I made a few moments ago.

It is also important to take note of what the report says about the take-up and supply of apprenticeships. It states that the majority of new places have been for adults between the ages of 18 and 24, and that fewer than 5% of 16 and 17-year-olds are apprentices.

We need stronger pathways for work-based learning for young people in the north-west. Much more can be done, and is being done, to promote such work-based training, and I want to refer briefly to the work of the Manufacturing Institute, which is an independent charity founded by north-west manufacturers and universities. The institute's "Make It" campaign has been working with some 20,000 young people across the north-west, and its partners include Jaguar Land Rover, Siemens, Tetra Pak and James Walker. It aims to give young people in schools and colleges a taster experience, and in the past year, eight enterprise challenge days were sponsored by manufacturing partners and a further three days held in partnership with Education Business Solutions in Manchester high schools.

There are good things going on, but the message needs to go out from the Government to young people in the north-west that vocational education and qualifications are truly valued by them. I am afraid that the hoo-ha around the Secretary of State's English baccalaureate and the critical comments by Government Members about vocational education have not entirely helped in that respect. The Government need to listen and to get the various agencies to engage with schools more, to give them practical assistance to promote face-to-face encounters and instruction and also some funding, otherwise this will end up like the freedom to dine at the Ritz. The Government need to look thoughtfully at what Wolf says about matching work-based learning to far more partnerships with the voluntary sector and schools.

We need to ensure that teachers understand more clearly what vocational educational routes are out there. Sadly, much of the research and many of the surveys that have been done show that there is still a long way to go in persuading many teachers that a vocational educational route is right for their students. That is especially true in places such as the north-west. We have three types of area challenge. City regions such as Manchester and Liverpool have strong and persistent NEETs levels and skills shortages alongside ambitious regeneration plans. In peripheral seaside and coastal

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towns such as Blackpool, transients—young people coming into and leaving the town—are key in terms of skills levels. We also have second-level towns and in-between areas, which will not necessarily benefit from the critical mass of jobs and opportunities in the travel-to-work areas. All those areas must have progression and links.

Tony Blair talked about "education, education, education", but I believe that our watchwords—the Minister has already heard this, so he will have to forgive me—should be "progression, progression, progression". Our young people in the north-west must be equipped for a working life in which they will change jobs or careers probably four or five times. The situation was not like that for my father, who signed up as an engineering apprentice just before the second world war at the age of 14 with the famous engineering company Crossley and was told by my grandfather that he would have a job for life. Young people will have to be adept at picking up bespoke skills on the job and acquiring the enabling and personal skills that will ease subsequent transfers and take them toward opportunities that include self-employment as well as working for traditional large employers.

To address all that, we need not just proper resources but a proper strategy for progression. So far, the Government have done too little to make those links and enable our young people and their talents to stay in or come back to the north-west. Joined-up pathways to career opportunities will be key to a combination that will enable the north-west's young people and economy to enjoy the fulfilment, dynamism and achievement to which its history points it.

2.52 pm

Esther McVey (Wirral West) (Con): I am delighted that this debate has been secured, because youth unemployment and the lack of youth opportunities are one of the main reasons why I came into politics. Given that I grew up in Liverpool in the 1970s and 1980s, it is understandable that I wanted to change that. It feels a bit like déjà vu at the moment; it reminds me of what happened in the '70s and '80s. Sometimes there are defining moments in a life. One such moment for me was 3 July 1981, when I was in Princes park at the top of Devonshire road as the Toxteth riots began. It was 30 years ago this week when the blue sky changed to orange and smoke billowed up into the air.

The riots might have happened in July 1981, but the situation had been festering for some time, perhaps throughout the '70s. There was much social unrest, as well as complex economic issues and problems with city leaders. People did not feel that they were being heard or given opportunities, although there was a lot of talent in the area. That was a formative experience in my youth, and I desperately wanted to address the issue.

At the time, the Scarman report recognised that the riots represented the result of social problems such as poverty and deprivation, and the Government responded by sending Michael Heseltine to Liverpool to be Minister for Merseyside. He set up the Merseyside taskforce and launched a set of initiatives to begin the regeneration of Liverpool. That is what I am thinking about. We are talking about education and opportunities, but city regeneration is also needed, so that the kids who have learned can take up opportunities. The statistics show that youth unemployment is one of the biggest issues that the coalition Government have been left to tackle. In September 2009, Wirral West had some of the worst unemployment rates in the north-west for 16 to 24-year-olds, ranking seventh—

Graham Jones (Hyndburn) (Lab): The hon. Lady mentions regeneration in Merseyside; a lot of people were employed in the housing market renewal programme in Merseyside. Does she regret the loss of that programme?

Esther McVey: It is slightly off the subject to talk about a specific housing renewal project, but I will say that infrastructure is key, and we have put £450 million into the Mersey gateway. We have set up enterprise zones in the area, and we are putting money into the Royal Liverpool hospital, which will develop the Merseybio campus to extend the knowledge economy. We are also considering ways to develop Wirral Waters and Liverpool Waters. There are various ways to create regeneration and improve an area.

Bill Esterson (Sefton Central) (Lab): Will the hon. Lady give way?

Esther McVey: She will indeed.

Bill Esterson: The hon. Lady has never been so popular.

Esther McVey: I have.

Bill Esterson: I jest. I wanted to ask, as my hon. Friend the Member for Blackpool South (Mr Marsden) did, about the future jobs fund. It reduced youth unemployment, which was falling as Labour left power. The hon. Lady discussed the scale of the problem, but does she recognise that the future jobs fund was a success, and does she regret the fact that one of this Government's early decisions was to scrap it?

Esther McVey: The future jobs fund had some successes, but 50% of people never ended up in a job. It focused on providing temporary and short-term jobs, which led to false expectations and a lot of upset when jobs did not come to pass. It was also one of the most expensive schemes ever. I do not think that it was a success. It might have been for a small set of people, but it was expensive. Given the timing of its introduction, some might consider it a pre-election stunt. We have to consider schemes that are sustainable. The Work programme, which we are working on now, can get more people into employment.

The statistics in our area show that unemployment for 16 to 24-year-olds across the country stands at more than 1 million. The figure for the north-west is 160,000, making it the region with the highest unemployment. Unemployment for 16 to 24-year-olds has decreased by 35,000 since the last election. It is a tiny dent, but necessary.

The hon. Member for Hyndburn (Graham Jones) asked about development in Merseyside. I mentioned some of the schemes and the things that we must develop. Merseyside, in its heyday as a maritime port,

had a population of 1 million, which dropped to 400,000. We must develop our natural unique selling points. On Merseyside, one of those must be the port. That is why I am delighted that the Minister with responsibility for ports, my hon. Friend the Member for Hemel Hempstead (Mike Penning), has been negotiating with city council leader Joe Anderson. We need a stop-and-start cruise terminal there. We must also work with private enterprise—we are working with Peel Holdings, Cammell Laird and the Stobart Group—to open up the port, with a vision of Merseyside as the port of the north. If we want to achieve our goals on carbon emissions or other issues, surely developing the port is a way forward and an opportunity for the people there.

As well as increasing employment within the area, we need training schemes for the youth of the day. That is why I am delighted that we are investing in and supporting apprenticeships and increasing the number of places, although I agree with the hon. Member for Blackpool South (Mr Marsden) that the issue is not just about apprenticeships; it must be about attracting buy-in from businesses, which must understand that they will benefit. We are considering work experience schemes, voluntary work and the Work programme. All those things are key.

There are things that we can do ourselves. I am doing something this Friday in Wirral West. I visit schools every week; I have seen 5,000 schoolchildren since this time last year. One of them said to me, "Esther, it is a hugely changing landscape. Things are getting more complicated. What will happen at universities? Who will fund us? Who will sponsor us?" I am putting on a youth summit in Wirral this Friday. I will bring together a collection of universities and everybody who could sponsor the event, such as the Manufacturing Institute, which has been mentioned by the hon. Gentleman, the Institute of Physics, the police and the Army. I will also bring businesses together to see how they can fund young people, and to discuss the paths they could take to become perhaps a legal executive, solicitor or accountant. I will also bring together apprenticeship schemes from the BBC, the Chemical Industries Association, INEOS, Merseytravel and Andrew Collinge. The National Youth Theatre will also be there, as will a head of recruitment, who will speak to young kids who are at school about what employers need.

Having spent the past 10 years looking into and researching the traits and characteristics of people who succeed in business, I know that what we are talking about is not just grades, but character traits and personality types. It is key that pupils at school understand that, so recruitment people will be present to talk about that. In an ever more complicated age in which CVs might all seem the same, those character traits are key.

We are members of different parties, but we all want more people, particularly the youth, in jobs. If people think that there are no opportunities for them and that they have no future, that will have deep, long-term effects on what they will achieve and what they will want to do. I was slightly different from my friends. In 1984, when we were wondering what we were going to do and most jobs were not available, I thought, "Well, if most jobs aren't available, I can do whatever I want to do, so why not have a go, and go into TV?" Some of my friends did not have that outlook and were somewhat disappointed for many years to come.

As I have said, the issue is about education and the opportunities that we as a Government can provide in the field of learning, and through apprenticeships and the Work programme. Equally, however, it is about regenerating areas so that they have jobs. I have said all that I wanted to say. We need to do something. The scars that have been left on Merseyside for a long time need to be healed, and one key thing would be the development of the port to provide Merseyside with maritime jobs for a long time to come.

3.2 pm

Stephen Twigg (Liverpool, West Derby) (Lab/Co-op): It is a pleasure to follow the hon. Member for Wirral West (Esther McVey). As she has reminded us, it is the 30th anniversary of the events in Toxteth. In many ways, Liverpool and the rest of Merseyside, in common with the rest of the north-west, have come a very long way in those three decades. However, communities in Liverpool, including in my constituency, are concerned and fearful that the large-scale cuts in public spending will result in a return to those days. I should also like to put on record my appreciation of the hon. Lady's work in promoting career opportunities. She came to St John Bosco school in my constituency and spoke to the girls there about career opportunities, which was a positive experience for the young people concerned.

I congratulate my hon. Friend the Member for Blackpool South (Mr Marsden) on securing this important debate, which addresses vital issues for constituencies throughout the region and, indeed, other parts of the country. He set out some of the key economic strengths of the north-west region. He spoke about the BBC's move to Salford and about the impact of the work of both the National Apprenticeship Service in the north-west and the North West Universities Association. He rightly reminded us of the disproportionate and unfair impact that the Government's decisions on cuts last year have had on constituencies such as his and mine. The combination of the reduction in the area-based grant and the disproportionate impact of the wider cuts has been felt in the voluntary and communities sector and in education, including, as my hon. Friend rightly said, further education.

My hon. Friend spoke about the impact of the cuts to the education maintenance allowance. Like other Members, I have in recent months visited sixth forms and colleges, including Liverpool community college, in my constituency, and young people are concerned that, without EMA, they might not be able to stay in education. I still encourage them—I am sure that all Members do this—to consider education, because of the broader benefits that it brings, but there is concern. My hon. Friend is right to say that the Opposition will closely monitor how the Government's new and much cheaper scheme to replace EMA operates in practice.

My hon. Friend also spoke about the English baccalaureate and its implications for vocational education. It is a big challenge. Concerns have already been aired about the E-bac—the subjects that are and are not included, the way in which it was introduced, and the retrospective application of a standard that schools did not know about at the time. Those, however, are matters for another day. In today's debate, I am keen for the Government to give an indication that they will develop a vocational version of the E-bac. It would tell those

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young people who will not follow a primarily academic path that there is something of equally high status and rigour with a strong vocational component that will recognise their achievement.

My hon. Friend also spoke about apprenticeships. I want to put on record my appreciation of those in Liverpool who provide apprenticeships. When Labour regained control of Liverpool city council just over a year ago, a commitment was made, despite the difficult funding environment, to create new apprenticeships. I am delighted that Joe Anderson's administration has created 133 apprenticeships. It is striking that, when Liverpool city council advertised those new apprenticeships, there were 1,183 applications. That demonstrates my hon. Friend's point about the demand for the kind of support that apprenticeships provide.

I want to refer to three different examples—two from Liverpool and one from London. If we are to enhance career opportunities for young people, that will not simply be delivered by the state, be that the Department for Education nationally or local authorities. The social and private sectors will also have an important role to play. In Croxteth in my constituency, the neighbourhood services company, Alt Valley Community Trust, is a model of a social enterprise that works with both the private and public sectors to deliver for local people. Its work has been widely praised and recognised. It runs a hugely successful future jobs fund initiative. I certainly do not concur with the hon. Lady, who described that fund as a pre-election stunt. I invite her to come to Croxteth to see the brilliant work that the communiversity is doing with funding from the future jobs fund. Some 800 beneficiaries have been provided with six-month contracts over almost the past two years. There have been more than 500 work placements as a result of that one social enterprise, which is a communiversity or neighbourhood services company based in Croxteth, one of the most deprived parts of my constituency.

From September, when the future jobs fund will come to an end, the neighbourhood services company in Croxteth will work with others, including local housing associations and the city council, to provide a further 60 apprenticeships. Yes, future careers for young people are about what happens in our schools and the policies of central Government and local authorities, but they are also, importantly, about engaging with social enterprises such as the communiversity in Croxteth.

Liverpool city council, in partnership with Liverpool community college and Liverpool John Moores university, is working on a proposed university technical college in Liverpool. It is an exciting opportunity for Liverpool to create a new college for 14 to 19-year-olds. Some 600 students will probably attend the university technical college, if it gets the go-ahead, which I very much hope it does. Its curriculum for 14 to 16-year-olds will be based on traditional GCSEs and A-levels, but with a much more significant technical element for about 40% of the curriculum. It will look at either the traditional or the new strengths in the Merseyside economy. I echo what the hon. Lady has said about the importance of the port. The university technical college will focus on the port and economic activity around it, as well as on environmental technology. That is a model of the way in which the education system can meet some of the new challenges we face, particularly in vocational education, which my hon. Friend has set out so eloquently.

Finally, there is the broader question of careers advice. Frankly, we have never got it right in this country, and we can all tell stories about the advice we got when we were at school or college as teenagers. When the Labour party was in government, we tried to deal with the issue, and I was briefly the Minister with responsibility for the Connexions service when it was first set up. We know from all the evidence that, for all the different initiatives we have had, we have never quite got things right. We have to look at new and innovative solutions.

Cardinal Heenan school in my constituency runs industry days. It invites local people who work in a variety of fields to come and meet its young people face to face to talk about the work they do. The school does that with the year 9s before they choose their GCSE options, and it does it again with the year 11s, who are at a crucial stage in their education. That is the sort of programme that we need to encourage and have more of.

Bill Esterson: My hon. Friend is giving some good examples of the importance of a good careers service and good practice. Does he agree that the change to providing careers advice remotely is worrying? The loss of face-to-face careers guidance, particularly where personal relationships already exist, is very worrying, and there is concern about the ability to maintain the benefits of such face-to-face guidance.

Stephen Twigg: I share my hon. Friend's concern. I echo what he has said and what my hon. Friend the Member for Blackpool South said in his opening remarks: a face-to-face element and direct interaction are crucial. In a sense, my argument is that we need more rather than less of that. Some of that advice will come through traditional careers advice in school, but some needs to be different and innovative, and I will give an example shortly.

Kate Green (Stretford and Urmston) (Lab): We all agree about the importance of good-quality careers advice. Is my hon. Friend as concerned as me about the resources for that advice in schools? As more schools set up independently as academies, the resources available to local authorities to support the schools that remain in their ambit will be reduced, so careers advice may suffer.

Stephen Twigg: Absolutely. It is vital that carers advice is seen as a priority by schools—whatever their status, they have to own this issue—and by central and local government.

I want to give an example of a social enterprise. Future First, which was set up by an inspirational young man called Jake Hayman, looks to change the way in which careers advice is provided. Its key aim is to bring former students back to their old schools to inspire, advise and guide the current pupils. It aims to build an alumni network in each school in the state sector and to work with schools to celebrate the diverse range of talents that have come from them. Future First uses these networks to engage with the current pupils

over four years—this is not a one-off event. It leverages that network with a community of businesses. It is currently working in London with businesses such as Google and PricewaterhouseCoopers to provide work experience, internships and industry days.

I know one of the schools Future First works with in north London. William Ellis school in Camden has built a network of 40 former students, including football coaches, doctors, sound technicians, entrepreneurs and architects, providing a careers curriculum for more than 900 students. Through its alumni network, it has created a range of work experience placements, which includes more than 20 work-shadowing opportunities with leading barristers. That is absolutely the right way to go, because it is about promoting social mobility, narrowing gaps in opportunity between the poorest and the richest and giving young people in state schools opportunities that a lot of young people in private schools take for granted.

Future First has commissioned research into the issues it works on. Some 27% of children in state schools said the careers advice they had received was bad or very bad, whereas the figure in private schools was just 6%. Some 39% of young people attending state schools agreed with the statement:

"I don't know anyone with a career that I'd like to do",

and the figure rose to 45% among those receiving free school meals. The polling showed that the Future First style of advice was very popular among young people. Future First receives no Government funding and has been set up voluntarily. The schools pay for its services, but at a heavily subsidised rate. Corporate partners provide the bulk of the funding.

I have mentioned that example from London in this debate about the north-west because I am keen to see a similar programme in the north-west, perhaps starting in Liverpool—just to conjure a name off the top of my head. I have spoken today with Future First, which is keen to go to other parts of the country. That is not an alternative to the proper careers advice service my hon. Friend the Member for Blackpool South spoke about, but on its own the traditional service is not good enough. In particular, it is not addressing the skills gaps and lack of social mobility that Members have identified in the debate. I would be grateful if the Minister responded specifically on how the Government see the Future First programme.

3.16 pm

David Mowat (Warrington South) (Con): I, too, congratulate the hon. Member for Blackpool South (Mr Marsden) on securing the debate.

It is a pleasure to take part in a debate with the phrase "north-west" in the title, because there is a bit of a structural issue in this place about the treatment of the English regions vis-à-vis other parts of the country. We hear a great deal about Scotland, and we have Scottish questions. We also have Welsh questions and Northern Irish questions. However, we hear little about the English regions, which is why I am pleased to take part in the debate. In that regard, at least, people on both sides of the Chamber have more in common with the each other than not.

I want to talk first about how London-orientated our economy is. The gross value added of the north-west is approximately 60% of London's, and no other major economy in western Europe or the US has a similar discrepancy. That is extremely serious for our constituents, because there is an assumption that anything world-class that happens in this country goes back down to London, and we need to do what we can as MPs to fight that. I will talk a little about some of the world-class enterprises that we have in the north-west, which we need to encourage.

I also want to talk about the public spending that Scotland gets vis-à-vis the English regions. Today's debate is not the place to discuss the Barnett formula, but it is a fact that if my constituency was north of the border, and it had the same demographics and a similar needs profile, it would get about £1,600 a head more in public spending.

A small thing that happened a fortnight ago should give us all food for thought in the north-west. We have talked about the Mersey Gateway project, but another major bridge programme will take place just north of Edinburgh, when the Forth road bridge is replaced. That bridge will not be tolled, but ours will be, and it is increasingly difficult to understand why such discrepancies and differences can continue in the same country and still be defended.

I want to go back to the point about London. I will not make a party political speech, but the fact is that London has got away from the rest of the UK, including the north-west. That has got worse over the past decade. That was principally because of the financial services boom in London, which caused the rather frothy increase in GDP per head there, and we saw the reckoning that occurred. One of the reasons why the situation got worse—again, this is not a party political point, but one for both Front Benchers—is because two years ago, Government capital spending per head in London was three times what it was in the north-west. That level of discrepancy generated private sector jobs, affluence and all that went with it for London. I very much hope that the coalition will do what it can not to let that happen in the future.

Infrastructure is part of how the north-south divide—

Hugh Bayley (in the Chair): Order. I remind the hon. Gentleman that the subject for debate is a narrow one. We are talking about career opportunities for young people in the north-west, not about the regional or national economy more generally.

David Mowat: My point is that the degree of affluence and gross domestic product that we can generate in the north-west translates to career opportunities. The reason why many of our young people come down to London to make their way is because there are not enough world-class organisations in the north-west. However, I will take your point, Mr Bayley, and move on to the changes in education and career opportunities that have occurred over the past 30 years.

The jobs that our young people need to do, whether or not they are in the north-west, are increasingly technology-based and technology-focused. Companies such as Google, Yahoo!, Facebook, Microsoft and Apple are all technology companies. Each has generated perhaps as many as 250,000 jobs in their immediate infrastructure. None of them are in the UK, let alone in the north-west. It is important that this country can compete on technology. One of the most striking things that has occurred over

[David Mowat]

the past 30 years is that while we have increased the number of graduates by a factor of five—that applies to the north-west as well—we have fewer people studying engineering than we did 30 years ago. That is not a point for just the previous Government or the Government before that, because it is what has happened in our country. The consequence is that many of our young people cannot compete for high-technology jobs or in the expanding market in high-technology. That is a shocking failure—it is possibly one of the most dramatic failures in education policy in the past. I will be interested to hear the Minister's response to that.

Finally, our economy will continue to be fairly focused on manufacturing. A unit of GDP generated from manufacturing uses more energy than a unit of GDP generated from services. It is important for the north-west economy, and therefore for the prospects of the young people in the north-west, that energy prices are kept competitive. I am interested to hear how the Minister addresses my concern, which is that this country is sleepwalking its way into having higher energy prices than any similar economy in Europe. That will bear down particularly hard on parts of the country where manufacturing, especially process manufacturing, is a significant feature.

Hugh Bayley (in the Chair): I need to start the winding-up speeches at 3.35 pm at the latest.

3.23 pm

Rosie Cooper (West Lancashire) (Lab): I will be brief and not take long at all. Thank you, Mr Bayley, for allowing me to contribute to the debate. It is a pleasure to serve under your chairmanship today.

I congratulate my hon. Friend the Member for Blackpool South (Mr Marsden) on securing this important debate. I know from his previous work what a great champion he is for our region, the north-west, and for young people. Before the debate, I read his article on ePolitix.com, and it struck me that the points he raises ring true with the experiences in my constituency. We, too, have excellent leading-edge companies, fantastic higher and further education institutions and a population of young people who are as ambitious and aspirational as any of their peers elsewhere in the country.

In West Lancashire, we have leading companies such as Trelleborg CRP, which is at the forefront of marine technology, and the company that was given the job of providing Wembley stadium with a surface that we can all be proud of. We also have social enterprises, for example West Lancashire Community Recycling, which used money from the future jobs fund to support getting people who would otherwise have remained unemployed into work. We have the Construction academy in Skelmersdale, and we need a strong construction sector for people to move into.

This September, a new £42 million further education college will open its doors to students from across West Lancashire and beyond. That college has had £4 million taken away after the Government's decision to scrap the Northwest Development Agency, which was a vital tool in securing investment in the region. I brought that matter to the attention of the Prime Minister last September. When the £4 million was removed, the college had already been half-built up out of the ground. The furniture had been built and there was absolutely no scope for a redesign. The college was in a desperate position. The Minister made a successful visit to see the building and the condition of the old Skelm college building. Sadly, an offer of £19,000 over three years, which will hardly make an imprint on the £4 million that had been stolen by the Government, was made. I asked the Prime Minister for help—not a hand-out, but a hand-up—for young people, and what have they got? The college, whose building is now built, will see further cuts in education—a 4% cut in overall funding. It has lost two thirds of its entitlement funding and is consulting on 17 job losses. It has also cut courses to try to meet the gap. It can do nothing else about it. At a time when youth unemployment is a severe concern, we should be investing in the education and training of young people and equipping them for work.

I fear for future opportunities for young people. As cuts and redundancies bite, my concern is that young people will be lost in the mayhem. Many north-west MPs lived through the 1980s and early 1990s, witnessing at first hand the scale and depth of economic devastation that was wrought by Conservative Governments. Towns such as Skelmersdale were decimated, with real unemployment levels at about 50%. Families were left without work, and many are still feeling the effects of those policies today. We are in danger of going back to the future if we are not careful. For all the success of the schemes that I have mentioned and many others in West Lancashire, the ability to bring on board the next generation of workers is increasingly limited. The future jobs fund has been scrapped, which will hinder many social enterprises and voluntary organisations. Apprenticeship opportunities are limited, and the young apprenticeship scheme is disappearing.

In education, the support given to families through the education maintenance allowance is vital. When I talk to young people in my constituency, they tell me that £30 a week is the difference between their going to college or not. We have also seen a reduction in entitlement funding, which is vital for further education colleges, providing support to young learners that help them to be job-prepared or prepared for university. Previously, that group received 114 hours of support. In Skelm college, that has been slashed to 30 hours. It is clear from the few examples that I have highlighted that the opportunity for young people to develop the skills, knowledge and experience to make them job-ready and able to access career opportunities is being choked off, especially for those from deprived backgrounds.

My message today is that we cannot afford to have another generation of young people thrown on to the scrap heap. We must address two challenges—ensuring that there are career opportunities for the young people of the north-west in the north-west, and ensuring that the pathways of support that will prepare them to take advantage of those opportunities are available. One without the other is of no use at all. I want to see an economy for the communities such as West Lancashire and the north-west that continues to build on the strengths and expertise that we have within the region and that encourage people to remain there. I once again make a plea to the Minister to do what he can to help Skelm college and young people. We cannot and must not forget or write off our young people.

Hugh Bayley (in the Chair): The generosity of the Opposition spokesman means that there is a little more time for Back Benchers. I call Bill Esterson to speak for a maximum of five minutes.

3.29 pm

Bill Esterson (Sefton Central) (Lab): I add my congratulations to those given to my hon. Friend the Member for Blackpool South (Mr Marsden) on securing a very important debate. Given the good and positive discussions that we had in the Select Committee on Education some weeks ago on similar topics, I am looking forward to the Minister's response.

I shall pick up the excellent points made by my neighbour in the Chamber today and in the north-west, my hon. Friend the Member for West Lancashire (Rosie Cooper), about rebalancing the economy geographically. It is absolutely crucial that we establish good employment prospects for young people, so that they stay in the region. We should do that through investment in the local economy. The abolition of the regional development agency has created a big problem in achieving that, but there are opportunities.

The port of Liverpool has been mentioned. Although the cruise terminal would be a welcome development, we need to go much further than that and provide opportunities for export through the sorts of hi-tech industry that hon. Members have mentioned. It is absolutely essential that we achieve that for the wider economy and for the future of young people.

David Mowat: The RDA has been mentioned in the previous two contributions. I do not deny that that organisation did a great deal of good in the north-west. However, if an organisation is given £3 billion a year to spend, that is what will happen. Does the hon. Gentleman accept that each job created by the RDA in the north-west, which was one of the better RDAs, cost £60,000? That is an awful lot of money, and we need to consider alternatives.

Bill Esterson: I am grateful for that intervention, because it ties in with two other issues that I was going to raise: the abolition of the future jobs fund and the phasing out of the young apprenticeship scheme. Both programmes are being phased out because of the high cost of success. The hon. Gentleman is making the same point about the RDA.

Esther McVey: It is about not only cost but sustainability. We should not have short six-month schemes, because such programmes must lead to sustainability. It is about cost and sustainability.

Bill Esterson: Those are closely linked issues. Whether we are talking about the RDA, the young apprenticeship scheme or the future jobs fund, the issue is about finding better ways of running such schemes, rather than just abolishing them and leaving a void that could go on for many years.

In the north-west, there was the particular problem because the recession peaked in 1981, but youth unemployment only peaked four years later in 1985. Unless we deal with these issues now, there will be a repeat of that pattern. There was success. I consider a 50% conversion in relation to the future jobs fund to be a success not a failure. We need to learn the lessons of the past if we are to get it right in the future.

I want briefly to say something about the EMA before I finish. The EMA was crucial to apprenticeships and to colleges. It was a core part of family income. Evidence from Hugh Baird college in Sefton and elsewhere in the north-west shows not only that it was a core part of family income, but that it increased achievement and attainment. It is hard for college principals to identify who absolutely needs it and who will continue to attend without it. Those issues were not considered in the haste to make changes. The sorts of changes that have been made to the EMA, the future jobs fund and the young apprenticeship scheme are, as with so many other areas, too far, too fast. That is my major concern.

I hope that such an approach will not lead to young people of the current generation paying a very steep price, as people of my generation did in the '80s. Even now, some of those people have never found well-paid jobs or established careers. Their families have paid the price over many years. I hope that the Minister will address those points in his summing up. We are 14 months into this Government. If we do not get it right very quickly, the time will have passed and it will be too late for this generation as well.

3.34 pm

Mr Iain Wright (Hartlepool) (Lab): I am particularly pleased that we are serving under your chairmanship today, Mr Bayley. For my sins, I was campaign manager for the Oldham East and Saddleworth by-election earlier this year. I have fond and vivid memories of driving through the snow on the M62 to deliver the keynote speech for the celebration of achievements at a spectacular and ambitious college called York college. I understand that you are a massive champion of that fantastic further education institution, Mr Bayley, so it is a pleasure to serve under your chairmanship.

I congratulate my hon. Friend the Member for Blackpool South (Mr Marsden) on securing the debate. I pay tribute to him not only for being a first-class Member of Parliament on behalf of his constituents, but for his excellent work on the Front Bench in respect of further education colleges and adult skills. He knows how important it is for young people to have opportunities provided to allow them to have fulfilling and rewarding careers and lives and for professionals to have the support and resources to navigate the young people through the options that they face.

We have had a good debate. Hon. Members from all parties have articulated the enormous potential of the north-west. As I was listening to the debate, it struck me that the north-west is very similar in terms of its history and potential to my region of the north-east. We were once the workshop and powerhouse of the world, and we also suffered too much from changes to industry in the latter half of the 20th century. However, our economies have diversified and both areas now have great potential to take advantage of the opportunities in the 21st-century global economy.

As my hon. Friend the Member for Blackpool South said, the north-west has a strong network of further and higher education institutions. It is also very similar to my area of the north-east in having a positive culture

[Mr Iain Wright]

of welcoming apprenticeships. My hon. Friend mentioned world-class apprenticeship schemes in the north-west such as those run by BAE Systems. I should like to mention companies such as MBDA in Bolton. I greatly enjoyed going to that factory when I was a Minister. A few months ago, I welcomed apprentices from the firm to the House with my hon. Friend the Member for Bolton West (Julie Hilling). The quality of MBDA's apprenticeship scheme is absolutely first class. I particularly like the way that apprentices visit schools to teach younger pupils about science and engineering. They spark pupils' interest in the issues, ignite their ambition and encourage mentoring and work experience opportunities. The MBDA apprentices are the very model of professionalism. They are marvellous ambassadors not only for their firm and Bolton, but for young people across the country.

The debate has provided a good opportunity to ask the Government what they have against the young people of this country. In the space of a few short months since coming to office, they have stripped young people of opportunities through the abolition of the future jobs fund, the cancellation of education maintenance allowance, the trebling of tuition fees, the ending of Aimhigher, the cancellation of the youth opportunities fund, the ending of young apprenticeships and the loss of the careers service without any replacement put in place.

Any Government should be judged on their ambition for the future by the way in which they help, support and nurture young people. I am afraid that this Government have been found wanting at best and downright neglectful and damaging to the next generation at worst. It is little wonder that the Education Committee concluded in its recent report on services to young people:

"we comment that the Government's lack of urgency in articulating a youth policy or strategic vision is regrettable. The Government needs to acknowledge the reality of what is happening to many youth services on the ground and act now."

We have heard in the debate how the economic certainties that the post-war generation had have gone for ever. People in the north-west in the 1950s and '60s might have had a very clear form of career road map, as was also the case in my patch. People might have gone into the Ferranti works in Hollinwood, Oldham, or been employed by Crossley in the constituency of my hon. Friend the Member for Blackpool South. Alternatively, they might have worked at the docks in Liverpool or on the railways in Crewe. Those places were the absolute bedrock of the local economy and provided a certainty of long-term employment that is no longer there. My hon. Friend recalled vividly how his father left school at the age of 14 and expected to work in the same place for 30, if not 40, years.

Young people are starting their careers in a much more complex and more challenging world, which has been made even more difficult by the global financial crisis. In an economic downturn, young people will find it especially difficult to secure and maintain employment, because by definition they do not have experience of work. They face that Catch-22 situation—they cannot find work because they have not got experience, but they cannot secure experience because they have not got work. We in the House have to help young people to break that cycle.

In these challenging times, it is more vital than ever that young people have the support, help and tools they need to navigate the various options that they face when trying to secure further education, training or employment. Now, more than ever, we need an effective careers service for young people. That is why the Government's inept and shambolic attempts to reform the careers service are particularly damaging. The move from Connexions to a national careers service, with schools having a greater responsibility for the provision of such information, advice and guidance, has been botched. I like the Minister very much—I should like to consider him as a friend—but I have to tell him that on this occasion and on this issue he is guilty of being asleep on the job.

I have a series of questions that the Minister needs to address, and he needs to address them urgently. Will he update the House as to where we are on the transition plan? In March, during the consideration in Committee of the Education Bill, I stressed to him the urgency of producing rapidly a comprehensive transition plan for the careers service. We are now at the stage, more than three months after discussing this in Committee, where we still have no real additional information. That is not good enough. School leavers have a matter of days—literally, days—left in education, but no real clarity on what will happen come September. How shambolic is that? Will the Minister get his finger out and do something quickly to prevent those young people, in the north-west and elsewhere, from drifting because of ambiguity, uncertainty and dithering by the Government into a lifetime of low pay, low skills and low expectations?

I understand that the careers summit between the Minister and professionals will take place soon—I think it is on 15 July. I fear that this is far too little far too late, but will the Minister provide further information on the agenda and invitees to the event? Parliamentary questions from me were answered by the Minister of State, Department for Education, the hon. Member for Bognor Regis and Littlehampton (Mr Gibb)—it is unusual to get Education Ministers to answer parliamentary questions, but I will leave it at that—but the answers were spectacularly uninformative. Does the Minister now accept that the summit is happening too late? What does the Minister hope to achieve from the summit and how will practical recommendations and suggestions arising from it be communicated and disseminated to schools and other stakeholders, particularly given the time of the year? The summer holidays will start a matter of hours after the summit.

Face-to-face guidance was mentioned in the debate, and that is a good part of good-quality information, advice and guidance. It worries me that the Department for Business, Innovation and Skills states on its website that it will provide:

"free face to face guidance to priority groups".

Will the Minister confirm or deny that not all pupils will receive face-to-face information, advice and guidance? Will he articulate what the phrase "priority groups" actually means, and what will the criteria be for such groups? Will he reassure me that priority groups will include all children—all children in schools—to let them have the opportunity to have face-to-face guidance on careers to allow them to make meaningful choices and decisions about their future career?

The Minister's Department's website states:

"the network of organisations funded by BIS will be able to offer services on the open market to those individuals/organisations which are willing to pay".

Will the Minister explain that in more detail? In particular, will he rule out the prospect of high-quality information, advice and guidance, including that important point about face-to-face careers advice and guidance being provided to pupils only where parents are willing to pay an additional fee for such a service? Can he rule that out immediately?

Many careers professionals lost their jobs when local authorities dispensed with Connexions at the end of March. The Government talk a good game when they say they wish to trust professionals in education policy but not, evidently, when it comes to careers professionals. How will the Minister ensure that that experience, skills and professionalism will not be lost permanently for young people, when thousands of staff lost their jobs in March?

The Minister is aware, because my hon. Friend the Member for Blackpool South rightly pointed it out, that funding for careers has been cut severely. My hon. Friend mentioned the pooling of 22 separate funding streams, including that for Connexions, into a single early intervention grant. He made the point, in a great and articulate way, about the additional services that this early intervention grant has to produce. In addition to Connexions and youth services, it is intended to fund Sure Start children's centres, build capacity for local authorities to extend free early education to disadvantaged two-year-olds, provide short breaks for disabled children, support vulnerable young people to engage in education and training, prevent young people from taking part in risky behaviour such as crime, substance misuse or teenage pregnancy, support young people at risk of mental health problems and help young people who have a learning difficulty or disability. There is simply not the funding in place to have an effective careers service. Can the Minister do something about that, especially when we are thinking that the early intervention grant will be cut by a further 11 per cent next year?

The Government have failed to articulate their vision about how they will help young people develop and prosper in the most difficult economic circumstances for a generation. More damning is that the Government have simply failed young people. We have seen the Secretary of State for Education lose control over his Department, fail to address the real needs that young people and industry require and fail to be on the right side of the argument on the careers service, school capital, school sport and the education maintenance allowance. He has emphasised elitism in education at the expense of excellence for all. As we have heard several times during the debate this afternoon, we now face the appalling prospect of a lost generation failing to achieve its potential and having a poorer quality of life than the previous generation. That is not how it should be. The Minister needs to raise his game and do something to help the young people of the north-west and, indeed, the young people of the entire country.

3.46 pm

The Minister for Further Education, Skills and Lifelong Learning (Mr John Hayes): It is a great pleasure to serve under your chairmanship, Mr Bayley. It is also a pleasure to respond to this debate, which I congratulate the hon. Member for Blackpool South (Mr Marsden) on securing.

I am going to discuss three things, and I will try to deal with as many of the points that have been raised as possible. First, I want to speak about apprenticeships. Secondly, I want to talk about the careers service, information, advice and guidance, as that is what the hon. Member for Hartlepool (Mr Wright) and other hon. Members focused on in particular. But before I deal with those, the third thing that I want to speak about, which I will deal with first just to create a degree of excitement in my short peroration, is macro-economics.

Macro-economic strategy is critically important to the future that we want for our young people—indeed, for all our people. The Government's emphasis on dealing with debt is an important pillar in that strategy. In that effort, the recalibration of our perspective on what government does and does not do needs to be taken into account. The silver lining, if I may put it that way, of the very tough comprehensive spending review that we have endured is that we have had to think more critically about the value for money that we get from all the taxpayer funds that we invest.

The second pillar of the macro-economic strategy, which is less often spoken of but is no less central to our ambitions, is to rethink the character of our labour force. We do so against a background, as the hon. Member for Hartlepool said, of greater uncertainty and more rapid change. In order for our economy to succeed, it must be more sustainable. That sustainability will make it better able to endure some of the challenges that we have faced in the past two years when they doubtless happen again, because as you know, Mr Bayley, economies move in cycles. That redrawing of what Britain can be and should be requires us to think about what modern economies look like. Modern economies are more advanced, more high tech and more highly skilled, and they change more rapidly. That dynamism, and indeed that high-tech work force, will be essential if we are going to develop the productivity and competitiveness that we seek, which underpins prosperity.

As Minister, my task is to implement measures that allow us to develop that high-tech, highly skilled work force fit for a high-tech, highly skilled economy. That is why I focused so heavily on apprenticeships when I became a Minister. The hon. Member for Hartlepool—I have two hon. Members shadowing me, because the Opposition know that one would not be enough—is right that the previous Government understood that, too. Indeed, he was a Minister in the previous Government. I do not, for a moment, claim that we have a unique insight into the value of apprenticeships. However, the difference between his Government and ours—where his Government got this wrong and we have got it right—was to make apprenticeships the pivot around which the rest of the skills offer moves. To do that, we transferred money from the Train to Gain budget to the apprenticeship budget, as the previous Government could and should have done. The support that the previous Government gave apprenticeships provided an important foundation, and there was trend growth in apprenticeship numbers—I want to acknowledge that

[Mr John Hayes]

clearly—but we have gone further and faster than they did or perhaps would have done. I say that with as much generosity as I can summon, which is not easy for a party politician, although it is made all the more easy by the two people who shadow me, who are diligent, studious, committed and decent.

Let us look at how the constituencies of Members currently in the Chamber are affected. Since we came to office, there has been a modest but not insignificant increase of 4% in the number of apprenticeships in the constituency of the hon. Member for Blackpool South, and a 13% increase in your constituency, Mr Bayley—all the figures are based on the latest data, which I announced to the House on my birthday only a few days ago. In my Parliamentary Private Secretary's constituency of Bromsgrove, the increase was 16%, in Wirral West 23%, in West Lancashire 22%, in Warrington South 11%, in Liverpool, West Derby 22%, in Sefton South 27% and—

Bill Esterson: Will the Minister give way?

Mr Hayes: In South Holland and The Deepings the increase in apprenticeships was 43%—but I did not know that until I came to the Chamber.

Mr Iain Wright: What about Hartlepool?

Mr Hayes: I am saving Hartlepool—I am building up to it.

Bill Esterson: The Minister did not mention my constituency because it is called Sefton Central, not Sefton South, but I am grateful for the figure.

I mentioned young apprentices in my speech. The worrying finding in Professor Wolf's inquiry was that most of the increased number of apprenticeships have gone to 19 to 24-year-olds. The danger is of a gap among the 16 to 18-year-olds who are not able to take up apprenticeships. How does the Minister intend to rectify that?

Mr Hayes: The hon. Gentleman makes a good point. There are particular pressures on 16 to 18-year-olds, and some of those pressures are to do with the perceived and real risks for businesses taking on a young person. That is particularly true for small and medium-sized enterprises—small businesses perceive an associated risk because they have a small base—while the capacity of large organisations to absorb such risk is rather different. Nevertheless, the figures that I announced a week ago of about 114,000 more apprenticeships in total throughout the country, amount to the biggest single boost in apprenticeship numbers ever in our history, and I have no doubt that at the end of the CSR period we will have 500,000 apprentices, which is a previously undreamed-of figure. Also, when I looked closely at the figures, there has been growth for 16 to 18-year-olds, for 19 to 24-year-olds and for 25-plus, which suggests significant latent demand on the part of learners and of employers. We can talk about that at greater length when we have more time, but I suspect that we have further untapped demand, as well as some trend changes in how businesses are interfacing with the skills system and how learners are making choices about the route best suited to them.

Mr Wright: The Minister has mentioned macro-economics. Economic growth has been forecast downwards repeatedly and quite dramatically. Will that impact on his target of 500,000 apprenticeships, which is obviously based on demand in the wider economy?

Mr Hayes: I never have targets; I only have ambitions—it would be vulgar to describe them as targets. The hon. Gentleman is right that, at the next stage of implementation, we need to tie our skills strategy more closely to growth, so next I want to identify those parts of the economy with the biggest growth potential and where skills gaps might inhibit that potential growth. Over the coming weeks and months, I hope to look specifically at the inhibitors to growth in those areas where we can create maximum opportunities for employment, including employment for young people. He is right that, in developing the strategy that I laid out last November, we certainly need to be mindful of growth and, in particular, of sectors and subsectors where there are real skills gaps that are impacting on productivity and competitiveness. For example, I was at Ravensbourne academy today, talking about the creative industries, which have real capacity for growth but also unmet demand, and we need to address that issue of skills. Advanced manufacturing is another such example. We need to look at such challenges, and he is right to raise the issue.

I have spoken about macro-economics and apprenticeships, although I am at risk of becoming an apprenticeship bore. Suffice to say that, for the whole time that I am the Minister, which my hon. Friends throughout the Chamber hope will be for a long time, although that is down to the Prime Minister and not to me, apprenticeships will be the pivot. Shaping the skills system around apprenticeships creates a different dynamic and a different set of expectations, as well as a vocational pathway that is as navigable, progressive, seductive and rigorous as the academic route on which so many of us travelled. We need a longer vocational ladder, which is rigorous and provides opportunity for young people, and which means that those with practical and vocational tastes and talents do not see vocational learning as a cul-de-sac. For too long, people have not seen the route to higher learning in that vocational pathway, which they need to do if they are to make the right choices at the right time that are most likely to allow them to fulfil their potential.

I have said that I will discuss careers advice and guidance; it would be wrong for me not to do so. I will be making a major speech on the subject tomorrow, so the hon. Member for Hartlepool can look forward to that with bated breath. I could say more now but, in fact, I will do more than that, although my officials will shudder: I will deal with all the questions that he asked today in that speech tomorrow—it will require some redrafting, because we did not know what questions he would pose until a few moments ago—but I will ensure that I do, as I owe the hon. Gentleman that.

In summary, however, the hon. Gentleman grossly overstated my few weaknesses and understated my many strengths. I do not mind his doing that, because I like him as he likes me. I believe passionately in advice and guidance, for the reasons that my hon. Friend the Member for Wirral West (Esther McVey) has mentioned. She is doing such incredible work: for example, by

pulling together the Wirral youth summit, in just a few days' time, and by doing immense work promoting careers advice and guidance. My hon. Friend the Member for Warrington South (David Mowat) and the hon. Member for Liverpool, West Derby (Stephen Twigg) understand the difference for social mobility of ambition and rebalancing advantage in society—as a Tory, I believe in rebalancing and redistributing advantage in society—and the hon. Member for West Lancashire (Rosie Cooper) feels the same. Therefore, we need to ensure that we give those young people who do not have access to familial networks or similar social networks the best advice, so that they get their chance of glittering prizes as well. That is why we need good advice and guidance.

So we will do three things. First, over the past year, we have done a great deal with the careers profession, which in the coming months—certainly by the autumn—will be in a position to announce an unprecedented degree of co-operation among careers professionals, leading to a new set of professional standards with linked training and accreditation. The national careers service will be founded on the expertise and professionalism of the careers sector, reprofessionalised and emerging from the dark days under the previous regime to a new era of purposeful drive, in which it is valued and its role is central to the work that we will do to foster social mobility. That will be laid out in the autumn—I always said that the national careers service would be up and running next year, not this year. The hon. Gentleman will have a chance to look at those proposals, and I think that he will be proud of the work that the Careers Profession Alliance has done following the work of the task force led by Dame Ruth Silver.

Secondly, we will change the statutory duty on schools to ensure that they secure independent professional advice—the Bill is going through the House now—which I expect them to do. For too long provision has been patchy. The hon. Member for Liverpool, West Derby talked about the difference between the independent sector and the state sector, and he is right. Connexions did not do the job—let us be frank. Connexions did some good work, of course, and many people were dedicated to that work, but the structure itself was faulty, because it had to be a jack of all trades rather than a master of careers. We are therefore changing the statutory duty incumbent on schools, and we will deliver a tough statutory arrangement to ensure that schools live up to it.

Finally, we will provide national access to the national careers service through co-location with colleges throughout the country and Jobcentre Plus. We will lay all those proposals before the House, so the hon. Member for Hartlepool can be confident that, in every part of Britain, young people and others will be able to obtain the careers advice and guidance that they need to make the best of themselves—to be their best and to do their best. I will say more tomorrow, but I know that you, Mr Bayley, and others will leave this Chamber with a spring in your step, because you know that the Government are committed to the young people of the north-west and to all the young people of Britain.

Phonographic Performance Ltd

4 pm

Ms Margaret Ritchie (South Down) (SDLP): I am grateful for the opportunity to have this important debate under your chairmanship, Mr Bayley. I want to talk about the licence regime operated by Phonographic Performance Ltd, which governs copyright for musical recordings, and by the associated Performing Rights Society; they issue music licences that cover the copyright for musical and lyrical compositions. Both licences are required by businesses if they want to play music in public places or hold a live performance.

I want to draw attention to the over-complex and expensive licensing regime in this market. The problem has been highlighted by the European Union and the Federation of Small Businesses, and by various businesses and constituents throughout my constituency in Northern Ireland. The regulations impact financially on many small enterprises across Britain and Northern Ireland, which are already over-burdened by Government regulation and red tape. Broadly speaking, as we seek to develop and grow the economy in Northern Ireland, such measures can place an undue strain on businesses that already have narrow profit margins.

The Government have acknowledged that the economy in the north of Ireland needs to be rebalanced, and the proposed steps to devolve corporation tax powers to the Northern Ireland Executive are encouraging. However, it has been noted that businesses are still subject to around 60 regulations, including licensing arrangements, which cost firms throughout the UK £13 billion. Those regulations may be particularly burdensome for our small and medium-sized businesses, which may not have staff dedicated to compliance issues. It is therefore important that we pay attention to the criticism that such firms have expressed about the licensing arrangements for performance music.

I would like to draw attention to more specific issues within the broader context of the debate. In March 2009, the PRS introduced an exemption rate for businesses with fewer than four employees to cover employees playing music in private that was not audible to the public. Under that arrangement, such companies were to pay £44 a year plus VAT, and that decision has since been upheld by the High Court. Such exemptions are welcome, but unfortunately they are some way short of a classification that would help small and medium-sized enterprises, given that SMEs are classed as organisations with fewer than 50 employees. I want to encourage the Government to examine such exemptions, and to make them more consistent with the definition of a small business.

Pete Wishart (Perth and North Perthshire) (SNP): After 10 years as a Member of Parliament, I have not received one complaint on the subject from an SME in my constituency, and I, too, represent a rural area. Most small businesses are content to pay a small price to enable them to use wonderful music to enhance their businesses. When the hon. Lady is talking about exemptions, is she thinking about the musicians, most of whom survive on less than £16,000 a year? If small businesses with fewer than 50 people were exempt, the impact on

[Pete Wishart]

musicians would be massive. Does she understand that musicians are struggling, and survive on the scraps that they get from the PRS?

Ms Ritchie: I thank the hon. Gentleman for his welcome intervention. I recognise that in another life he was a musician, and is a member of a popular Celtic folk band in Scotland, which has played in Northern Ireland on several occasions. I recognise the musicians' plight, and that they and the music industry are an integral part of small businesses. I am reflecting on the position of small and medium-sized enterprises in Northern Ireland, where we have a predominantly public sector-led economy, and are trying to grow our economy and encourage small businesses. Any additional taxation or fees simply imperil their financial situation.

Mike Weatherley (Hove) (Con): Does the hon. Lady agree that it is a blunt instrument to use the arbitrary definition of small businesses as being those with fewer than 50 people, when radio usage in small companies is often higher than in large companies?

Ms Ritchie: I thank the hon. Gentleman for his intervention, but I am simply using the definitions proposed by the European Union. I accept his point, but perhaps I could continue my speech.

It is likely that many firms with fewer than four employees are unaware of the exemption, and more should be done to ensure that they are not paying excessive amounts. That brings me to a related issue: the cost of referring a case or complaint to the Copyright Tribunal can be prohibitive. As Consumer Focus highlighted, that is especially likely to be the case for small and medium-sized businesses, and even for a trade association, such as the Federation of Small Businesses. We must be especially aware of such concerns given the relative monopoly held by the collection organisations. Businesses have no alternative within the market.

In contrast with most other European countries and the US, the UK does not provide in law for the regulation of licensing collection bodies, and no authority is charged with their ongoing supervision, except in relation to the ad hoc resolution of complaints through the Copyright Tribunal. Given that somewhat unbalanced field of play, it is important to consider the charges that companies face. With reference to the PPL charges, businesses defined by the European Commission as small enterprises —including, for example, a hair salon with more than four employees and with more than five treatment or stylist chairs—that use a radio, CD player or MP3 player will have to pay PRS £169 and PPL £121 a year. An office or factory with 135 employees will pay PRS £1,142.03, plus VAT, and PPL from £113 depending on square metres. A small café seating up to 30 people will be charged for television, radio and CD. The PRS fee will be £440.72 and the PPL fee will be from £113, depending on square metres.

Set against that, I note that the PPL's total licence fee income grew 10.7% to £143.5 million from £129.6 million the previous year. It boasts of a revenue growth from public performance of 2%, and claims that that is noteworthy. Its last press release around 8 June stated that

"it was achieved despite...extremely difficult trading conditions for many of the company's customers and licensees."

The fact that so many businesses are complaining about the high cost of the licences and the undue strain that it is placing on their finances indicates that there is a more draconian approach to compliance. It is vital—I say this advisedly—that PPL works closely with such businesses, and that the relationship is symbiotic rather than confrontational. Proclaiming their own revenue growth at a time of difficulty for the businesses that purchase their licences is not a step in the right direction.

As well as considering the level of charges, it is important at this stage to consider the sort of businesses that are most likely to be affected by the current arrangements. In my constituency, which is on the east coast of Northern Ireland, a large proportion of the economy revolves around the tourism and hospitality industry. The complexity and cost of requiring two separate licences, combined with an aggressive compliance regime, can put undue pressure on the bars, hotels and restaurants that form the background and backbone of our tourism industry. If those establishments are forced to cease playing music, business will suffer, customers may leave and the public's exposure to artists' music will be greatly decreased. As highlighted in a recent report by Consumer Focus, the European Commission commented, in reference to competition, copyright and collective rights management, that

"no other sector operates such complex licensing arrangements."

Before concluding, I wish to raise an associated and relevant concern that relates specifically to businesses that play radio stations. Although the radio station will have paid a royalty fee for playing the music, the small or medium-sized enterprise effectively has to pay that fee again, which I consider amounts to double taxation. In a similar manner, an hotel may be faced with a double cost for playing music in separate areas. That overly severe and inflexible approach damages small businesses. If those businesses are forced to stop playing music, it will hurt not only the businesses but those artists who, as the hon. Member for Perth and North Perthshire (Pete Wishart) pointed out, may live off a small wage and rely on being played on the radio for exposure. In summary, the licensing arrangements, which in some instances comprise many different tariffs, are cumbersome and cost-prohibitive for many owners of small and medium-sized businesses.

Mike Weatherley: I wonder whether the hon. Lady will expand on one aspect of that argument. If music is a necessity and part of the raw material required to provide a service in a café, for example, how does it differ from any other products offered by that café, such as coffee? Does the hon. Lady suggest that the Government should subsidise all other services offered by that business?

Ms Ritchie: If I may, I will say with a degree of temerity that there is a major difference between paying two licence fees, and paying for coffee and other services offered by a café. I am sure that we could elaborate further in the margins of the debate.

The licensing arrangements, combined with what is perceived to be an increasingly draconian compliance regime, is putting businesses under pressure. If we recognise

that, we must find a solution that protects our valuable music industry, of which small businesses form an integral part. I urge the Government to take steps to create a simpler and more effective licensing regime. It is vital that licensing requirements and costs do not disproportionately impact on small and medium-sized businesses at a time when many already face a challenging economic climate.

In Northern Ireland, all parties are collectively trying to rebalance the economy and change it from being 77% public sector-led, to a system that puts greater emphasis on the private sector and will provide opportunities for people to develop business ideas. Given the degree of compliance involved in the licensing system, and the fees that are charged in such a cumbersome way, the charges need to be streamlined so that people and businesses can enjoy greater comfort. People should be able to enjoy the music without facing difficult charges. It is vital that the licensing requirements be streamlined and reviewed as a matter of urgency, and on behalf of small to medium-sized enterprises throughout Britain and Northern Ireland, I ask the Minister to take those views on board. I recognise that we have devolved arrangements in Northern Ireland, but the responsibility for licensing lies in London.

4.14 pm

The Minister for Further Education, Skills and Lifelong Learning (Mr John Hayes): It is delightful, Mr Bayley, to speak in successive debates in this Chamber under your benevolent stewardship. I congratulate the hon. Member for South Down (Ms Ritchie) on securing this debate and on her speech, and in the short time available I will do my best to deal with some of the points she has raised.

I hope that hon. Members will join me in recognising the success of the 45,000 performers and almost 5,000 record companies that are members of Phonographic Performance Ltd. They make a significant contribution to the cultural life and economic wealth of our country. The industry of which they are part—the creative industries—acts as an important ornament to all that we are and all that we do. It is one of the big growth areas in our economy and has the support of the Government. We are working with the creative industries to develop ways in which they can grow still further. Our country is home to the largest national creative sector in Europe, and the creative industries account for 5.6% of gross value added in the UK, and provide around 2 million jobs. They are not merely ornamental but make a difference to the health and well-being of our economy and of communities up and down Britain.

Intellectual property and the copyright system lie at the heart of our creative industries. Many of those industries are small firms—the hon. Lady drew our attention to that once again in her speech. PPL tells us that the vast majority of its members are small and medium-sized enterprises. As she has said, those industries rely on copyright to survive, and it provides them with a legal framework to sustain and protect creative value. Although we are committed to minimising unnecessary burdens on small businesses, we also want to maintain a fair and balanced copyright system in which artists can gain fair rewards for creative works, and licensees can expect access to content via a licensing system that is fair, transparent, and reasonable.

As the hon. Lady has said, PPL plays an important part in that system. Like all collecting societies, it has a valuable role in managing and clearing rights. Its collective licensing activities mean that users do not have to approach every single rights holder for permission, which helps to reduce transaction costs. As a collecting society, PPL is a private commercial organisation that manages the rights of its members. The collecting society functions of PPL and all other collecting societies are not specifically regulated by the Government. PPL acts on the basis of mandates given to it by its members, which it uses to license those rights—the exclusive rights that the international and domestic legal framework gives to copyright owners—for those who want them.

The licensing system in the UK is relatively unregulated compared with other jurisdictions. Our system expects the licensor and the licensee—or their representative body or trade association—to negotiate freely and agree a market rate for the licence. If negotiations break down, the licensee or their representative can refer the matter to the Copyright Tribunal. The collecting society has no corresponding right. That is intended to act as a check on the power of what is effectively a monopoly supplier when dealing with, for example, the kind of small businesses championed by the hon. Lady.

As the hon. Lady will know, Professor Hargreaves has reviewed these matters. In his work, he noted that collecting societies in the UK fulfil a valuable role in licensing markets, but that they are also effectively unregulated natural monopolies. Licensees do not generally enjoy the protections that are available to consumers when dealing with broadly comparable organisations such as utility companies. Professor Hargreaves recommended that collecting societies should be required by law to adopt codes of practice approved by the Intellectual Property Office and UK competition authorities to ensure that they operate in a way that is consistent with the further development of efficient, open markets.

Following that inquiry and review, the Government are considering their response to Hargreaves's recommendations, which will be made public in the near future. The hon. Lady's Adjournment debate could not be timelier, because the Government are open-minded about this issue, mindful of the recommendations and anxious to move forward. The constraints within which we work are, of course, international and European obligations. The hon. Lady will be familiar with those, too. None the less, I think that further progress can be made, and I will say a few words about that in the time available to me.

Ms Ritchie *rose—*

Mr Hayes: The hon. Lady wants to intervene to inform my brief contribution with her expertise.

Ms Ritchie: I thank the Minister for his answer and his speech so far. He has referred to the Government response to the investigation and report by Professor Hargreaves. Can he provide an estimated timetable for the Government response? Is it likely to be produced in the next month, the next two to three months or the next six months?

Mr Hayes: I shall deal with that specific question before I finish speaking. No doubt inspiration will wing its way to me to inform my response—the hon. Lady knows what I mean by that. She has made it clear that

[Mr Hayes]

there are areas in which we can make improvements, notwithstanding the constraints to which I have referred. Ah! Inspiration may already have reached me, but I want—not tantalisingly, but temptingly—to delay what I say about that for a few moments.

Pete Wishart: I am very much looking forward to the Minister's reply to tomorrow's debate on the Hargreaves recommendations. He knows that nothing in the Hargreaves report suggests or recommends exempting small and medium-sized businesses with fewer than 50 people, so can he now rule that out and ensure that musicians continue to get fair play from the wonderful recorded works that they provide, which enhance so many businesses up and down the country?

Mr Hayes: We will not exempt small firms. That is the answer to the question. The hon. Gentleman has raised the issue, and there is a case for exempting small firms, but the frank answer to his question and the question asked by the hon. Lady is that the UK would almost certainly be in breach of its international and European obligations if it did so. I can be very clear about that.

Let me deal with the hon. Lady's intervention. Within the next month, she will learn more—because I will insist on it—about the Government's response and thoughts on how we can take forward the review's recommendations, where we feel that it is appropriate to do so.

I want to say more about what further progress can be made. First, we need to ensure that people understand the law and understand what not only PPL but all collecting societies from whom they need a licence are doing. We know from the ministerial postbag and from our constituency postbags and surgeries that many small businesses are unaware that they need a licence for the activities that we are discussing. The hon. Lady has made the point clearly. Many businesses question why they need a licence from PPL and PRS for Music to have the radio on in business premises when the broadcaster has already paid for a licence. Many ask why they need a licence at all. Where they do require licences from both PRS for Music and PPL, some businesses query, reasonably enough, why they are not told clearly that they need two licences and why joint licensing is not used to cut costs and the time that they have to spend on that.

PPL tells us that it is doing more to raise awareness among licensees and potential licensees. As a result of this debate, our further consideration and representations made to us from outside this place and within it, we will continue to press PPL to fulfil that commitment. Indeed, as a result of the debate, I will ask Baroness Wilcox, who is the Minister with responsibility for this area, to meet representatives of PPL to talk about how they can make the commitment real and what further steps they will be taking to address some of the questions that I have raised. Trade associations, too, must continue to build on the work that they do to raise awareness among their members. We will certainly involve them in that discussion.

Secondly, where charges are justified, they should be applied in a clear, unambiguous and efficient manner. Those wanting to start new businesses must not be deterred by uncertainties about charges that have no bearing on their core business. Thirdly, inquiries suggest that not all trade associations are aware that they can have a role in negotiating the terms and conditions of the licence for their sector. Some trade associations and licensees are even unaware that they can take a case to the Copyright Tribunal, if they are unhappy with the terms and conditions. They simply do not know their entitlements. The tribunal secretariat is working to raise awareness in those areas. It hosts regular user group meetings, which are aimed at making the tribunal more accessible by familiarising users, especially SMEs, with its procedures and giving them an opportunity to meet the chairman and lay members. The secretariat also hosts regular meetings of collecting societies to discuss, among other things, concerns raised by licensees.

I will also ask Baroness Wilcox to advance our work with trade associations. Of course, we do not exert executive power in that respect, but we will take the work further to ensure that all the steps are accelerated. It seems to me that a seminar might be appropriate. I am thinking of a seminar in which the interested parties are brought together to talk through what further steps might be taken to deal with some of the specific issues relating to small businesses raised by the hon. Lady. Perhaps my ministerial colleague will write to her and other interested hon. Members, addressing the possibility of just such an initiative.

I have heard much in this debate that provides food for thought. We do not take these matters lightly. In relation to charities, PPL has agreed to joint licensing with PRS for Music, which should reduce administrative burdens. The hon. Lady will know about that. We might be able to discuss, at the type of event that I have described, further steps along those lines, because there are community organisations—some of them are very small—that struggle to deal with some of these matters, not least in terms of information and understanding. On that basis, I welcome the agreement that has been reached and encourage exploration of other areas for joint licensing, notwithstanding the point that I made about exemption and the perfectly proper point that the hon. Gentleman has raised.

We will reflect carefully on these matters before responding formally to the recommendations of the review. We will continue to work to ensure that the framework is explicable and accessible and that it operates fairly. There is a balance to be struck between the interests of different parties, as I think has been made clear in this brief debate. Those parties have a legitimate expectation that the system will work fairly. The regulation should certainly not be burdensome, and we need to ensure that we have some understanding of the costs of the regulation. When we promote steps that are designed to ensure that a system is operating fairly, we should always do so on the basis of understanding the cost burden that it creates. We also feel—I am sorry; I am using the royal "we". I also feel that measurement of the function of these agencies is important, so having proper lines of accountability to ensure that what is being done is working as it should be is important.

This has been a useful albeit short debate. As I have said, it is remarkably timely. I hope that I have made reasonable commitments to the hon. Lady as a result of it. She will hear more very soon about our further reflections.

Special Olympics

4.29 pm

Chris Heaton-Harris (Daventry) (Con): It is always a pleasure to serve under your stewardship, Mr Bayley. I hope that you will be as benevolent to me as you were to the Minister in the previous debate.

Two Saturdays ago, I was in Athens for the opening ceremony of the largest sporting event in the world in 2011, yet I knew full well that few people in the United Kingdom realised that it was happening. The centrepiece of the day was the spectacular opening ceremony of the Special Olympics world summer games. It was a beautiful parade of 7,500 athletes from 185 nations, who were to compete in 22 sports over the following days. As they walked past me, I felt truly humble to be present at such a wonderful occasion.

Over the last two weeks in Greece, people have been celebrating the ability, the talent and the dedication of those athletes with learning difficulties and their coaches. Team GB comprised 214 Britons—157 athletes and 57 coaches. They were out there to win. Make no mistake about it: these are dedicated and seriously talented sportsmen and women. When they returned to the UK yesterday, our athletes brought back many special things with them, including tales of tough competition and inspirational personal achievement, the odd bruise and injury and 187 medals—72 gold, 63 silver and 52 bronze. Great Britain can truly be proud of its Special Olympians. However, we must remember that just to be there, they each had to raise £2,000, and that includes the coaches. They receive no sponsorship, and for a while now they have received no lottery funding.

There are 1.3 million people with learning difficulties in the United Kingdom, so most families are touched by learning difficulties in one shape or form. However, the Special Olympics are largely unknown here, and I hope that this debate will change that, if only in a small way. Indeed, the press coverage given to the Special Olympics world games in Athens over the last two weeks—bar the beautiful and brilliant exception of ITV Central, which covered the games daily on its news broadcasts—was difficult to spot.

Dignity, acceptance and a chance to reach one's potential are things that all politicians believe are worth promoting for everyone, and for more than four decades the Special Olympics movement has been bringing a simple message to the world: learning-disabled people can and will succeed if they are given the opportunity.

After visiting institutions across the United States for people with what the Americans call intellectual disabilities in the late 1950s and early 1960s, Eunice Kennedy Shriver, a wonderful lady, found herself appalled by their treatment. She believed that, given the same opportunities and experiences as others, they were far more capable than commonly believed. She had a vision that things could be improved through the medium of sport.

Shriver put that vision into action in 1962 by inviting children with intellectual disabilities to Camp Shriver, a summer day-camp in her backyard, where they could explore their capabilities in a variety of sports and physical activities. The Camp Shriver concept—that through sports, people with intellectual disabilities could realise their potential for growth—began to spread. In July 1968, the first international Special Olympic games were held in Chicago, Illinois, and a movement was born. The Special Olympics have grown magnificently across the world, and the last UK summer games were held in the city of Leicester, in the constituency of the hon. Member for Leicester South (Jon Ashworth).

Jon Ashworth (Leicester South) (Lab): The hon. Gentleman and I have something in common, inasmuch as we have both been Leicester South by-election candidates, so I know that he is familiar with the city of Leicester. Does he agree not only that the games held there in 2009 were a great success for the city, and hugely beneficial and inspiring for many of the athletes, but that they played a great role in countering what might be described as misunderstandings about disabled athletes? That is something to celebrate.

Chris Heaton-Harris: Absolutely, and I thank the hon. Gentleman for his contribution. Given the opportunity, I hope that he will come to a Special Olympics event with me and experience again, first hand, exactly how brilliant these athletes are. It is difficult to describe the achievements that these athletes attain. They are doing things that I cannot do. I competed in one of their unified sports two Sundays ago. I was cycling against two learning-disabled athletes; my partner was from Hungary and was the co-sponsor of an event. I came a miserable fourth, and I was trying really hard. They are proper athletes doing a proper job; I certainly would not be able to do what they, with their disabilities, do.

The Special Olympics movement is where learning-disabled athletes celebrate and are celebrated for their accomplishments. It is often the first time that these athletes have truly taken centre stage and been recognised as individuals in their own right. Sport is a central element of the movement, but it is not the only one. In areas as diverse as health care, leadership training, legislative self-advocacy and employment, the Special Olympics take a global leadership role.

Tim Shriver, Eunice Kennedy Shriver's son and now chief executive officer of the Special Olympics, says:

> "Sport teaches us to recognize our similarities over our differences while celebrating the effort to do one's best in a spirit of respect. And while Special Olympics has had a positive impact on many persons with an intellectual disability, there are many more people that are still hidden, shunned or abused. We look forward to working more closely with the international sports community to broaden the reach of our organizations and bring the joy and goodwill of sport to many more people."

Through year-round sports training and competition, the Special Olympics empower learning-disabled individuals in more than 180 countries. The games are often the only place where they have the opportunity to participate in their communities and to develop a belief in themselves. Many lead lives of neglect and isolation, hidden away or socially excluded from full participation in schools or society. The Special Olympics transform the athlete and are a gateway to empowerment, competence, acceptance and joy. Better than that, the movement also transforms communities. When people see Special Olympians in action, they see humanity, joy in competition, pride and potential, and they begin to believe in a different sort of world—a world in which everyone is respected and included.

I shall give some examples. In 2009, the Afghanistan world winter games floor hockey team was honoured with congratulations from the highest levels of Government

[Chris Heaton-Harris]

as a tribute to their success. In Romania, children who were once solitary and forgotten now participate in sports training and interact regularly with the community outside their institutions. In the United States, the young girl who was bullied or isolated early in her life is chosen as homecoming queen. In China—I went to the Shanghai Special Olympics summer games four years ago—people who were hidden away in their homes now receive vocational and literacy training at thousands of "sunshine centres" across the provinces.

The Special Olympics movement is also a catalyst for societal change, fostering community building around the globe. It is a leader in diversity and tolerance education, bringing young people with and without intellectual disabilities together in youth and schools outreach programmes. It is a research leader, partnering with Governments, non-governmental organisations and the private sector to develop new ways of including people with learning disabilities in all aspects of society. The movement is also the world's largest public health organisation serving people with learning disabilities, offering free health screening to the world's most neglected populations. It is the fastest growing grass-roots volunteer movement on the planet, with the potential to improve the quality of life of millions of people.

Why did I ask for this debate? As a fan, I wanted to tell everyone how much I enjoyed watching Great British athletes competing in the Athens games just over 10 days ago. As a spectator, I want to say how fantastic the opening ceremony, and the buzz around the events, was. It was wonderful to watch our athletes competing for their country, and to see the parents' pride as they watched them. As a consumer, I want to let people know that the sponsors of such events deserve huge praise. Indeed, Coca-Cola should stand up and take a bow; it gave an awful lot of money to the games. As a friend of Tim Shriver, I want to pay proper respect to him and his family, especially his mother, for driving the movement forward so strongly. As a politician, I want to remind my peers how important the inclusion agenda is, and that we do not constantly have to reinvent the wheel. We have a brilliant example of what we should all be aiming for in the Special Olympics movement, and I am proud to be associated with it.

The Minister will know that Sport England is talking to Special Olympics Great Britain about the possibility of funding in the future. I hope that any logjams can be eased. Perhaps the Minister could use his good offices to get a group of people in a room and knock a few heads together to try to free up funding that could improve the lives of thousands of people across the country. It would be much better if Sport England could treat Special Olympics Great Britain as any other national sporting governing body, rather than as an individual sport. Over the years that I have been involved in sport, I have heard numerous gripes from the various sports bodies that have had to deal with Sport England, so I understand that it is a complex beast, but I would like to think that when it comes to disability sports, funding blockages can be removed.

However, I am not here to ask the Minister for more money. I know that he is a fan of the Special Olympics movement, but much as I would love more money from the Government coffers for the movement, that is not the purpose of the debate. The purpose is to celebrate the Special Olympics movement. I suppose that the Minister could possibly help, though; recently, it has been difficult for Special Olympics GB representatives to meet the officials who deal with learning-disabled and inclusion issues in the Department for Education and the Department of Health. It would be helpful if he could use his good offices to set up some meetings. I believe that the movement and the Departments could learn a great deal from each other.

The main thing that I want to hear from the Minister is the Department's, and his, commitment to the Special Olympics movement across the UK. I want him to say how he can help to raise the profile of the movement here, and hopefully he may give a few words of congratulation to all those who have represented their country so brilliantly in Athens over the past couple of weeks.

4.41 pm

The Parliamentary Under-Secretary of State for Culture, Olympics, Media and Sport (Mr Edward Vaizey): I am pleased to be speaking under your chairmanship, Mr Bayley. I congratulate my hon. Friend the Member for Daventry (Chris Heaton-Harris) on securing this important debate. I acknowledge, too, the presence and contribution of the hon. Member for Leicester South (Jon Ashworth), who also takes an interest in the subject.

It goes without saying that I am delighted to begin by congratulating all the participants in the 2011 Special Olympics world summer games, which finished on Monday in Athens. As my hon. Friend pointed out, there was an outstanding performance by the Great Britain Special Olympics team, who won 187 medals—72 gold, 63 silver and 52 bronze; it is worth repeating that. It was not in my notes to congratulate Coca-Cola, but I will follow the lead of my hon. Friend and pay tribute to it for sponsoring the Special Olympics and helping to make them such an outstanding success.

We are rightly proud of the team's fantastic achievement in Athens, and it is clear that every competitor did their best. I will not comment on my hon. Friend's athletic prowess, but I can guarantee that if I were to compete in a cycle race, I would not finish fourth; I would probably finish last. Some Special Olympians had the chance to visit the Prime Minister at No. 10 before leaving for the games, and I am sure that there was an equally warm welcome for all the competitors, and the people who have supported them in Greece, when they arrived back at Heathrow yesterday.

It is worth spending half an hour of parliamentary time acknowledging the success and work of the competitors. By calling this debate, my hon. Friend will have further boosted the pride of the competitors and their parents, families and friends, and for that alone he must be congratulated. He has been a supporter of the Special Olympics movement for many years, going back to the time when he was an MEP. He knows better than most about the many years of work that have gone into the success of team GB in this year's Special Olympics.

Special Olympics Great Britain was formed to offer a lifetime of learning through sport. Even though we should celebrate its most recent achievements, it is also right that we recognise the many benefits that the Special Olympics bring to individuals of all ages and ability levels every day, from those with low motor abilities to the most highly skilled athletes. By bringing together

coaches and volunteers to provide sports training and competition for children and adults with learning disabilities, regardless of their ability, Special Olympics GB not only reaches out to those who participate, but brings their families, friends and volunteers closer to sport, too.

With such excellent credentials, I can understand why my hon. Friend asks what the Government are doing to support Special Olympics GB, and to help make its good work go further. My Department and this Government support its work and will continue to do so. I will certainly use my good offices to ensure that he gets the meetings that he needs to increase awareness of Special Olympics GB in government, and to get any support that he feels is necessary for this important part of British sport.

As my hon. Friend knows, Sport England's aim is to grow and sustain participation in grass-roots sport. Central to its work is the £480 million it invests directly through the 46 national governing bodies of sport. Disability provision is woven into the work of the national governing bodies, so part of that investment will contribute to increasing disability participation in sport. The approach is entirely inclusive and looks to offer opportunities for everyone to participate in sport, regardless of their gender, disability or ethnic background. Sports are tailored to meet the specific needs of those groups of people, so they are not separated out from other participants, and that helps to increase accessibility.

To help build capacity and expertise in disability sport, Sport England and the national governing bodies work with the English Federation of Disability Sport. As the umbrella organisation for disability sport, it has responsibility for the promotion and development of sporting opportunities for the 11 million disabled people in England, by providing expertise and advice and by bringing together eight national disability sport organisations recognised by Sport England, one of which is Special Olympics GB.

I was delighted to hear today's announcement by Sport England—perhaps it was not unrelated to this debate—that it will, for the first time, directly fund disability sports organisations to advise, support and guide other sports bodies as they create opportunities for participation by disabled people.

To complement that core investment, Places People Play is Sport England's mass participation legacy initiative that will bring the magic of the London games into the heart of local communities, and that includes a specific focus on disability. Furthermore, the school games will offer meaningful competitive sporting opportunities to young people with both physical and learning disabilities at every level.

A lot of work is going on in many places to help get people with disabilities, including learning disabilities, into grass-roots sport. A lot is also going on at the top-end of sport, too. When we won the right to host the Olympic and Paralympic games in London in 2012, UK Sport became clearly focused on achieving performance and medal success. That investment strategy was limited to the Olympic and Paralympic summer sports. However, the International Paralympic Committee General Assembly agreed in November 2009 to include, once again, learning disabled participants in IPC competitions, including the 2012 Paralympics. Four sports were targeted for inclusion in London 2012: athletics, rowing, swimming and table tennis.

This decision is most welcome, and we look forward to seeing our best intellectually disabled athletes competing once again at the very highest level. However, much work remains to be done by the sports themselves before the participation of learning disabled athletes can be guaranteed in London 2012. Indeed, the international governing body for rowing has decided not to take up the opportunity at this time.

UK Sport has set aside funding for learning disabled athletes in athletics, swimming and table tennis, now that that category of athlete has been readmitted to the Paralympics. The funds will be allocated to the sports, following confirmation and the outcome of the classification standards and qualification process by the international federation.

Since that decision, the International Paralympic Committee world swimming championships have taken place in Holland, and they included six events for athletes with an intellectual disability. The Great Britain team included four intellectually disabled athletes, who won four medals including two golds. I can also confirm that a number of intellectually disabled swimmers are already in receipt of public funding through UK Sport's world class programme to assist them in their preparations for London 2012. I am sure that my hon. Friend will agree that those are very positive developments.

We fought very hard to get a good settlement for sport in the comprehensive spending review. We did well, and in a highly challenging economic climate, we have been able to go a long way to protect the central funding streams that we believe add genuine value to the sports sector and the people that it serves. However, there will be financial constraints on our ambitions, and we will have to consider creative solutions to difficult problems. For example, our changes to national lottery funding have helped to release more funds for sport of every kind.

It is also important to recognise that there are a number of competing priorities for sport funding. The latest figures on participation show that far too many of us do no sport at all and those of us who do participate do not do enough sport. That is a fundamental problem, and we need to solve it. Of course, we need to take a proportionate approach, but we also need to prioritise, so Special Olympics GB must be considered alongside priorities for disability sport and sport more widely.

That is not to say that there are not opportunities that we should consider. As I indicated earlier and as my hon. Friend called for, my Department can consider having closer collaboration with the Department of Health and the Department for Education. We also need to look closely at the evidence. Sport England's active people survey measures participation in sport, but a breakdown of disability by type was only included in the survey from October last year. We should be able to examine the evidence more fully by December this year.

When my hon. Friend the Minister for Sport and the Olympics met Karen Wallin, the chief executive of Special Olympics GB, earlier this year they had a very positive discussion. In particular, they covered the lessons that had been learned from the Special Olympics GB national summer games that, as we have heard, were

[Mr Edward Vaizey]

held in Leicester in 2009. My hon. Friend hopes to attend the launch of the report about those games, and I know that he will give the same message that I give here: there is more to do and we will keep working with Special Olympics GB to try to do it. I am sure that my hon. Friend the Member for Daventry will also follow developments closely.

In the meantime, once again, I pay tribute to the fantastic performance of the competitors and volunteers in Athens, and I congratulate Special Olympics GB on its excellent work.

Question put and agreed to.

4.52 pm

Sitting adjourned.

Westminster Hall

Thursday 7 July 2011

[MR CHRISTOPHER CHOPE *in the Chair*]

BACKBENCH BUSINESS

Intellectual Property (Hargreaves Report)

Motion made, and Question proposed, That the sitting be now adjourned.—*(Mr Goodwill.)*

2.30 pm

Pete Wishart (Perth and North Perthshire) (SNP): I refer to my entry in the Register of Members' Financial Interests. I welcome you to the Chair, Mr Chope, and hope that you find our little chit-chat about intellectual property intellectually stimulating. The Minister for Further Education, Skills and Lifelong Learning is not a regular at our get-togethers about the creative industries and intellectual property, but we welcome him to the debate. I saw him in action yesterday. He was particularly robust in his response then, and I am sure that we will get a comprehensive response to the many issues that will come across his desk in the next few hours.

This debate gives me a sense of déjà vu and Groundhog day. I remember standing here, probably on this same spot, some five years ago responding to a Government-commissioned report and review into intellectual property, which was described as groundbreaking and eagerly anticipated, and as the panacea for all the difficulties and problems that we have with the intellectual property laws. That was the Treasury-commissioned Gowers review, and around the Chamber I can see other veterans who carry the scars of that review. Five years down the line, fewer than half of Gowers' recommendations have been implemented.

Gowers, and now Hargreaves, follow a long, honourable and noble tradition of Government reviews and reports on intellectual property. Since Gowers, and before Hargreaves, there was the "Digital Britain" report and the Digital Economy Act 2010. In fact, 25 pieces of work on intellectual property or copyright laws have been commissioned from either Brussels or Whitehall, including Green Papers, White Papers, formal consultations, informal consultations and the inevitable round-table discussions. The Government have proven very efficient and effective in initiating such reports, reviews and commissions, but a little less so in implementing the many recommendations that have come across their desk. We wait to see whether Ian Hargreaves will be more successful with his recommendations, but I have a sense and a suspicion that once again, in a few years' time, we will all be sitting around this table looking at another Government-sponsored review on intellectual property, which once again will have been eagerly anticipated and presented as some sort of panacea for the problems with our intellectual property laws.

My little bit of advice to the Government is that they expend a bit more energy on doing something with the creative industries and less on indulging in this continual and consistent review-itis. We need action from them to support our creative industries, to ensure that they continue to develop and grow. Perhaps the Government could consider some of the financial matters. Finance and funding are a critical factor, and small and medium-sized enterprises in particular are looking just now to the Government for assistance with that, so that they can develop. The Government should also help creative industries to deal with their online market, as that will help with the new digitalisation that is a massive challenge to so many of the industries, and the Government should do something about the corrosive online piracy that eats away at our creative industries, depriving them of profit, investment and growth. The Government can do more than continually and consistently have reviews, so let us get together and do something.

Of course, it is good to see that the Government take an interest in their intellectual property and copyright laws. So they should. Intellectual property and copyright are fundamental to the well-being of the UK economy, accounting for about 8% of our total gross domestic product. Some £65 billion was invested in intellectual property in the UK in 2010, and the creative industries alone account for 2.7 million jobs here. My particular interest is in music, and music—particularly exports—has been a massive success over the past few years. In the United States, in 2010 alone, 9.8% of all album sales were from UK artists. It looks like 2011 will be an equally bumper year, with one artist, Adele, practically owning the US charts just now, such is her phenomenal success. That has helped to maintain the UK's position as the No. 2 exporter of music worldwide.

It is not just music; we excel in all creative exports, and do well in all sectors. Being creative is just something we do well, and over the years the UK has produced the most innovative and diverse range of creative talent imaginable. We have been successful because we have ensured that artists, creators and those who invest in our talent have been properly rewarded for the work they produce. What we must carry on doing, by way of our intellectual property laws, is ensure that that continues, and resist the ever-constant desire and temptation to tinker with legislation. As we consider the Hargreaves report and wait for the Government's response, it is worth while reminding ourselves that our intellectual property and copyright laws have not done not too badly in the face of some serious challenges over the past decade, most notably from the online market and the technology that develops almost daily.

So, what does the Hargreaves report bring to the table? What innovations does it have to offer? In considering the report, it is almost impossible to set aside how it was conceived and initiated. This time around, it was the Prime Minister himself, after, I think, a very good lunch with his friends at Google, who posed the question: do our intellectual property and copyright laws get in the way of the emergence and development of a Google in the UK? He then got Ian Hargreaves and his team dispatched to find the answer. The review was perhaps unfairly christened the "Google review", and those of us who care passionately about our creative industries observed all this with varying degrees of horror.

The question behind the review was: what can be done to help search engines and social networking sites such as Google develop in the UK? Not one shred of evidence, however, has ever been produced to support the initial prime ministerial contention. We must remember that the UK has some fantastic search engines and

[Pete Wishart]

social networking sites, not least Friends Reunited, which could even be credited with starting the whole social networking revolution. Compared with where Google comes from—silicon valley in mid-California—the UK is an altogether different cultural and economic environment. The set of conditions that exist in silicon valley are unique—they do not even exist on the east coast of the United States, let alone in the UK, or anywhere else in Europe or the rest of the world. Nevertheless, Ian Hargreaves was discharged to bring mid-California to a business park off the M25 in Shoreditch.

A number of us were concerned about all the talk of Google, because Google has not been a great friend of intellectual property over the years, and I think it would be fair to say that it has been a bit cavalier in its approach to IP rights. Mr Chope, if you were to put one of your favourite artists into the Google search engine you would be directed to a number of sites that totally disregard and ignore the intellectual property rights of the artist. Having Google as an inspiration for such a review did not so much set alarm bells ringing as put whole fire departments on stand-by.

To be fair, however, Ian Hargreaves did his job diligently. All talk of good will was quickly abolished, and we had a report that considered economic growth and its inhibitors. The professor approached his task professionally and was not too consumed by the almost baffling inception of the review that he was tasked to pursue. At first, it was all about, "Will he or won't he recommend a system of fair use, as championed in the US?". We were able to find out what the good professor was thinking, because he produced a blog that we could follow while he did the review. Looking at all the air miles that were being clocked up in the States, a number of us feared that he was considering adopting fair use as a central recommendation in his report, but he decided that fair use was not for us because, as the report said, it was

"unlikely to be legally feasible".

What we do not know, Mr Chope, is whether if it was legally feasible you would be looking at fair use coming soon to a creative industry near you. Fair use would have been an absolute disaster for our creative industries, and I think a collective sigh of relief was exhaled when that proposal was dropped.

So what does the Hargreaves report recommend? There are 10 recommendations, and Professor Hargreaves makes the bold assertion that if all 10 were adopted in full, UK GDP would increase from 0.3% to 0.6%. We in politics say that that is a courageous statement, but it was the claim that Hargreaves made. I will not list all the recommendations. Some of them are uncontroversial and are generally supported, some are hangovers from previous reports, and some come directly from the Gowers review. Some are new, some are interesting and some have excited all sorts of concerns and anxieties.

The major underlying recommendation—the one that tops the chart at No. 1—is that all future regulation should be based on evidence. The importance of economic evidence is inarguable—I do not think that anybody could disagree that economic evidence is required for any future regulation on IP laws and copyright—but it is one thing to say that evidence is required and another to act on it, rather than dismissing it if one does not happen to like it. For example, the report does not fully acknowledge the economic case for the current copyright framework, and has little to say about the huge amounts of investment in, and profitability already being derived from, innovative digital products and services. Given the success of creative UK plc, that omission is baffling. The report casually dismisses crucial research and evidence, because it comes from industry, as though it were mere lobbying, even though the Government charge industry time and again with providing evidence and doing research to help shape future policy.

Other recommendations that have received attention include proposals to set up a digital copyright exchange, permit the licensing of orphan works and create further exceptions to copyright. If anything in the report counts as a big idea, it is the creation of a digital copyright exchange. The report describes it as the digital opportunity: the means of unlocking the UK creative industry's economic potential and solving the problems of rights clearances that Hargreaves maintains give copyright law such a bad press.

The report says of the DCE:

"The prize is to build on the UK's current competitive advantage in creative content to become a leader in licensing services for global content markets; in short to make the UK the best place in the world to do business in digital content."

Who could argue with that? But what exactly is the DCE and what is envisaged for it? Is it to be a virtual content megastore in UK cyberspace for rights owners, traders and users, or is it more of a brand name to describe a collection of rights registries and rights databases across the internet? More fundamentally, what will it look like, who will pay for it and how, and who will run it?

In many respects, a DCE already exists, based on a variety of technical standards developed by the music, film and publishing industries and other sectors of the creative industries, which have rapidly developed comprehensive databases with ownership data and online functionality. In such a critical matter, Government must be careful not to duplicate or replicate work already being done within the sector and to work hand in glove with the industry if they are minded to accept the recommendation on a digital copyright exchange.

The DCE must be voluntary and recognise that different industries license content in different ways and for different purposes. Hargreaves hints that non-participation in the exchange might lead to penalties for rights holders, such as being exempted from some of the measures in the Digital Economy Act 2010. That is definitely not welcome. It could create a two-tier approach to rights holding, run counter to international copyright treaties, and discriminate against smaller rights holders.

The report recommends a Government-led approach involving the appointment of some public figure as a digital champion, almost a digital tsar. There are hints that the Government's delay in responding to the Hargreaves report is due to difficulty finding that digital champion. We wait to see who it will be. I think that all of us would like to see the job description.

Mr Don Foster (Bath) (LD): Before the hon. Gentleman leaves the issue of the digital copyright exchange, will he comment on the use of the word "exchange"? An exchange implies a place where one goes to do business. How does he feel about that?

Pete Wishart: I am grateful to the right hon. Gentleman for bringing that up. There are many models for exchanges. An exchange for the creative industry will be difficult to conceive and create. There will be issues categorising work. The report recommends a digital champion. We must know who it will be and how he will be found.

Another issue is orphan works. The idea is that if an owner cannot be identified, a standard statutory licence would be obtained and the payment would go into a fund to pay the owner if they are ever identified, or towards general social use. Hargreaves suggests that if a work cannot be found on the DCE, it should be declared orphaned and become available for licence. I hope that before the Government consider and conclude on that recommendation, they will re-examine the legal situation and take time to consider the British Copyright Council's proposals on the issue.

Other recommendations, such as those dealing with format shifting and parody, are also hangovers from the Gowers review. On format shifting, Hargreaves wants to proceed without compensation to creators. That is likely to run contrary to the copyright directive and would put the UK out of line with the vast majority of European states. I hope that when the Government consider that recommendation, they will put the interests of British musicians, creators and artists before anything else. The proposed exception for parody is more mystifying. There are countless examples online, for example on YouTube, of parody being enjoyed as part of UK entertainment. If the Government are minded to accept such an exception, they must give us evidence that parody is a problem. Examples have been highlighted, but we need evidence.

The report's acknowledgement of the importance of an effective rights regime is welcome and puts the report in the context of the Digital Economy Act 2010. The Act is the other weighty piece of work sitting in the Government's in tray, and it is time that they got down to work and started to implement all the measures agreed in it. We appreciate that there have been difficulties with the DEA, including the judicial review and ongoing work by Ofcom, and we know that tensions remain in the coalition, but it is time to implement what has been agreed.

The Government have it in their hands to help our creative industries significantly and substantially. The DEA was established to reconnect the public with legitimate means of purchasing online materials, and it is time to get on with it. One big theme in the Hargreaves report is economic growth and removing the barriers to development. Illegally taking creative works for nothing is the biggest barrier to growth confronting our creative industries, and that more than anything threatens jobs and investment. The DEA contains real, available and tangible measures to deal with the biggest inhibitor of growth in our creative sector.

Mr Foster: I apologise for interrupting the hon. Gentleman a second time during his excellent speech. He says that the Government should get on with the DEA. Is he aware—I know he is—of the problems discovered involving site blocking? Not least because of outstanding court cases, the Government are unable to implement the Act in its current form.

Pete Wishart: I have seen the early-day motion to which I think the right hon. Gentleman is referring; it was kicking around just now. I have certainly received correspondence on the issue. That seems to be one of the great misconceptions about the DEA. People are always referring to disconnection, but nowhere in the DEA is there any mention of disconnection. If any technical measure were to be enforced, as he knows, numerous measures would have to be agreed by Government and Ofcom before anything like that could be considered. What would happen is that people would receive a polite letter asking them to stop taking music for nothing and directing them towards legal sites. I am glad that he mentioned the subject.

Jim Dowd (Lewisham West and Penge) (Lab): Before the hon. Gentleman moves away from the point about illegal downloading, has he seen today's BBC report showing that the problem not only persists but continues to grow year on year? Does he agree that regardless of all the sophisticated arguments that can be advanced, it is nothing short of theft?

Pete Wishart: I did see the BBC piece. It was done for "Newsbeat", and it showed the effect of illegal downloading on the film industry. It is not just film studios but people who work in the film industry—carpenters, caterers and all the other ancillary staff—who are taking a direct hit to their ability to earn a living working in the creative industry. The piece was a great example of the impact on the creative industries of the scourge of illegal downloading, and it shows why the Government must get their finger out and start dealing with the problem, using the measures agreed in the DEA.

When will the Government's response be published? We were promised a response before the recess, which is now only 10 short days away. I presume that we will not get a response to the Hargreaves report before the recess, so when will it be published? What is it likely to include? Will the Government ensure that a thorough cost-benefit analysis is undertaken by whomever they appoint to study the issue? Will they ensure that existing activity is properly assessed? How will the Government ensure that IP laws remain protected in the light of changes to consumer law and the proposed organisational change to consumer protection?

If we want a successful and vibrant creative sector, IP has to be respected and valued, and not seen as something that people have the right to access for free just because technology enables them to do so. We cannot continue to give away our great recorded works for nothing, threaten our film industry, compromise our publishing houses, and leave our artists and creators without reward and protection, just so that some people can illegally take their work for nothing. Our creative industry is one of the most dynamic parts of the economy and the provider of hundreds of thousands of jobs. We have not done too badly so far with our IP and copyright laws, and nothing must be done to compromise our success and creativity. The Government have it in their power to ensure that the UK can become the world hub for creative industries. It is now time to stop the reviews and get on with the work.

2.50 pm

Mr Don Foster (Bath) (LD): I am delighted to follow the hon. Member for Perth and North Perthshire (Pete Wishart), who made an excellent speech. I agree with

[Mr Don Foster]

nearly everything that he has said. He rightly began by talking about the importance of the creative industries. Many of us believe that, given the right support and the right environment, they could become as important in this country as financial services are at present. It is critical that we give them the right support and the right environment. That is the climate in which the Prime Minister made remarks that led, in due course, to the Hargreaves report. I share some of the hon. Gentleman's concern about the language used by the Prime Minister at the time and about the thought that we may end up going down the American fair-use route, which he has described. I want to clearly state on the record that I am very pleased that the Hargreaves report did not conclude that we should take the American fair-use approach.

I also join the hon. Gentleman in agreeing with one critical thing that appears at the beginning of the Hargreaves report, namely the importance of making decisions on the basis of clear evidence. Although I am the first to admit that the evidence is mixed on some of the issues, such as the impact of piracy on the creative industries, I nevertheless believe that the report goes too far when it dismisses some of the information, data and research—it calls them "lobbynomics"—from the industry. The one thing that I think we can learn from that is that getting this information right is really important. I am therefore delighted that discussions are now taking place between the UK Intellectual Property Office and the creative industry sector about the basis of research methodology and the presentation of data. That will help us all in making judgments about how we progress.

Notwithstanding the Hargreaves report's perhaps overly critical view of the degree of concern about issues such as piracy, I am pleased that it recognises that there is a problem and that we have to address it. I am delighted that the three things it says that we need to do are enforcement, education and the development of new business models, and I accept that those are the three key things that we need to do. On enforcement, it is important that hon. Members acknowledge that, unless we are prepared to recognise the importance of the intellectual property rights of creators, we can never be said to be supportive of the creative industries. It is therefore vital that we find ways of ensuring that we provide much-needed protection in those areas.

During his excellent contribution, the hon. Gentleman said that the Government need to get on with the measures in the Digital Economy Act 2010. I do not fundamentally disagree with him, but it is important that we are aware that a number of problems must be addressed, particularly in relation to the use of illegal websites. During the passage of the 2010 Act through Parliament, I made clear—the hon. Gentleman was present in the House at the time—my concern that sections 17 and 18, which deal with those issues, are unworkable. Although we have not yet seen the report, I understand that Ofcom has looked at the matter and reached a similar conclusion. Therefore, if we are to move ahead, we will have to find other ways to address illegal activity on the internet. I know that productive discussions are taking place between the industry and internet service providers to find a way forward. I welcome those discussions and hope that they will be fruitful. We will also have a look at a number of other measures coming out of Europe, which might also inform our decision.

The hon. Gentleman has rightly referred to peer-to-peer file sharing. It is crucial that every hon. Member is clear that the 2010 Act gives ample opportunity for further discussion, research and debate before any of the actions about which some people are concerned—the so-called technical measures—take place. The legislation already enables us to do that, so I hope that we will be able to implement and progress with those measures as quickly as possible.

I said earlier that Hargreaves said that we also need to address education, which is critical. Far too many people in this country simply do not understand the damage that they are doing to the creative industries by obtaining the intellectual property of other people without making any contribution towards it. If we cannot have a situation in which people are creating material and being rewarded for it, the creative industry simply cannot grow, which is the key thing that the Hargreaves report is concerned about. It is critical that we recognise that and educate people so that they understand that they could be damaging the very creators of whom they are supportive and whose works they enjoy.

The third issue is the development of new business models. I agree entirely with the Hargreaves report that that is important, but it ought to be placed on the record that the picture is nowhere near as gloomy as the report perhaps suggests. For instance, while I acknowledge that it made a very slow start, the music industry has got its act together, and the UK now has 72 different business models for people to easily and cheaply access the music that they are keen to hear. It is already further ahead of the game than the rest of the country in that respect. Other parts of the industry—the film industry, computer games and others—have to try to improve what they are doing. I broadly support what the Hargreaves report says about enforcement, education and the development of new business models. I also broadly support the hon. Gentleman in saying that we need to get on and address those issues as quickly as possible.

One of the kernel ideas in the Hargreaves report is, as the hon. Gentleman has said, the digital exchange. I accept the hon. Gentleman's argument that it is an exciting idea and that it offers the opportunity to improve the growth of the creative industries. He was right to say, however, that many problems still need to be addressed. First, I am concerned about the use of the word "exchange," which is why I intervened on him. I do not believe that we are anywhere near developing all the things that we need even to think about having a single port of call where business is transacted. We ought to be looking much more at helping each sector of the creative industry—video games, film, books, magazine publishing, the music industry and so on—to ensure that they are developing their systems, but in such a way that they can work together to develop interoperability.

The music industry is advanced in its thinking on this. Not only is it well advanced in the UK, but it is working with colleagues throughout the rest of Europe. Collectively, they are pulling together the sort of database that Hargreaves talks about. I hope that the industry will be willing to share its data sets with other sectors of the industry, so that we can find some commonality. Commonality is absolutely vital, even simply on the

number labelling of an item. Let us imagine a bit of film for which there is some music and a script, and where stills and bits of other people's films have been used. All those things need different access, but they all need to be coded in the same way, so that we know where they all come from. We need to work at interoperability.

If we acknowledge that different parts of the sector are developing their own databases and their own licensing systems—in some cases, they have had such systems for a long time—it seems somewhat perverse to suggest that we might get rid of all that. As a first step at least, I would prefer the exchange—or whatever it might be called—to be a front page or a signpost to ways of finding this material and establishing how people can get a licence for the use of it for commercial purposes.

We must then address the issue of the digital champion. I apologise to the author if I have got this wrong, but the report seems to be saying, on the one hand, that finding a digital champion should be industry led and, on the other hand, that the Government should appoint someone to do it. That does not mesh together very well. Initially, someone should do a scoping exercise of what is needed. We should consider using somebody who is, for example, a project manager and who gets the support of all sectors of the industry. We could do that very quickly, which would deal with the issue raised by the hon. Member for Perth and North Perthshire about getting on with things. I urge the Minister to consider whether that could be a way forward.

Jim Dowd: On that aspect, the report uses the precise expression "a highly respected figure" in the industry. I am not sure that that takes us much further forward in defining how respected they are and by whom.

Mr Foster: That is why there are so many problems. The hon. Gentleman is right to raise his concern about the matter. We need to find a way of making progress. I am suggesting that if we can downgrade the issue of what we are looking for and be clear about the job spec, it might be easier for the industry to come together and find a way of doing it.

Finally, on the digital copyright exchange, I agree with the hon. Member for Perth and North Perthshire about its being voluntary. It seems totally wrong to suggest that if I am the creator of something—a piece of music, a film, a book or whatever it might be—I should be automatically forced to place my work on that particular platform. That is not the sort of liberal society in which I want to live. It would also be totally wrong to have a situation whereby if I do not put my piece of work on to the exchange, I will somehow be exempted from access to the law that applies to everybody else. After all, if somebody nicks my work, they should be punished for it and the full force of the law should apply, whether or not I have chosen to put my work on a particular exchange.

The hon. Gentleman also mentioned the important matter of orphan works. Sadly, clause 43 of the Digital Economy Act 2010, which covered those issues, was ditched at the last minute during the wash-up at the end of the previous Parliament. I am concerned about what the Hargreaves report suggests is a possible way forward. In effect, the report says that we should allow an orphan work, of which the creator is unknown, to be licensed and used by somebody in a commercial or possibly a non-commercial venture for a nominal fee. The problem with that is twofold. First, someone has to do some level of due diligence to get that licence and demonstrate that they have tried to find the author. However, I am sure that they will not go any further than they need to if all they have to do is pay a nominal fee. A nominal fee does not provide any additional money to do more diligent searches to try to identify the author or creator of the work.

The second problem is that if by chance a particular piece of work of which the creator is unknown suddenly becomes a worldwide best seller and generates vast sums of money for the person or organisation that obtained the licence, surely we must have a system in place whereby the creator, if identified, has the opportunity to benefit from that worldwide success. The report does not cover real issues that we must address adequately.

I know that other hon. Members want to contribute, so I will briefly make one final point about exceptions. Again, there are real issues surrounding the sort of exceptions proposed in the Hargreaves review. I shall talk about the exception in relation to parody as an example. We all enjoy a parody of something. However, the truth is that if someone takes something, parodies it and achieves an enormous commercial success, that parody is based on somebody's creation. I am absolutely convinced that the person whose creation has led to the commercially successful parody must be able to benefit from it. The creator must also be able to say that they are unhappy with their work being used in that particular way. We must consider the issue of exceptions more closely and in more detail. That applies to the use of material and so on. There will no doubt be an opportunity for consultation once the Government come forward with their response to the Hargreaves report.

The Hargreaves report mentions many other issues, which I am sure other hon. Members will cover. I may have seemed critical of the report, so I will end by saying that it was important to have such a report to kick-start the debate. What matters is how that debate develops and the action that the Government take. I hope such action will support the creators, who are so critical to our creative industries.

3.7 pm

Jim Dowd (Lewisham West and Penge) (Lab): I believe that this is the first time I have served under your sagacious direction, Mr Chope, and I am delighted to do so. I was also delighted to support the hon. Member for Perth and North Perthshire (Pete Wishart) in his application for the debate, and I am pleased that Mr Speaker saw fit to grant it. The hon. Gentleman has been a true champion of creators, authors and performers for many years. He brings not just enthusiasm to the issue, but a detailed personal knowledge.

I agree with the hon. Gentleman strongly. We have seen a number of such reports over time, and this is the latest in a long line of them. The most recent was the Gowers report in November 2006. He said that he hoped that the Government would adopt the entirety of the report in some form or that they would at least respond to it. I will be surprised if they do, because my experience is that that is not what happens. My experience has shown that things move ahead incrementally by a percentage each time and that, the next time a report is written, we are still dealing with many of the older issues while trying to address the newer ones.

[Jim Dowd]

I welcome this report, however, because the issue is critical for the country and for the industry. It was published just before the end of May. At almost the same time, the EU directive on orphan works was introduced, to which the Government will clearly have to respond. I imagine that the one will inform the other in the fullness of time. Like other hon. Members who have spoken, I am interested to know when the Government intend to produce their proposals, but I accept that it is better to get the matter right than to deal with it quickly. The issue is so important that we should be prepared to take such an approach.

Like the right hon. Member for Bath (Mr Foster), I shall outline a few items without going through the whole report. I broadly welcome the report's thrust because it addresses a number of significant issues. In November 2006, the foreword to the Gowers report stated:

> "For many citizens, Intellectual Property...is an obscure and distant domain—its laws shrouded in jargon and technical mystery, its applications relevant only to a specialist audience. And yet IP is everywhere. Even a simple coffee jar relies on a range of IP rights—from patents to copyright, designs to trade marks."

Hargreaves has addressed that issue, and he recognises its significance not only for UK plc, but for many of our citizens who are involved in the creative industries.

I welcome the thrust of the report and its concentration on not only copyright, but patents, designs and other, broader issues with a relevance to IP rights. As the hon. Member for Perth and North Perthshire said, adopting all the elements of the report could be worth about £750 million to our GDP. I strongly doubt that they will all be adopted, but even the adoption of a significant number of them will have a significant benefit if they have the effect envisaged.

Both the hon. Member for Perth and North Perthshire and the right hon. Member for Bath mentioned the digital copyright exchange, which deserves to be applauded for one reason above all others: it is at least an attempt to look at a new way of doing things and to look forward. Far too many reports and too much Government legislation fight the last war, not the next one, but the report is an attempt, albeit a faltering one, to move matters forward. However, some groups in the creative industries have told me that the digital copyright exchange was not necessary and that current market mechanisms adequately deal with some of the problems that the report describes. Their fear is that the net effect would simply be to add a not inconsiderable amount to current transaction costs without an appropriate benefit.

The exchange proposal is a response to complaints made during the report's compilation that the complexity of navigating rights clearance processes is a barrier to innovation and growth, notably for new-tech and start-up organisations. There is a problem in that respect, but the digital exchange proposals are perhaps somewhat heavy-handed and bureaucratic, and I would need some convincing that they could be effective.

The report says that the long-term aim is to create

> "the best...licensing system in the world",

and who on earth would disagree with that? I doubt whether anybody here today would say that we should have only the second-best or third-best system. The objective must be to have the best regulatory regime, which balances the rights and responsibilities of those who are involved. I doubt whether the digital copyright exchange is the mechanism to do that, but it at least addresses the future, without necessarily being future-proof.

On digital libraries, there is a proposal to use the system that is broadly in existence and to adopt the extended collective licensing model that exists, with varying success, in other parts of Europe. In effect, that would extend the licence granted by a licensing body for certain works to include copyright owners of the same class of works who are not members of that body, provided that the body represented the majority of copyright owners for that sector, and subject to the right of non-members to withdraw from the scheme. An assurance on that last point would be most welcome. That is a reasonable way to make progress.

Clearly, any modification of current copyright principles that creates new rules for a particular designation of work needs to be examined most carefully. One of the key elements of a workable system, particularly for orphan works, is a robust system of diligent search, rather as the right hon. Member for Bath said, to avoid any prejudice to authors or rights owners. We must better understand what that due diligence is, how it is to be implemented and what it looks like to ensure that orphan works can be dealt with fairly and without the risk of losing the opportunity that they provide.

I broadly welcome a number of the other recommendations on copyright exceptions. The hon. Member for Perth and North Perthshire and the right hon. Member for Bath were critical of the US fair-use law, and the great fear that we all had as Hargreaves was unfolding was that that is what we would wind up with. The report correctly identified two broad problems with the operation of the current copyright exceptions regime: first, the failure to remove barriers to innovation and, secondly, a discrepancy between the law and most people's reasonable expectations and behaviour in the light of the rapidly expanding development of new digital services. I am glad, however, that the report rejected the fair-use approach adopted in the US, because there are, as it notes, legal and political impediments to imposing such a regime in the UK. Instead, it outlines a series of new exceptions to achieve specific goals, and that is the right way to approach personal use, parody, data mining and what are termed "Gowers exceptions".

I welcome the recommendation to promote greater uniformity in the operation of collective management organisations. The report proposes that such organisations adopt codes of practice, which should be approved by the IPO, and I very much welcome that. The other issues that were addressed include enforcement, the awareness of rights, piracy, an IPO review and the next steps in the progress of the report.

I therefore welcome much of the report, although I have reservations about parts of it. It builds on the steps that were partly adopted in the wake of Gowers. The foreword to Gowers stated:

> "In the modern world, knowledge capital, more than physical capital, drives the UK economy. Against the backdrop of the increasing importance of ideas, IP rights, which protect their value, are more vital than ever."

As we move from a manufacturing-based economy to what some people call a knowledge-based economy, the protection of IP rights becomes more important than

ever if we are to ensure that rights holders receive adequate reward for their activities and that we have an environment conducive to originality and innovation.

3.17 pm

Damian Collins (Folkestone and Hythe) (Con): It is a pleasure to serve under your chairmanship, Mr Chope, and to have heard the contributions of the previous speakers, who have a great deal of knowledge and expertise in this subject, particularly as a result of the work done in previous Parliaments and in passing the Digital Economy Act 2010.

I come to the debate not only as a member of the Culture, Media and Sport Committee, but as someone whose work and business background was largely in the creative economy, given that I worked in the advertising industry. As I can see from my constituency, the creative economy plays an important role in the regeneration of our economy. I entirely agree with the right hon. Member for Bath (Mr Foster) that it has fantastic scope and potential as one of this country's great industries. In many sectors, we truly lead the world, and they can be part of the growth of our economy as it recovers.

However, we are talking not just about an economy of large businesses or about multinational companies seeking to purchase, use and benefit from the rights to creative content, but about a complex web of different businesses, large and small, which are interdependent and which rely on one another. In the creative quarter in the old part of Folkestone, which is very much part of the town's regeneration, 200 to 300 people are employed in the creative economy as artists, web designers, website creators and games makers. Many of their businesses are simple partnerships of two or three people or small stand-alone businesses. Their ability to make things, sell them in a fair and open financial market place and benefit from them is incredibly important to their survival.

It is a particular pleasure that the debate is taking place in the Grand Committee Room. About six months ago, I organised an event for about 70 art students from colleges right across the country, from the south-west to London, Lincolnshire and Leeds. The group was organised by Graham Fink, the creative director of M&C Saatchi, who runs a free service for art students. He brought them into this room to run a creative workshop, hoping that they would be inspired by being in the Palace of Westminster and in this great forum for debate and ideas. It was fantastic to see the work and enthusiasm of those young people seeking to break into the industry, although it would be remiss of me to say whether they generated more original thinking and ideas in an hour than we will manage in the next hour. It was certainly a great pleasure to see their work and their enormous enthusiasm. Everyone with a knowledge of and passion for the creative industries understands its scope as a business and knows that young people want to work in it; they want to bring their ideas and be part of it. They have a right to expect a fair recompense for their ideas and work, and for the effort they put in.

Technology has changed the marketplace dramatically, but it can also be the great hope of the creative industries. I am thinking of the internet's ability to supply what is referred to as the long-tail supply chain, in which the owners of niche works that would otherwise struggle to get listed can sell them in an open marketplace. The ability to search for and find work through search engines and the internet is a great advantage, but there must be rules of engagement. The direction in the finding of materials should be fair. Websites and search engines should direct people to places where works can be legitimately purchased. Many people have concerns that instead of directing people to legitimate places where they can buy works, predictive search, in particular, directs them to places where they can be obtained by piracy.

Mr Brian Binley (Northampton South) (Con): My hon. Friend is making an interesting and important speech, but I am concerned about the direction by search engines to sites where the creators of material can be recompensed. Does he agree that search engines should be more able to act in that way? Should the Government think more about a little nudging and forcing in that direction?

Damian Collins: My hon. Friend makes a compelling point, which will have been heard by Ministers and search engine owners. I attended a briefing with the BPI, which represents the music industry, to talk about that very issue and was given a live demonstration, in which typing "download music" into Google meant that the predictive search came up with "download music for free".

If we believe that technical measures should be used to restrict people from downloading content illegally, we should consult those who run search engines about the priority and ranking that they give to sites that direct people to sources where they can do that. That is a legitimate part of the debate, and search engine representatives should welcome it and be open to consultation with Government about it.

Mike Weatherley (Hove) (Con): Is my hon. Friend aware of the traffic light proposals by the BPI and others that may go some way towards what he suggests?

Damian Collins: Yes, I am. It sounds like a sensible way forward. Those things are always best achieved in dialogue with the industry, through Ministers. That is often a much better approach than regulation and direct legislation, which, as we know from other remarks that have been made, can often be difficult to accomplish successfully. That dialogue is important. The companies concerned will have heard the remarks of my hon. Friends the Members for Hove (Mike Weatherley) and for Northampton South (Mr Binley).

Going back to my time in the advertising industry and to a case brought to me by a constituent, I can think of issues on both sides. A gentleman who runs a television business in Cheriton, Folkestone thought that a good way to sell the latest high-definition televisions would be to run an old-fashioned television next to a high-definition one, to show how that set revealed the improvement in the quality of the broadcast. Someone told him that he might need an entertainment licence to do that and that, for that simple demonstration in his shop, he would be charged several thousand pounds. He suggested that he would not do that, and a frank exchange of words was had—after which the problem seemed to go away. Nevertheless, he was potentially running foul of copyright laws.

[Damian Collins]

Many people, if not in this room then elsewhere, will have put together a presentation for their work with images found on Google or elsewhere, and they will not have had a copyright licence to use them. I am sure that people of my generation can think of times when a friend lent them a tape-to-tape copy of some new musical work for their enjoyment, and they, too, would have been in breach of copyright regulations. Those issues have always existed. In some ways the digital economy brings them to a head. In the days when people made cassette copies for each other, peer to peer, the quality of reproduction was relatively poor. However, when the reproduction quality is almost perfect and a reproduction can be transmitted at any time at virtually zero—or actually zero—cost to people, with no effort, the market is changed dramatically. The ability of an owner to own, control and sell the perfect rendition of the work is changed. The rules of the game change, and we should consider what that means for the law.

I was interested in the Hargreaves recommendations on private use. I suppose that copyright and licensing have always respected the idea that the value of a work is based not on the time and effort taken to produce it, but in many cases on the value to the user. In the advertising industry, if music or a photograph or other image is used for a campaign that will run around the world, the cost will be much greater than for the insertion of a stand-alone image in one newspaper, or a radio advert on one local station. There is a recognition of the benefit to the user as well. That is important. If some relaxation of the rules on private usage, where there is very limited commercial value, if any, to the creator, would simplify people's ability to use work for their own entertainment and for their and their family's pleasure, I think that it would be reasonable and sensible to consider it. As the Secretary of State for Culture, Olympics Media and Sport has said, we do not necessarily want a system in which someone can be sued for using a piece of Beatles music on a video of their cat on YouTube. That does not mean an open licence system without any attempt at regulation and control.

I am sure that many people would hope that a simplified version of rights clearance and the purchase of rights will mean that older materials—old pieces of film and programming—might be more readily available on services such as BBC iPlayer and elsewhere online. That might bring into play the rich archive of material that broadcasters such as the BBC own, which it is currently difficult to licence and use.

I agree almost entirely with the remarks of my right hon. Friend the Member for Bath about the digital exchange. The idea put forward by Hargreaves is interesting and compelling. There are already clearance houses for rights—PPL and PRS for music in particular—so I wonder what that new exchange would mean for them. I support the view that it would be wrong to compel people to register their works at the digital exchange with the back-door threat that otherwise they might not be covered by any of the legal protections in the Digital Economy Act 2010. Such compulsion would be cause for concern.

When I was a candidate for Parliament, like many other candidates at the time, and many hon. Members of the previous Parliament who were part of the debate on the 2010 Act, I met photographers who were concerned about the proposed legislation on orphan works. Not only should a way be found to pay a nominal licensing fee for orphan works such as images that people want to use, but if that use brings substantial financial gain—particularly if a found image is used in an advertising campaign, which brings great commercial benefit to the company using it—there should be a way to assess what the real value would have been if a proper licensing agreement had been in place. Clearer guidance is also needed on the commercial value of orphan works, in cases where the person in question comes forward after the image's use.

The issues present a great overall challenge. Our responsibility is to protect the industry and the rights of the content creators, so that they know that they are in an industry where their endeavour and work receive a fair price and are fairly used, and they have incentives to carry on producing their work. One of the challenges that we face, in addition to an uncertain regulatory playing field, is the public's attitude towards the illegal use of content, particularly in the music industry. Research demonstrates that, on the whole, the problem is not that people do not think they will be caught downloading material illegally, but that they do not think that there is anything wrong in it. The problem is that people do not necessarily understand the impact of piracy and the illegal use of works and the knock-on consequences for the creative industries. That is a communications and attitude-change challenge for the industry.

Part of the solution should be effective resolution using ideas in the Hargreaves report, a better framework for licensing works and understanding how those things work; but there is also a challenge for the industry to make the legitimate means of getting access to music and purchasing content so attractive, simple and easy to use that people would on the whole be deterred from using illegal sources, as the quality of the product and the method of delivering it would be so inferior and the potential consequences not worth the risk.

I welcome the report and hope that we shall not be back here in two years discussing yet another Government report on the issue, but that we shall instead be celebrating some progress on the matter.

3.29 pm

Dr Thérèse Coffey (Suffolk Coastal) (Con): I congratulate the hon. Member for Perth and North Perthshire (Pete Wishart) on securing, with support from others, the debate.

I hate to be a bit cheesy, but I think that the Abba song sums it up very well:

"Thank you for the music, the songs I'm singing,
Thanks for all the joy they're bringing.
Who can live without it, I ask in all honesty?
What would life be?
Without a song or a dance what are we?
So I say thank you for the music, for giving it to me."

Sadly, it is the last bit of the chorus that I disagree with, because I do not think that the intention of the writers of that song is to say that they want simply to give away their copyright.

Everybody here is aware of how wonderful the creative industries are, both in our country and worldwide.

What has changed dramatically is that people believe that just because something is on the internet, it is theirs for free by right; they may not understand the industry that they are harming. If somebody goes to the cinema, they do not expect to take a digital camera and film the entire film so that they do not have to buy the DVD when it comes out. There are other examples of where, simply because the experience is different in the physical world and the online world, we need better education. Other hon. Members have called for that already.

One thing that we can do is make it easy. I would like to echo what the right hon. Member for Bath (Mr Foster) said about the expansion of the number of business models in the past two or three years as the industry has reacted to the criticism that it was not easy to access digital versions to keep and own, or rent as a one-off, or use for a limited time, or similar. The industry has responded well to that. People can see films for free with ad-funded services. There is no need to buy them if the consumer is prepared to put up with a bit of advertising. That is true of music and some other access models, such as subscription, where there is not just pay-per-go; it is a case of "cram in as much as you like in a month", or for the duration of the subscription. It is important to recognise that that is now so easy for people to do that we should not necessarily look benevolently on those who persistently refuse to be prepared to pay a price.

Whom does it hurt when people do not pay? It hurts new talent. The amount of new talent coming into the industry has declined, especially in music, in the past few years. Frankly, out of the top 10, nine people broke into platinum status, and half of them probably came from some of our well-known talent shows on television. People then point to the Radiohead example. That is a dangerous precedent. I do not believe that Radiohead ever repeated that experiment of allowing people to pay whatever price they wanted for its product, including zero. It does not help new talent coming into the industry when established players do that kind of thing.

Search engines have been alluded to. On Google, it is very easy to be pointed to sites that encourage and facilitate illegal behaviour. Dare I say it, but I would like Google, instead of trying to be crusaders for freedom, to work with the creative industries, and with other people such as Microsoft and Apple, to make something like a digital contract exchange work. That should be not a Government or state thing, but something on which industry takes the lead again, as it has done, to ensure that it is making it as easy as possible for people to do the right thing and behave in the right way, and to ensure that it is protecting value for people who generate creativity. There is an opportunity for Google to be good for both the industry and consumers, and use its expertise in a particular way. I note that when one tries to get certain sites taken down or content removed, very high-tech Google does not allow people to actually e-mail it—one has to write to it in California. That seems a bit bizarre.

On the challenges for the Government, with the advent of superfast broadband, they should look to South Korea, where piracy escalated dramatically as it became easier and easier to access peer-to-peer files and other technologies. South Korea imported its own version of the Digital Economy Act 2010, which has had some impact, but I would say that piracy is still a problem. The hon. Member for Lewisham West and Penge (Jim Dowd) spoke about financial loss; I would echo what he said. I am surprised that the Treasury has not cottoned on to the amount of tax revenue that we are losing. I would hope that by supporting the creative industries, the Treasury might receive more revenue in the bank.

The issue of orphan rights has been discussed. The right hon. Member for Bath was on the right lines: if someone can establish ownership of their works, a share of the proceeds would be appropriate. I think of it almost like dormant bank accounts; banks can effectively put the money to good use, but if anyone reclaims the account, they are entitled to their money back, so there is a precedent.

On new exceptions to copyright, I will provide a physical example. Many people may not realise that cat litter is also very good for putting in pots and tubs to grow flowers in. The properties that one would want cat litter to have include absorbing liquid very quickly and releasing it gently into the atmosphere. Thus cat litter can be used as a way of preventing soil drying out and releasing moisture slowly. It took a bizarre incident for someone to realise that this was another way to use cat litter, but it is now marketed for that use—but not as cat litter. As one can imagine, there is more money to be got by marketing it as plant protection. That is an example of a creative way of using a product in a new way. In a digital situation, one could look at a map online. All the data that support that topographical map should be allowed to be given to somebody else. If they come up with something creative, they give the person whose map it is nothing for all those data and all the effort that was put into the map, but plenty of money can be made elsewhere.

I do not want to rubbish Hargreaves entirely, although it may sound as though I do. There is stuff to build on, but frankly I feel that he derides our creative industries when he says that there is almost hysteria and lobbynomics. Research shows some of the challenges for the creative industries, and shows why aspects of the Hargreaves report will damage, rather than promote, those industries. Ian Hargreaves needs to reflect that the issue is about trying to have something that is appropriate for the 21st century. We need something flexible that, most important of all, does not kill our creative industries, but instead sets a scene in which they prosper and grow. Long may that continue in cool Britannia.

3.37 pm

Lorely Burt (Solihull) (LD): It is a pleasure to speak under your chairmanship, Mr Chope. I congratulate the hon. Member for Perth and North Perthshire (Pete Wishart) and all those who were successful in securing this important debate.

I would like to address my remarks on the Hargreaves report to its effect on small businesses and patents. We have had plenty of discussion on copyright, but I would argue that Hargreaves does not concentrate adequately on the effect of copyright, particularly as it applies to small businesses. Does that matter? Well, it matters to businesses, for many of which patents are far more of an issue than copyright, according to the Hargreaves report in figure 2.1. Figure 8.2 also shows that patent enforcement is more of an issue to small businesses than copyright enforcement.

[Lorely Burt]

Taking small businesses first, I would contend that their interests and views, I am sorry to say, have been systematically and consistently ignored in the report. For example, the panel was composed solely of academics and corporate representatives who, in turn, supported a team of 10 intellectual property officers—the same people who are immersed in the day-to-day operation of the system. So how, one might ask, can a department independently review itself? I would not go so far as to say that it is like asking Rebekah Wade to review the activities of News International, but I think hon. Members will get my point. In particular, in response to Hargreaves, large and small companies have frequently criticised poor patent quality. The panel did not include a single representative of small business, although the report acknowledges, in paragraph 1.5, that

> "Over the last decade the majority of productivity growth and job creation has come from innovation...primarily by small and young firms."

It seemed strange, therefore, that the panel did not think the views of those firms important enough to be represented. Indeed, IBM—an American corporation, which you might have heard of, Mr Chope—was the sole member of the panel with direct knowledge of the patent system.

When small businesses submitted evidence, including solutions to their day-to-day problems with the patent system, some of that evidence was not only ignored but not even acknowledged as a submission to the report. I refer to the SME Innovation Alliance's paper, "The Economic Failure of the Patent System", which Hargreaves received. Hargreaves stated that a survey of small and medium-sized enterprises had been done, but that survey is not published, so we do not know the findings.

One of the recommendations of the report is that patents should not be issued for non-technical computer programs. One can have some sympathy with that view, and indeed a constituent of mine who designs software maintains that it is nigh-on impossible to get one. However, Hargreaves does not define "technical", although he does suggest that "general application programs" should not obtain patents, and he includes word processing under that umbrella definition. But what if a general application program has a technical effect? For example, as of last night, 17,436 word processing patents had been granted in the USA, and they can also be obtained in the EU. By saying that we should continue not to issue similar software patents, we are preventing UK competition in the software industry.

Hargreaves also talks about thickets, which are blockages in the IP system caused by a boom in applications in a specific area. He maintains that, to reduce the thickets, it would be necessary to increase the "renewal costs" of the patent. Who, though, would be disproportionately disadvantaged by that? Would it be the IBMs of this world, or the little guys with less money, less support and fewer clever lawyers? However, we could increase the application fee to get a proper service from the Intellectual Property Office in the first place. The fee currently stands at £200, whatever the size of the company. America has separate fees for large and small companies. Why not, for example, have a £10,000 fee for a small company and a £100,000 fee for a large company?

Mr Binley: I have listened to my hon. Friend's comments, which are always immensely constructive and helpful, but I was concerned when I heard mention of the £10,000 fee for a small company. Many of the small companies operating in software creation are one-man bands, for whom that would be a large amount, even if that one-man band was immensely successful. Would she temper that cost a little?

Lorely Burt: My hon. Friend makes an important point. I merely used the figure as one that would allow a patent to be properly researched before it was granted. A two-tier system, with a larger fee for larger companies, would stop some abuses. For example, IBM—I am sorry to use it as an example again; I promise I do not have anything against it—took out a patent for the optimal way to queue for the toilets on an aircraft, which is hardly earth-shattering.

On patent submissions, the review failed to deal head-on with poor patent quality and patent backlogs. As I said earlier, patents can be challenged as soon as they are issued, but once they have been issued, there is no mechanism for enforcement except through recourse to the courts. By taking out a patent, a company could be doing itself a disservice by drawing attention to its innovation and attracting the predatory attention of large companies with big lawyers, which can steal the idea and line up the fancy lawyers and see what the small company is prepared to do about it.

That brings me to costs and damages. Let us look at what happens when a patent holder finally takes an alleged infringer to court. Costs awarded to the loser used to be open-ended but, since 14 June, they have been limited to £50,000, which is a step in the right direction. That was not the result of Hargreaves, and he did not mention it in his report. However, that £50,000 is £50,000 more than in America, and the limit forms a substantial deterrent to a small company taking on a large corporate with resources and lawyers. Also, the award for damages is limited to £500,000, so if someone has a multi-million-pound idea and a big company comes in and steals it, the big company can infringe the patent, knowing that the maximum it will have to shell out is £500,000—a bargain. Compare that with America, where Dyson won damages of £6 million after the expiry of its patent because other companies were too quick off the mark in marketing bagless vacuum cleaners. Hargreaves seems to think that the UK garden is rosy, because fewer UK companies went to court than EU companies, but the reason is not because they are happier, but because too many barriers are in the way.

Hargreaves also ignored the SME Innovation Alliance's request for a UK penalty for infringing a patent. Is that believable? We are the only country in the G8 that has no penalty. The worst that can happen to infringers is that they might end up paying a hypothetical royalty, as if nothing untoward had happened. By the time an SME has spent years, and money, pursuing infringement, it ends up losing substantial resources—and that is if it wins. As Sir James Dyson put it, it is a bit like having the family silver stolen, with the best result being getting some of it back. Why was the fundamental need for the introduction of a penalty for infringing a patent totally ignored?

The SME Innovation Alliance also complained about difficulties enforcing patent rights abroad, an area on which most SME growth and job creation is dependent.

Hargreaves and the IPO have been made fully aware of that, and the IPO acknowledged the difficulties, but Hargreaves did not tackle the subject. All in all, I am sorry to say that SMEs—the main source of UK innovation—believe that Hargreaves has failed them. The Government have to take note of the real needs of UK SMEs, instead of setting up a review that has had the perhaps unintended consequence of pandering to the needs of foreign corporates. In Hargreaves's favour, he recommends adopting the European patent system, but the total maximum damages of £500,000, covering the whole of Europe, hardly make the game worth the candle for many companies.

I welcome the patent box, an idea that SME Innovation Alliance officers are discussing with the Treasury at the moment. The patent box provides a £1.1 billion tax break for innovative industries. That has been extended to existing industries, and there are proposals to simplify research and development tax credits, but we need that now, not in 2013, if we are serious about job creation.

[Philip Davies *in the Chair*]

If the patent system does not protect British companies, we are making it harder to innovate in the UK than perhaps anywhere else in the G20, and far easier for others to steal our UK innovations. The SME Innovation Alliance has a number of ideas to improve the system greatly, and I would very much like our Government to take them seriously. Otherwise, all they can do is criticise Ministers for not providing a workable patent system for SMEs, the main source of UK innovation. I therefore conclude by asking the Minister to meet me and the SME Innovation Alliance to sort out the current mess in the patents system.

3.51 pm

Mr Brian Binley (Northampton South) (Con) I welcome you to the Chair, Mr Davies. It is a pleasure to serve under your direction. This is the first time that I have had that pleasure, and I promise that I will do my best not to cause you difficulties.

I congratulate the hon. Member for Perth and North Perthshire (Pete Wishart) on instigating this debate, which is opportune and important. His knowledge of the creative industries is second to none in the House, and his work on that does him and those industries great credit. We are all happy to support him.

I welcome the Hargreaves review as a start, but like the hon. Member for Lewisham West and Penge (Jim Dowd), I have some reservations. However, it is an opportunity to support intellectual property in the business sector, which is especially important for the creative industries. The case for those industries has been made very well in other contributions to the debate, and they might be starved of the oxygen of finance if we do not do something quickly. That is why I urge the Government to get on with the job of putting the report into effect. It is good that they have agreed to consult, but most of us want early notice of a Bill to support both business and the creative industries.

In a developed economy, intellectual property rights are fundamental to economic growth. If we lose sight of that fact, we do considerable harm to business and commerce in this country. I urge the Minister to recognise the needs of industry in that respect. It is vital that intellectual property rights are enhanced, protected and supported, and that the creators of those rights get their fair and just return. That cannot be said with confidence to apply at the moment, and therein lies the problem, as some contributors have said, which is why I urge the Government to act quickly.

We must get the matter right. If we fail to recognise and reward the value of creativity and innovation, we risk a reduction in the quantity and quality of new output, which is vital to the well-being of this nation. We have lost many of our rust-bucket industries and our young people are finding it difficult to get jobs, but creativity and innovation can be a vital spark to inspire many of those young people to become aspirational. I need only mention the games industry to show how inspirational creativity and innovation can be. Many young people have played a leading role in that and created a sizeable export industry for this country. We must take that into account.

The concern is felt particularly by the Authors' Licensing and Collecting Association, which has 80,000 members who make a considerable contribution to the well-being of this nation culturally, educationally and technically, to say little of their contribution to GDP. We must recognise those creative people as small businesses, because every one of them makes a contribution in the way I have described.

The current copyright system has failed to remove barriers to innovation. There is a gap between the law and reasonable expectation, and the behaviour of many people today regarding digital access. There is a lack of understanding that creativity must be paid for. As the hon. Member for Lewisham West and Penge has said, to steal creative material is exactly that—it is stealing. If I produce something, I expect to be paid for it. That lies at the basis of a society that believes that hard work should have its reward. There is more to that in the spirit of our nation than often meets the eye. I have met young people who think it is their right to steal other people's intellectual property, and that is the sort of culture that we have created. We must put an end to it, if we are to deal with the issue properly.

I welcome the single multinational regime, which offers the prospect of eliminating wasteful duplication and increasing the potential for cross-border commerce. That is a welcome innovation that the Government should think seriously about and get right when they draft a Bill. The Minister's Department has estimated that that could increase income to the nation by at least £2 billion a year by 2020, and it could be considerably more than that if we released the potential that I believe exists.

The concept of IP attachés for emerging economies, such as China and India, is interesting, and I would be grateful if the Minister will give further information on that intriguing proposal. I want to know how he feels about the idea, which I believe is a good one. I recently led a delegation to China on behalf of the Select Committee on Business, Innovation and Skills. There is a view, rightly held in many areas, that China culturally sees knowledge as the birthright of all the peoples of the globe. It is a cultural concept that many of us admire, except that it means that they believe that they can have other people's intellectual property.

To be fair, on that visit we found that the Chinese were genuinely getting down to the business of dealing with the issue, and they told that they have 60,000 inspectors on the ground. But I also saw a shop in Peking—sorry,

[Mr Brian Binley]

Beijing, I am an old chap, as the Minister knows—selling CDs for £1 in our terms, which were clearly pirated and on open display. I am sure the hon. Member for Perth and North Perthshire who secured this debate will be horrified by that. He had worked on one of the CDs that I found, and he would probably like slightly more of a return from that particular enterprise.

I also want to talk about the impact of intellectual property on small businesses. I come from a county in which 94% of private sector work is in SMEs. I pay tribute to my hon. Friend the Member for Solihull (Lorely Burt) who has battled hard for the SME sector and suggested a meeting with the Minister. I know that he will want such a meeting to take place, and I am sure that a lot can come from it. Small and medium-sized enterprises are, without doubt, the main engine behind the Government's growth agenda and behind wealth creation and the creation of more jobs in this country. Talking to those businesses about a matter that impacts so considerably on our young people has real import, and I look forward to hearing from my hon. Friend about the outcome of her meeting with the Minister.

The Hargreaves report deals with small and medium-sized businesses and recognises the importance of that sector, which I welcome. There is a symbiotic relationship between large and small firms on innovation and research and development, and supply chains are a large part of that. There are, however, complexities in the regime that are more challenging for small firms to navigate, and they need special understanding and help. I hope that the Government will recognise that when they introduce the legislation.

As my hon. Friend the Member for Solihull and others have said, small firms need help with costs and with the law. A large company has the resources to promote understanding within the organisation about the impact of the law on a certain area of activity. Small businesses, however, do not have such resources. I have appealed again and again for the Government to recognise that the impact of a demanding regulation on large companies is multiplied 30 times in the SME sector in terms of cost and effort. The Government need to recognise that when they frame the legislation.

Small businesses want an integrated source of advice that combines commercial and technical insight with legal expertise. We need to understand how we can provide such a resource for the many small businesses that work in IP development, and we must enable them to commercialise as well as protect their intellectual property. I would, therefore, be grateful if the Minister were to expand on what action the Government propose to ensure that the regime is friendlier and more accessible to small and medium-sized businesses.

The Minister will not need telling that digitisation offers the prospect of democratising many of the written works in our language, which will spread economic, cultural, and educational benefits more widely. It is bizarre that researchers from Europe who seek to access material from before 1923 have to travel to the United States to view it. Although that material is readily available on the internet in the United States, it is not available in the United Kingdom. Ironically, much of it was produced and written in this country or in Europe, and it should be made available. It is a matter for the Minister to look into—I am talking specifically about material created up to 1923; I do not want the Minister to think that I seek to create a loophole to enable people not to pay their dues under copyright.

Digital material should be treated in the same way as other formats, offering the prospect of a simpler regime and architecture that commands greater compliance, respect and understanding. Copyright law should be technology-neutral, and contract law should no longer obstruct acts permitted by statute. Sadly, such acts are currently obstructed, and I want to draw that issue to the Minister's attention.

In conclusion, I welcome the Government's proposals on the patent box and on research and development credits. Applying a 10% corporation tax to profits attributed to patents would create a far more conducive environment in which innovators could operate. We need to retain our position as a world leader in patented technologies, and using the tax system to encourage that would be a positive measure for the Government to consider.

The Hargreaves report makes a vital and interesting contribution to the debate on intellectual property. We must, however, recognise that it is only a platform for debate. The report needs genuine Government drive to translate into a Bill that will benefit the whole of our nation and, more specifically, be of import to small and medium-sized businesses. We need to be positive about encouraging innovation and growth, and we need to configure our policy and tax frameworks accordingly. As we gradually shift away from the economic woes of the past few years, above all else such innovation offers the prospect of sustained prosperity and success. My advice to the Minister, which I am sure that he will heed, is to get on with it.

4.6 pm

Mike Weatherley (Hove) (Con): It is a pleasure to serve under your chairmanship, Mr Davies, and I congratulate the hon. Member for Perth and North Perthshire (Pete Wishart) on securing this exceptionally well-timed and vital debate. I also draw the attention of hon. Members to my published declaration of interests. Intellectual property is suddenly popular, not only via my "Rock the House" project, but also in terms of Government attention. Intellectual property seems to have had more reviews than a west end show, and after 300 years, copyright is rightly back on centre stage.

As we have heard many times in this debate, intellectual property is the bedrock of a modern economy. Our traditional manufacturing base has gone, and industries that create new wealth are few and far between. There is one notable exception: we are very good at creating intellectual property in the creative industries. The figures speak for themselves—we heard some numbers earlier and I will introduce others. Global trade in IP licences alone is worth more than £600 billion a year. We are a major exporter of IP. In the UK, investment in intangibles has now outstripped investment in tangible assets by £137 billion to £104 billion. Our creative industries are world class and punch well above their weight.

Lara Croft was born in Wimbledon, and "The King's Speech" dominated the Oscars. Adele is in the middle of a record-breaking run at the top of the US charts. Other countries envy the talent in this country, and as we heard earlier, our youngsters are queuing up to get a

job in the creative industries. Some 2 million people already work in creative businesses. We want that number to grow, as do our youngsters who are looking for jobs now—that includes two of my children, who hope to join the creative industries shortly.

In recent years there have been 26 reviews into intellectual property. Who will invest in a country that is constantly reviewing its legislation and cannot decide whether to protect IP? Who will invest in a country that claims to value IP, yet turns a blind eye to theft on an unprecedented scale? Will the Minister confirm that there will be no more reviews of IP this Parliament? Will he unequivocally state whether the UK will protect IP or allow it to migrate elsewhere?

One example of the problem is the unauthorised reproduction of magazine and periodical publications online. If professional publishers are to continue to make significant investments in new applications for online publications, illegal copying and distribution must be more effectively addressed. That requires support for the enforcement of rights, and support from consumers for the use of legitimate services. Growth will not be promoted by removing or reducing rights that act as incentives for investment.

Mr Foster: I thank the hon. Gentleman very much for drawing attention to magazines. Often in these debates, we talk about music, film and video games; rarely do we mention magazines. However, the figures show that there is huge piracy of magazines. Future Publishing in my constituency is in real difficulty because of what is happening.

Mike Weatherley: I thank the right hon. Gentleman for his intervention. Future Publishing has pointed out to me a website—I think it is in Poland—that reproduces all its magazines online to as high a quality as it can. That is the type of thing that we need to shut down, so I welcome the intervention.

Mr Foster: I apologise for intervening again, but the hon. Gentleman is absolutely right. I, too, have seen that website. Pornographic material is included on the same site. The interesting thing is that it purports to be a genuine site, in that people have to pay a small amount of money to use it, so it is misleading consumers. It also contains advertising from reputable firms. We must deal with that.

Mike Weatherley: The right hon. Gentleman is exactly right. I think that the charge is equivalent to $10 a month, the payment of which allows unlimited downloads. Zero cents of that $10 goes back to the publishers.

As we come out of the recession, there is much talk of rebalancing the economy. Where will the growth come from? We cannot compete on labour costs and we do not want to. Our strength is in pharmaceuticals, high-end engineering, brands, bioscience and, of course, the creative industries. Our education publishers are No. 1 in the world. Our music industry is at No. 2. Our games industry used to be at No. 3—the position is under threat as other countries adapt and offer incentive packages that we are not matching. Surely we should be as proud of our creative industries and their podium positions as we hope to be of our athletes next summer.

To be fair to the present Government, the Hargreaves review is their first review of IP. I should also point out that there is a duty on those in the creative industries to adapt their business models far more quickly than they have done in the past. That includes reduced pricing models for the prime product and a changed emphasis on secondary income streams, such as live music and merchandising.

The Government's response to the Hargreaves report is a tailor-made opportunity to celebrate our creative industries, and to confirm that we are open for IP business on a global scale. Will the Minister reassure banks in the UK that we are the best place in the world to invest in IP businesses? Will he confirm to creative businesses in this country that their assets will be protected by legislation? Will he encourage new talent with the message that people's rights in respect of what they have created will not be reduced by exemptions and undermined by unnecessary regulation?

Let me turn to the Hargreaves report. It is better than I was expecting; I know that many other hon. Members have said the same. I have to admit that my heart sank when I met Professor Hargreaves and he hinted to me that he wanted to introduce US-style fair use here. His argument was that our IP laws were preventing internet companies from launching, yet I remember many search engines and social networks starting here. Some, such as Mumsnet and Friends Reunited, have been extraordinarily successful. They were not held back by our IP laws; they just did not have access to the same funding as Google and other silicon valley giants. Introducing fair use here would help only the likes of Google—established players with deep pockets that can fund the legal test cases that are such a feature of the US system. It was therefore with some relief that I read in the Hargreaves report that he rejected fair use for the UK. That is a sensible recommendation, and I urge the Minister to endorse it.

However, the report goes on to recommend a range of new exemptions. Let us be clear about what an exemption means for a creator. On the one hand, with our 300-year-old copyright tradition, we say that an author owns his work when he writes something. It is his property; he created it, and it is his. On the other hand, with an exemption, we say that he does not own his work any more in certain circumstances. Of course, there are situations in which the public interest must outweigh a property right, but we should be wary of taking away someone's property, especially their own creation.

One example involves text and data mining. No case is made in the report for a text and data mining exemption. Such mining is simply described as making it easier to crawl the internet for material. Surely that is what Google and other search engines do on a commercial basis. Do we really need an exemption to make Google's life easier? Should it not be obtaining licences if it wants to use other people's material?

Parody, as we have heard, is another example. Parody is almost the hallmark of British comedy. It can hardly be argued that there is a shortage of parody in the UK. However, the Hargreaves report seems to think that there is a problem. The report concludes, with seemingly no evidence, that we should have a parody exemption, but should someone be allowed to take someone else's work just because they are making fun of it? I do not see how parody justifies removing a creator's basic

[Mike Weatherley]

rights in their work. Then there is research. Of course there is value in building on the work of others, but does that mean that the original researcher should get nothing for their work? I strongly urge the Minister to reject those recommendations in the report. This goes to the heart of copyright as a property right. Arguably, something that someone has created is even more precious than property. Our legislation gives creators ownership of their work. We should not take those rights away without good reason.

There are two areas where there is justification for an exemption, and that is broadly accepted by creators. The first is archiving. We have some unique collections of film and music in this country; indeed, I understand that film originated in my constituency of Hove. The British Library, for example, has the national sound archive, with millions of recordings going back to the birth of the gramophone, mostly donated over the years by record companies. Making digital copies is an obvious way of preserving those for future generations. When the Government consulted on an archive exemption three years ago, industry backed it. We should implement it now.

[Mr Christopher Chope *in the Chair*]

The second area is format shifting. That is copying CDs to MP3s, or DVDs to an iPhone or similar—something that millions of people do, despite its being illegal at the moment. Having just parted with cash for both a CD and their new MP3 player, consumers rightly expect to be able to copy music and films across without paying any extra, as they in effect paid for that in the purchase price.

The sticking point was whether musicians should get some recompense for that format shift. In the rest of Europe, that takes the form of a levy on copying devices. I do not like the idea of a levy. It is a blunt instrument that does not necessarily follow the market. Surely some form of licence could be allowed, provided that the material is solely for the private use of the purchaser. If it turns out to be impractical to stop internet file sharing, we could revisit the idea of a levy on equipment, as that would get some revenue to the rights holders and is attractive for its ease of use. In the meantime, I urge the Government to reject the idea of a levy on equipment and to allow personal-use format shifting, provided that an original licence has been purchased—in most cases, that would simply be someone paying for the CD for their own personal use.

On exceptions, the Hargreaves report gets some things right, but not others. The challenge for Government will be working out what to embrace and what to ditch.

Ian Lucas (Wrexham) (Lab): I would like clarification. Is the hon. Gentleman saying that the licence would be bought at the same time as the CD, as part of the price?

Mike Weatherley: I thank the hon. Gentleman for his intervention. Yes, my belief is that once someone has bought a CD, they should be able to shift the music to another format to listen to it in their own home, for their own private use; that becomes an infringement only if the material is used for other purposes. The industry got that wrong years ago. It is making illegal users out of millions of people in this country. They tend to ignore the law on copyright protection because they see it as a ridiculous law, and once people see something as a ridiculous law, they throw away other laws. We should allow format shifting for personal, private use once someone has bought a full legal copy.

I was saying that the Hargreaves report got some things right, but not others, and that the challenge for Government would be working out what to embrace and what to ditch. The same is true of the idea of a digital copyright exchange and the recommendations on licensing. The report identifies licensing as underpinning creative businesses. Indeed, licensing is now central to almost every business model, whether we are talking about a direct licence from a rights holder for a specific repertoire, or a collective licence covering an entire catalogue. The report recommends that the collective licensing bodies adopt a code of practice to facilitate efficient markets. That is a good suggestion, but does it need legislation and, if so, how intrusive should it be? The British Copyright Council is already producing a template code, and all the collective licensing bodies in the UK have agreed to sign up to it. If the industry is adopting good practice voluntarily, we do not need more regulation.

Perhaps the most high-profile recommendation in the report is the one for a digital copyright exchange. In essence, that is a good idea. Indeed, many parts of the industry are already developing databases. Phonographic Performance Ltd, for example, has a database of 5 million recordings, and the database includes record company ownership and performer line-up. That is essential for its licences with the BBC and others, so that the broadcasters know what is in their licence and the right musicians can be paid. Book, newspaper and music publishers, along with photographers and others, are developing similar facilities. There may even be a role for Government in co-ordinating those efforts and encouraging greater co-operation between databases.

However, the Hargreaves report certainly goes a step too far. It recommends that the digital copyright exchange become a licensing platform, with flat-rate pricing available at the click of a mouse. Far from encouraging growth, that is anti-market. It is extraordinary that a review about growth should recommend a trading platform where prices are static and there is no room for negotiation. How on earth could any rights holder be expected to set a price in advance for a totally new service that at the time exists only in the mind of the creative entrepreneur? That is a recipe for stagnation.

As if that was not enough, the report also proposes introducing penalties for rights holders who do not participate in the digital copyright exchange. Such wrongdoers would be denied access to their rights under the Digital Economy Act 2010, creating a two-tier system for copyright, and that must be resisted. Effectively, it is compulsory registration by the back door, and we should not allow it. One of the great strengths of copyright is its flexibility, and the fact that it is available to all creators, big and small. The principle of not requiring formal registration to enjoy copyright is enshrined in international treaties. We should uphold that principle, not undermine it.

We then come to the report's suggestion that Government should appoint a digital champion to sort everything out. This is perhaps the most extraordinary of the report's recommendations. The review rightly concludes that, if it is to work, the digital copyright exchange must

be industry-led and must respond to the business needs of the creative sector. It then recommends that Government appoint a tsar to direct that industry initiative. "Industry-led" means led by the industry, not by a digital champion appointed by the Government. Will the Minister reject the idea of a digital champion, and allow the digital copyright exchange to be led by the industry from the start—or at least by a digital champion who is advisory rather than dictatorial?

In conclusion, I urge the Minister to be selective in his response to the Hargreaves report. Will he say yes to protecting our creative industries and the property owned by the creators? Will he say yes to archiving, private format shifting and some form of central rights database? Will he say no to the exemption of text and data mining for research and of parody, and will he be selective in exemptions linked to the national interest? Will he say no to fair use and to a centralised pricing model in the central rights database? Such confirmations and rejections would confirm this country's commitment to ensuring that IP gives world-class support to business, and to the talent that drives it.

4.21 pm

Eric Joyce (Falkirk) (Lab): I apologise for not being here at the start of the debate, Mr Chope. I was at another event, which I shall mention briefly in a moment.

I congratulate the hon. Member for Perth and North Perthshire (Pete Wishart)—his constituency was the place of my birth—on securing the debate, which is incredibly timely. He has committed himself to this subject for some time, and he regularly makes important contributions, as have many others here today.

Before coming here, I was chatting to Prime Minister Odinga of Kenya, and we spoke about this very matter. In the developing world, mobiles are being used much more and new services are becoming available. Those countries are looking to us to see how we deal with the emerging issues, and they are likely to follow the same principles, tenets or philosophical underpinnings, if that does not sound too grand. It is very much a current issue in Kenya—aside from piracy of the other type, which he is also particularly keen to address. These issues are at the forefront for countries in the developing world, especially in countries such as Rwanda. That country has mobile coverage across the country—it is better than in London. It also has fibre-optic cable, surprisingly good services and lots of new possibilities for creators. We must not forget that what we say now will have a powerful influence on people across the world, particularly those in the developing world.

I listened to the hon. Member for Northampton South (Mr Binley) with great interest. I thought that he struck exactly the right balance. On such matters, from the Digital Economy Act 2010 to the Hargreaves report, there tends to be a bit of polarisation, with the creators on one side and the distributors on the other. It is a false dichotomy, because one could easily argue that record labels are both creators and distributors. We tend falsely to put people in particular boxes. The hon. Gentleman was absolutely right to point out, as Hargreaves did, that our copyright law is elderly. It was intended for an entirely different purpose from how it is used today, and the way that people live now—I wish that I could remember exactly what he said, so I paraphrase—is very different from what the copyright law assumes.

The review is timely. Although no study undertaken on behalf of the Government, or of anyone else, is perfect, Hargreaves suggests some intelligent incremental steps. In broad terms, I think that we should support it. I listened carefully to the hon. Member for Hove (Mike Weatherley), and I completely understand his concerns. He is a champion of creators, and I do not pooh-pooh the important concerns that he expressed. However, it is important to realise that Hargreaves has attempted to pull together two disparate positions and has created a reasonably consensual outcome, which is difficult. When the Minister, and more significantly the Government, decide what to do, I hope that the changes to corporate law will reflect the general spirit of what Hargreaves has been trying to achieve.

We all agree with the hon. Member for Hove on format shifting—it is common sense that we should do something about it. Most people—probably most of us—have format shifted without realising that it was unlawful. That is a point of some consensus. For my own part, however, when I listen to debates on this subject, I still get the sense that some people are defending one position and others are defending a position on the other side. However, when we to talk to people in the industry, we find much more intelligent discussion and debate.

If we talk to record labels, we hear something different from what is said by the BPI. Much as I love, respect and admire the BPI—this is not to say that we should give in wholesale to what we have already heard happens in China—record labels will say, "Well, three or four years down the line things will be shifting a little bit; business models will shift a little bit."

At the centre of Hargreaves is the recognition that creatives not only create the things they do, but create new solutions to problems. The hon. Member for Solihull (Lorely Burt) mentioned small and medium-sized businesses. Small software companies are less concerned about patenting and are more interested in keeping people with good ideas. They are sometimes more reluctant to patent specific things, because it can give away their secrets, but the secret in parts of the software industry is hanging on to those clever creative minds. It is much like the House of Commons.

I will briefly jump to the digital copyright exchange, which is potentially contentious. It looks like a common-sense idea—it is a common-sense idea—but how will it work? As soon as the recommendation is made, people in different industries will say, "This looks fine, but what is the meat of it? How should it work?"

One line that I have not heard mentioned—it may have been mentioned before I arrived—which one hears reflected outside this place is the almost theological point that when someone creates something it is theirs for good and theirs to control. Some would say that that is not the case and that, as the hon. Member for Northampton South said about the Chinese view of knowledge, it is out there for people to use and manipulate. We should certainly give the benefit to the original creators. At the extreme, one way to interpret the possible function of the digital copyright exchange is that it should be compulsory, because if the creation is not registered, the creator will not receive the cash, which would be tough on the creators. On the other hand, I am not completely convinced that those who create things should necessarily be able to control them.

Damian Collins: One observation from my time in the advertising industry, based on the hon. Gentleman's remarks, is that that could work against younger creative people. They do not have experience of the industry or the muscle to demand a higher price for their work at the initial point of sale and will therefore lose control of it for the future. Does the hon. Gentleman share that concern?

Eric Joyce: I absolutely agree. Indeed, the advertising industry is one of our more successful creative industries. I know a number of people who work in it or who have done so. The hon. Gentleman said earlier that the advertising industry often takes something that looks like an original idea from elsewhere, uses it imaginatively and creates something new, adding value to it.

The hon. Gentleman said something about orphan works that struck me; I had not reflected on the matter before. I do not have a great problem with orphan works. I was lobbied on the subject by photographers during the passage of the 2010 Act. It could be the case that something has been forgotten by the creator and is long-gone but is used in an advertising campaign, such as that famous kiss picture by Robert Doisneau. Such things could be completely forgotten, but if they are used in advertising campaigns and seen all over the place, the creator will not benefit from it. I see the logic of revisiting that aspect.

Damian Collins: I am grateful to the hon. Gentleman for giving way again. I might be wrong, but I cast my mind back to the 1997 general election campaign and the famous demonised poster of Tony Blair. The original photograph was an orphan work.

Eric Joyce: That is absolutely fascinating. I think Tony Blair might have put the original up in one of his many houses. Perhaps he has put one up in each. I will not continue to wax rhapsodic, as I was late for the start of the debate.

Let me turn briefly to the internet service providers. There are hundreds of thousands of ISPs, many of which are small and fill a niche. In the UK, there are lots of ISPs serving local geographical areas. That may seem counter-intuitive, but that is the way it is. They provide a good service in their niche market. I am not saying, "Yah-boo sucks to all the creators and the ISPs are all fabulous." However, we tend to forget that ISPs have to invest a great deal of money in infrastructure. We all want superfast broadband, but if we are not careful we could end up loading costs on to ISPs and slow down the superfast future that we all want. It is not the case that Google commands everybody and fair use will be next. As the hon. Member for Hove has said, fair use has essentially been rejected by Hargreaves, but I am sure that that will not happen in the UK. I understand that it was primarily a legal argument that did not fit terribly well into the European legal structure.

Let me just blow the trumpet for ISPs. The sector is not terribly big or sexy, and we understandably tend to speak a lot about our success in the music industry. However, the corporate debate goes much wider than the music industry. For instance, it involves software, as I have mentioned. There are all sorts of creative responses in the movie industry. We can see release dates being brought closer together, so that people are less likely to pirate. Often, if new technological solutions, creative ideas or new ways of selling a product are found, problems can be solved.

In his report, Hargreaves emphasises that enforcement and education have a limited effect. Instead, he says we need to find new ways of facilitating new creative ideas. He recommends the creation of a digital copyright exchange. I am not sure exactly how it will work and do not think that it will necessarily involve compulsion, but there are some interesting debates around it. The report states:

> "Government should pursue an integrated approach based upon enforcement, education and, crucially, measures to strengthen and grow legitimate markets in copyright and other IP protected fields."

That goes to the heart of what Hargreaves has tried to do. It is not perfect, but it recognises that we can make incremental steps at this stage. I hope that the idea does not get knocked off track for some technical reason that we cannot get round.

Hon. Members spoke at length with Professor Hargreaves, who made himself and his team available to them. I deduce that he and his team are a little concerned that the whole thing will be knocked off track by heavy lobbying. The hon. Member for Northampton South perfectly captured the problem. We recognise that we need to change; we accept what Hargreaves recommends as sound common sense; and we can get the copyright laws that we need not only now but for things that might be coming along in the future.

Dr Coffey: I hear what the hon. Gentleman has said about Professor Hargreaves and about his concern that everything might be put to one side. As my hon. Friend the Member for Solihull (Lorely Burt) said earlier, if he had broadened the panel to include not only academics and intellectual property officers but people from the industry, he might have had a more willing audience.

Eric Joyce: The hon. Lady makes a good point. I am always up for broadening the membership of panels. I did not select the panel. She may well be right. I do not deny that it was a tightly focused group. We all have small and medium-sized businesses in our communities, and we all get lobbied by the Federation of Small Businesses. I often get lobbied by small businesses that say that the corporate holders are too aggressive in pursuing their rights and interests. I am not sure what I feel about that, but the hon. Lady is right in what she says.

In conclusion—I was almost at my peroration before the hon. Lady intervened—Professor Hargreaves has produced a pretty good piece of work. It is not perfect, but it recommends good incremental steps forward. We need to reflect on the fact that ISPs are being relied on to contribute greatly to the roll-out of superfast broadband. We all want that. It is coming. When is it going to come? We will see what it looks like when it comes. This report is a small but significant part of the chain.

4.34 pm

Ian Lucas (Wrexham) (Lab): It is a pleasure to be here this afternoon under your chairmanship, Mr Chope, and to have listened to such an interesting and intellectually challenging debate. I congratulate the hon. Member for Perth and North Perthshire (Pete Wishart) on securing

the debate. We all know about his musical talents from Runrig to the heady heights of MP4. He slips in a bit of politics from time to time. His insights have illuminated our discussion of the Hargreaves report. There were not too many surprises in his contribution. We have met on a number of occasions, and we have discussed these issues in different forums with many of the people who are here today. In particular, I remember an interesting tea that we had with Ian Hargreaves. Before I go into that, let me first say that I found Ian Hargreaves to be very accessible. To produce a report within such a short period of time was a demanding job. He has done that, and we are here debating the content of that report, which is positive.

That tea that I have referred to was pretty influential. It became clear to Ian Hargreaves then, if he had not known before, that there was a strong view among parliamentarians that the direction set out by the Prime Minister last November when the review was announced was not one with which many agreed. With the exception of my hon. Friend the Member for Falkirk (Eric Joyce)—I am glad that he contributed today—many parliamentarians here agree with the general view that fair use is certainly not what we need. We should ensure that our artists are suitably supported for their artistic and creative contributions. That is the view that comes across in most debates in Parliament, which is interesting because most of the e-mails that I receive on this subject say exactly the opposite. That is something that we should be very conscious of and that we should discuss in more detail with our parliamentary colleagues. Some of the people who need to be educated on this issue are fellow parliamentarians. When we were candidates before the last general election, we all had the happy task of responding to hundreds of e-mails on the Digital Economy Act 2010. There are heavy lobbies in this area, and I have received a number of them in connection with this debate.

The contributions today have been very helpful. I have already referred to the hon. Member for Perth and North Perthshire. We learned a lot from the excellent contributions of the right hon. Member for Bath (Mr Foster), who has such tremendous experience in the area, and of my hon. Friend the Member for Lewisham West and Penge (Jim Dowd). The hon. Member for Folkestone and Hythe (Damian Collins) made some interesting observations about search engines.

I want to raise one further matter, the vertical integration of search engine companies. Search engines do not always disclose their interests in the results of a search. They increasingly tend to acquire other companies that provide services and that are then linked to the search engine, so they are directly benefiting from their business. We need increased disclosure, so that the consumer is well aware of what is going on.

I enjoyed the contribution from the hon. Member for Suffolk Coastal (Dr Coffey) who quoted Abba. I was deeply disappointed that she did not give us the music to go with it. Perhaps she will do so on another occasion.

The hon. Member for Solihull (Lorely Burt) told us about small business, and she emphasised its importance in this field. I am disappointed that the group to which she referred feels it was not taken into account in the review, but of course it was the Government she supports who selected the people for the review, so perhaps she should take it up with them. She obviously took it up with the Minister, and I am sure that he will respond in due course.

It is always a delight to hear from the hon. Member for Northampton South (Mr Binley), who told us about visiting CD shops in Beijing; I am sure he did not buy one. We also heard from the hon. Member for Hove (Mike Weatherley) who has great experience in this field. He has shown the benefits of someone who comes not from a political background but from a business background. He has the experience to talk knowledgeably about this issue, and it is very refreshing to hear someone who is clearly at odds with his Prime Minister being able to speak out so frankly and openly on an issue such as this. Long may he do so; I myself have done so in the past. My hon. Friend the Member for Falkirk has a slightly different perspective, but it is important that it forms part of our debate.

I begin by discussing an important issue that we have not raised. When the Hargreaves report was commissioned last November, it was launched by the Prime Minister. The Secretary of State for Business, Innovation and Skills was charged with dealing with the issue, and the Minister with responsibility for culture, communications and creative industries in his Department is the Under-Secretary of State for Business, Innovation and Skills, the hon. Member for Wantage (Mr Vaizey). The Minister for Further Education, Skills and Lifelong Learning clearly loves a debate. As a junior Minister, however, he does not have the same communication with the industry in connection with the internet, the media, culture and communications as the Under-Secretary of State for Business, Innovation and Skills, the hon. Member for Wantage, who is now also a Minister in the Department for Culture, Media and Sport. That is a major problem. It is important that the industry has a close relationship with the Ministers who are actually dealing with this issue on a day-to-day basis. That is not happening at the moment, because in Parliament there is a great deal of confusion about who is responsible for this particular area. We know that telecommunications was shifted away from BIS as a result of the discussions that the Secretary of State for Business, Innovation and Skills had with some of his constituents. This is a serious issue as far as the industry is concerned.

Pete Wishart: The hon. Gentleman is making an important and powerful point. I think Siôn Simon will go down in history as possibly the last creative industries Minister. Having someone as a central point of contact that the industry could go to was very useful. We have not even got the Minister with responsibility for the matter here, because she is in the House of Lords. There needs to be a get-together on all this to have one Minister whom industry and we as MPs can go to, and I hope that the hon. Gentleman will continue to press the Government to create that one individual post.

Ian Lucas: I am grateful to the hon. Gentleman for making that point and for his support. We all want this area to move forward, because we want jobs and growth in this sector. We all know and appreciate that this is a hugely important sector for the UK. We have heard the 8% of GDP statistic and the fact that we are No. 2 in the world in exports in this field, and we want the sector to progress. Under this Government at the moment, I am

[Ian Lucas]

afraid that we are not making the progress that we should. On 18 May, the Secretary of State said that there would be a response within weeks to the Hargreaves review, and I want to hear from the Minister when the response will actually come. We have still not made progress on the Digital Economy Act 2010. We are not clear about the Government's position on enforcing rights. We still have a spectrum consultation going on, and we are awaiting announcements on broadband funding allocations. In the context of a very serious economic position, with growth flatlining generally over the past few months, we need to have one of the most important and positive sectors in the UK in a position of certainty and stability.

When a new Government are elected, a sector always gives them some time, because it is clearly in their own interests to have a good relationship with Government. I am afraid that the sector is running out of patience, and it needs to have support from Government to take matters forward as quickly as possible. It is important that the Minister understands that the industry wants action in this area, and it wants it as quickly as possible.

I want to thank all the organisations which sent me submissions in connection with the Hargreaves review. I have met many of them, and I have discussed in detail what is a very complex area for anyone who comes to it for the first time, as I did about nine months ago. There are many different groups within the sector who lobby well. When I was reading the papers in connection with this debate, I was struck by the common ground, despite the fact that the different groups are often presented as having a great deal of disagreement. The first common issue is that everyone wants growth. We are good at this sector, and we need to do better. We know that we can compete with anyone in music, drama and computer games, and we know that with the right background and the right framework, we can do better. We need to get more people involved in the creative industries, because we still draw from too limited a pool, but I think that we can make real progress. We all agree that investment and talent need to be rewarded, or there will be fewer people working in the sector, and the growth that we want will not happen.

In its submission to me, Google stated that it

"will continue to help content creators to generate new revenues and take control over their online products."

I deliberately selected Google as supporting the rights holders in that way. When I read that, I was reminded of an interesting discussion that I had recently with the poet Wendy Cope at a meeting. She is well worth reading, although she is often read online without payment. Not surprisingly, she is frustrated by this, because, like everyone else, she has to pay for her Sunday dinner, too. We need to ensure that all original artists are paid. We all agree that artists need to be paid, and we all agree that their work needs to be disseminated more widely.

Obviously, no artist or creator wants fewer people to see their work. No artist will object to format shifting, provided they are paid for it in some way. I was pleased to hear the hon. Member for Hove make his position on format shifting clear. That is an area that needs to be sorted out. Frankly, I am not clear why it has not been done before. I was struck that it was not an issue for virtually every group that I have met. The fact that we have this format shifting that nobody seems to support is a barrier to growth. The example used by the Secretary of State for Business, Innovation and Skills when publishing the Hargreaves review was the case of Brennan, the format shifting company that first came to my attention in the *New Statesman* in the very convincing advert that it ran over a number of months, basically indicating that it is a company that is at a competitive disadvantage because of the position of format shifting at the present time. We all agree that the current position is not acceptable, and that we need progress, but no one can agree on a way forward, and in that respect copyright is a bit like House of Lords reform.

So, what can we do? There seems to be a consensus that the matter is best dealt with and led by the industry, but there is disagreement about what precisely should happen next, as has been reflected in the debate today. We have had, for example, a discussion about the digital copyright exchange, and part of the reason for the uncertainty, or disagreement, about that is that no one is exactly sure what is being proposed. If we are simply talking about a one-stop shop where someone goes initially and is then directed to existing registers somewhere else that can cope with the matters, that seems to be largely acceptable, but there is great resistance to any sort of compulsory system and to penalising artists if they do not take part in the digital copyright exchange.

The timetable for the Hargreaves review was so tight that the review was never really going to come up with a detailed and convincing response, but we need the matter to be taken forward and an agreement to be reached—within the industry, I think. There are lots of experts in this field, and it is better that they sort out a way forward themselves. I was very encouraged by the setting up of the Creative Industries Council, which is a good model. We have the Automotive Council UK in the very competitive automotive industry, and the different industry parties sit around the table and devise with the Government a strategy to take forward the UK automotive industry. The Creative Industries Council should perform a similar role in areas such as the Hargreaves report, and one of its first tasks should be to find a way forward through discussion within the industry and compromise. Sometimes, to make progress it is also necessary for the Government to knock a few heads together, but in all the discussions that I have had there has been a desire to establish stability and progress in the sector, and the industry in the UK would benefit as a result of that.

It cannot be beyond the wit of the creative industries to put this together; we know about their capabilities and the fact that they have devised structures and new models of working. The Government must, however, play their part too, and I am afraid that at the moment they are letting the side down. We have delay, confusion and a lack of clarity in the relationship between the Government and the industry, and the Government need to step up to the plate, act as quickly as possible—I hope that we will hear some dates for their responses to the review—improve their relationship with the sector and take matters forward from there.

Mr Foster: On a point of order, Mr Chope. Given that we are discussing media matters, would it be appropriate for me to inform the House that I have just received the news that the first major casualty of the appalling behaviour at the *News of the World* is that the newspaper will close after this Sunday?

Mr Christopher Chope (in the Chair): That is not a point of order. The right hon. Gentleman could have made the same point in an intervention on the Minister. I am sure that the Minister will now be eager to deal with that point, as well as all the others, in his summing up.

4.53 pm

The Minister for Further Education, Skills and Lifelong Learning (Mr John Hayes): I am delighted to be able to respond to this important debate, and I congratulate the hon. Member for Perth and North Perthshire (Pete Wishart) on securing it. He spoke with knowledge and commitment on a subject that I know is dear to his heart. I have, in fact, spoken on the subject on two consecutive days; I was in this Chamber debating with him just yesterday. As I shall explain later, the Minister in my Department with responsibility for intellectual property is Baroness Wilcox, so I am not here as the Minister with responsibility for the subject but am pleased to speak on it. I pray in aid my professional background in the IT industry. I had a small business, which I subsequently made bigger, and was heavily involved with many but not all of the topics that have been debated today.

The Government are acutely aware that there have been previous reviews and consultations on intellectual property, and I understand the point the hon. Gentleman made at the outset: this is a challenging area, not least because of the changing character of the industry and the technology, and consequent events. He is probably right that we will return to the matter time and again, because of that dynamic quality. The Government are equally acutely aware of the need to facilitate growth. That theme has punctuated this debate, and there is a close relationship between how far we intervene in some of these matters and how we catalyse or, conversely, inhibit growth. That has been the perhaps unspoken dynamic at the heart of today's considerations.

I am mindful of the words of the late Sir Hugh Laddie, a distinguished commentator on such matters and a judge who presided over many intellectual property cases. He said:

> "If patents had been applied from the start we would still be on very early operating systems"—

in the IT industry. He continued:

> "To give a business method example, if Ford had patented the concept of the assembly line, the US's industrial development would have been held up"

altogether. So there are, of course, tensions between how we protect intellectual property and how we facilitate the growth that we need to deliver prosperity.

The economic importance of intellectual property is clearly profound and growing, and it has been said this afternoon that the creative industries are critical in delivering the growth that we seek. I have regular interface with those industries in my role as the Minister for Further Education, Skills and Lifelong Learning and am anxious that we tie the development of skills policy to growth, by identifying the sectors, including the creative industries, high-end manufacturing and the information systems industries, in which skills gaps and shortages might limit what we can achieve. Through that dialogue, I have gained some understanding of how we protect innovation. Innovation and growth are intimately linked by nature—a point made by successive speakers—and we need to make critical decisions about how we facilitate innovation and take advantage of its effect on business activity and employment.

This is a complex environment, and it will continue to change, perhaps even more quickly than at the moment. When people think about macro-economics and economic change, they often say, as has been said today, that as economies advance they become more high tech. I do not dismiss that by saying that it is often said—perhaps it cannot be said too often. What is less frequently cited, however, is the increasingly dynamic need of economies as they advance. Increasing dynamism requires public policy makers to be ever more responsive, and nowhere is that more true than in our handling of licensing, patents and copyrights. That is particularly significant in industries that are at the cutting edge, many of which have been cited. They are not all the same of course, and part of the problem with this debate is that we are dealing with an extremely diverse range of sectors and all kinds of innovation, with different pressures and opportunities.

To support growth, we certainly need an intellectual property system that helps business and consumers realise the opportunities that technology and change create. That is why, as the hon. Member for Wrexham (Ian Lucas) said, the Prime Minister commissioned the Hargreaves review in November. Professor Hargreaves was asked to develop proposals on how the UK's intellectual property framework can further promote entrepreneurial activity, economic growth and social and commercial innovation.

The Prime Minister asked the review to identify barriers to growth in the IP system, how to overcome them and how the IP framework could better enable new business models appropriate to the digital age. The review considered intellectual property and barriers to the growth of new internet-based business models, including information access, the cost of obtaining permissions from existing rights holders and fair use exceptions to copyright and how they might be achieved in the UK. It also considered the cost and complexity of enforcing IP rights within the UK and internationally, the interaction of the IP and competition frameworks and the cost and complexity to SMEs of accessing IP services to help them protect and exploit IP.

The review issued a call for evidence and undertook a programme of stakeholder meetings and events, to engage with a broad range of organisations. The review team also travelled internationally, visiting the USA to share experiences on managing patent systems and discuss the role of fair use in the US copyright system. There were more than 300 responses to the call for evidence, from a wide variety of sources. More than half came from representative organisations such as the Creative Coalition Campaign and the Open Rights Group that represent hundreds of firms and thousands of individual members.

My hon. Friend the Member for Northampton South (Mr Binley) will be pleased to know that 20% of responses came from small and medium-sized enterprises. He was right to point out that some of our most innovative companies are SMEs, perhaps because innovation often springs from the mindset of an individual or small group of people, as I experienced in my own career.

[Mr John Hayes]

I emphasise, as did he, that the interaction between small businesses and larger corporations can be immensely positive in protecting small businesses' interests.

I do not want to disagree with the hon. Member for Solihull (Lorely Burt), but having worked with IBM for many years, I think that the partner networks established in that industry by organisations such as Microsoft, Oracle and IBM can be positive for SMEs, although I am not complacent about that. I think that my hon. Friend the Member for Northampton South was right to say that those interactions can be a useful means of protecting the interests of small firms, rather than limiting or damaging them. It is not the time to debate that issue, as it is tangential to the thrust of what I want to say, but it is an important matter that perhaps we can debate on another occasion, when I will be more than happy to avail the House of my insight into such matters.

As I said, 20% of the responses came from SMEs. They are usually hard to reach, which is why it is so important that we proceeded on a consultative basis. Small businesses often have fewer resources available to get involved in Government consultations and reviews. We often hear from big representative organisations, and sometimes from large corporations, but ensuring that we have a dialogue with small businesses seems critical. The high response rate from SMEs tells us how important IP issues are to them. The hon. Member for Wrexham is right that the amount of correspondence and information that Ministers, shadow Ministers and MPs have received on the subject reinforces the level of commitment and proper concern felt.

Lorely Burt: Given all that the Minister is saying about the importance of submissions from small businesses, I am sure that he is as mystified as I am that the submission from the SME Innovation Alliance was never alluded to or listed among the submissions. Will the Minister confirm that he is prepared to meet me and the SME Innovation Alliance to rectify the Hargreaves report's failure to take certain things into account?

Mr Hayes: The hon. Lady made both those points earlier. With her usual assiduity, she has taken advantage of this opportunity to intervene on me to amplify them. I will deal with them in turn. First, that submission was indeed received and considered, and it played a part in informing the review's recommendations, although it was not listed because, as I understand, it was received informally rather than through the formal process. Secondly, I am more than happy to commit my noble Friend Baroness Wilcox to meet her. My right hon. Friend the Minister for Universities and Science will want to be involved, too, and will be happy to join that meeting. The Under-Secretary of State for Culture, Olympics, Media and Sport, my hon. Friend the Member for Wantage (Mr Vaizey) was also mentioned, and I shall deal with him later in my remarks. Given his Department's involvement in the digital industries, an interface with him would be desirable, too. Having committed three of my colleagues' diaries, I had better end on that point. However, we will have the meeting. I will insist that it happens.

Professor Hargreaves delivered his report, "Digital Opportunity", to Ministers and the Government in May. Members know that the Government are considering that report and will not expect me to anticipate our response, but—it is right that the hon. Member for Wrexham raised the issue in his role as shadow Minister—I again make a clear commitment that the Government will publish our response within a month. There is another commitment made by a Minister who is not responsible for these matters; that is one of the virtues of being in this position.

Pete Wishart: When presented with the Hargreaves report, the Government said that the response would be published by the summer recess. What is the reason for the delay? It was a clear commitment to respond by the summer recess. Now the Minister is saying that it will take a month. Why the delay?

Mr Hayes: The Government need to consider such things carefully. The issues are complex. The hon. Gentleman made the point that they are challenging, and the Hargreaves review's recommendations are wide-ranging. He knows the report well; I have it here. The volume of responses to the consultation was large, and they were wide-ranging in terms of both the ideas presented and the organisations that contributed. It requires serious and studious work. He might have wanted an early response, but better to have something satisfactory than something quick. I make the commitment that it will be published in a month, and I assure him that it will be a studious and carefully considered piece of work. I cannot go further than that. I am unable to give an account of the response's contents before its publication, but I reassure the House that the Government recognise fully the seriousness of the matters raised in this debate and during the review and its publication, as well as the value of the industries that rely on intellectual property as their life blood.

Professor Hargreaves suggested that in some areas the UK's intellectual property framework, especially with regard to copyright, is falling behind what is needed to meet new opportunities. That point has been made repeatedly today. The argument is that if we do not fix the framework, our economy will enjoy less innovation and lower growth. It is certainly true—I will comment this far on what we might say—that the UK needs open, contestable and effective markets in digital content and a setting in which copyright enforcement is effective. Copyright provides the legal framework to sustain and protect creative value. It needs to fit current conditions, and it should warrant, and get, the respect of consumers. In other words, while not anticipating our response, I think it is reasonable and fair to say, given that we have had such a serious debate, that we feel that changes will need to be made to bring the system in line with current conditions.

We need copyright content and technology working together, as has been said repeatedly. They should be in harmony, not in conflict. There should be a happy union between changing technology and copyright. We need an environment in which new businesses and technologies can compete fairly with existing ones. I accept the point made by the hon. Member for Solihull. Although I qualified her argument about the relationship between SMEs, partner networks and large players, it is

certainly true that there is a risk unless we get the balance right. The law in that respect is important. I mentioned the late Sir Hugh Laddie earlier. The hon. Lady will remember that he made a point, following the Gowers report I think, that the legal system militates against smaller businesses and against individuals purely on the basis of cost. The hon. Lady has reinforced that, and I think that my hon. Friend the Member for Northampton South made the same point. Therefore, there are issues to be considered, and as I have said, we take them seriously.

The review recommends that the Government ensure that the IP system is based on evidence. The right hon. Member for Bath (Mr Foster) was right to insist that the Government's response should also be evidentially based, and I assure him that it will be. Economic considerations should play a stronger role in assessing the nature and perhaps even the limits to rights, which is another point that he made. It is critical that we take an empirical view, inasmuch as one can in this dynamic and complex area. We will prioritise that kind of evidential approach.

On international priorities, the report recommends that the UK pursue international interests in emerging economies and prioritise the EU patent. We will, of course, look at that too, given some of the comments that have been made during the debate.

To improve the environment in copyright licensing, the Hargreaves review recommends the establishment of a digital copyright exchange. That has been mentioned several times, including by my hon. Friend the Member for Hove (Mike Weatherley). Although he will know that that argument has been made by many people over a considerable period, the nature of the exchange, which we are considering alongside other recommendations, must be founded on consent. The idea that we have a state-driven, compulsory system that dictates and determines from the top is probably not compatible with the arguments that have been made by almost every contributor to the debate. It must be based on a collaborative and co-operative model.

The appointment of a champion for the digital copyright exchange has also been raised. I think it was my hon. Friend who said that the champion must not be a dictator, which is of course true. The champion would have to work closely with the industries concerned. The consultative nature of how the Government have gone about getting to where we are would need to characterise the subsequent arrangements that we put in place.

The review also recommends that the Government legislate to enable licensing of orphan works. I want to say more about that in response to the comments of the right hon. Member for Bath. It is important to design a scheme that prevents reappearing rights holders from losing control of their work. Any scheme proposed will have to involve a diligent search for rights information. That must surely be essential if such a scheme is to be fair to all parties. Perhaps I can put it in these terms: if the creator of a bestseller were to come forward, the work would no longer be an orphan work.

The right hon. Gentleman should welcome and not be fearful of the emergence of a missing great creative work. Occasionally, such things happen. Not long ago, an important work by Mozart was discovered, which is surely a cause for celebration. Mozart was perhaps the greatest of the baroque composers, but let us not go down that road or we will have a longer and perhaps less relevant debate. The character of genius is very interesting, but let us not talk about it here.

Mr Foster: I am slightly confused about the response given on orphan works. I apologise if I have misunderstood, but does the Minister agree with the basic principle that, if the creator of a work is unknown and that work is licensed by a separate body for use by a third party and subsequently becomes a commercial bestseller, the creator, if found, should be entitled to fair recompense based on the success of that work—yes or no?

Mr Hayes: I would never, in these circumstances and on such complex matters, want to reduce my answer to a yes or no, because that would be most unsatisfactory to the right hon. Gentleman and to the Chamber. Surely, he knows that.

Mr Foster: I would be happy with such an answer.

Mr Hayes: I think that the right hon. Gentleman is underselling himself. He wants a much more sophisticated response than that. I think that there is an absolutely reasonable case to say that, if the person who authored a work is found in the way that he describes, they should receive some recompense or reward. We will need to look at that in our response to the review. The right hon. Gentleman makes a powerful argument, and it seems to me to be not without merit. That is not bad for someone who was not going to give him a direct answer, as I am sure he will be happy to acknowledge with his typical—characteristic, one might say—generosity.

As my hon. Friend the Member for Northampton South has argued, we also need to ensure that we are influencing effectively what is happening overseas and supporting, again, positions based on evidence. We need not only to look at relationships with key partners, but to encourage other states to develop IP frameworks and enforce them appropriately, which is the point that my hon. Friend made. He will be pleased to know that we recently announced, jointly with the Chinese Government, that we will host an IP symposium. It will take place later this year with the appropriate Chinese authorities. It will seek to find a better mechanism for British businesses to raise and have addressed IP-related issues.

I will visit China next week and have no doubt that, among the many issues that I will discuss with the Chinese authorities, this may come up. I will certainly be able to refer to this debate. I give my hon. Friend my pledge that I will reflect on what he has said and, where appropriate and with all the due diligence and courtesy that is fitting to a Minister of the Crown, raise these issues with my Chinese counterparts. Ministers and officials regularly raise IP issues in that way with their counterparts in other countries. It is important that we build on the good relations that we have established to deal with these issues straightforwardly.

Mr Binley: Will my hon. Friend the Minister give way?

Mr Hayes: I will give way to my hon. Friend in a moment, but I want to give him one other piece of good news first. The UK recently announced that it will

[Mr Hayes]

appoint IP attachés in countries including India and—my hon. Friend will be delighted to know—China. We expect them to be in place by the end of this financial year. They will work with host Governments on IP policies and with UK businesses to help to ensure that they can exploit and protect their IP effectively overseas.

Mr Binley: That is the quickest response for action I have every had from any Minister. I am most appreciative. I congratulate the Minister on taking on a very difficult brief that is not primarily his own. I understand that he does not want to say too much before the Government consultation has finished but, on the basis of our long friendship, will he talk to the Minister concerned about the use of search engines? The need to ensure that the creative arts get well recompensed for their product is vital and increasingly urgent.

Mr Christopher Chope (in the Chair): Order. That is a long intervention.

Mr Binley: I shall sit down, Mr Chope. Your guidance is welcome, as it is based on experience.

Mr Hayes: My hon. Friend is right about the matter that he raises, and I will certainly do as he asks. He has some professional expertise in this field. Other hon. Members may not know that, but I have been pleased to visit Northampton with him many times, including this week. He brings some expert understanding to the subject. As I said, I share his background in the information systems world. He is right about search engines. I will draw his comments to the attention of both my noble Friend Baroness Wilcox who has responsibility in this area and, indeed, the Under-Secretary of State for Culture, Olympics, Media and Sport, my hon. Friend the Member for Wantage. If he had been asked to respond to the debate, contrary to what the hon. Member for Wrexham said, he would have been a peg below me; hon. Members are getting a Minister of State dealing with the matter, rather than an Under-Secretary. I think that that is a bonus. My hon. Friend the Member for Northampton South makes a fair point and, as I say, I will pass on his comments.

Ian Lucas *rose—*

Mr Hayes: I give way to the hon. Gentleman. I did not mean to be unkind to him.

Ian Lucas: No, not at all, and I did not mean to be unkind to the Minister. I want to make that absolutely clear. This is not in any sense a personal criticism of him. As he knows, in November, the Under-Secretary of State for Culture, Olympics, Media and Sport, the hon. Member for Wantage (Mr Vaizey) was a Minister within BIS and he would have been responding to this debate if that situation had continued. He stopped being a BIS Minister because of the Secretary of State's discussions with his constituents and he is now a Minister in the Department for Culture, Media and Sport. That has a real impact on this area. I am making a serious point about a problem that the Department needs to address.

Mr Hayes: That is a point about the Government's structure, which is a matter well above my pay grade, as the shadow Minister knows. I understand why he has made the point and it is his absolute right to put it on the record.

My hon. Friend the Member for Folkestone and Hythe (Damian Collins) spoke about orphan works in his thoughtful contribution. As he knows, a number of details need to be worked out on that, including the matter of remuneration. If that recommendation were accepted, we would need to work out a protocol and system for dealing with the matter in more detail than Hargreaves understandably gives us. I would be interested to hear my hon. Friend's further thoughts on that. If he wants to develop his argument following this debate rather than on the hoof, I am sure that the Government would be happy to take into account that further insight.

Damian Collins *rose—*

Mr Hayes: My hon. Friend is going to give me a further insight now.

Damian Collins: In response to the Minister's invitation and following the comments of the right hon. Member for Bath (Mr Foster), if there were a system for recompense—a protocol, as the Minister suggested—would it include an escalator? Would that just include the lost licence fee not paid, or would it reflect the value of the use of the work to the person who used it?

Mr Hayes: That is exactly what I was alluding to. My hon. Friend implied that in his earlier remarks; but for the reasons he has just given, the matter is complicated. The system would need to be thought through carefully to get the balance right. As I said, if he wants to give that more thought, I would be happy to receive representations on the matter. I will then pass them on to my noble Friend Baroness Wilcox and my hon. Friend the Member for Wantage.

Pete Wishart: I simply remind the Minister that I have five minutes to sum up at the end.

Mr Hayes: That is very generous of the hon. Gentleman.

Jim Dowd: As there is a spare slot for an intervention, can I ask whether the protocol for orphaned works will include a description of due diligence, if the Minister follows such a path?

Mr Hayes: That is another interesting point. Again, that will form part of what we say when we respond to the report. The review did not deal with the subject in the detail that the hon. Gentleman refers to. The review recommendations do not come to a definitive conclusion on that subject, as he will know from having read them, but the proposal seems to be a useful addition to those recommendations and is certainly something that we will cover in our response. I am more than happy to give him that assurance.

Mr Christopher Chope (in the Chair): Order. I remind the Minister that it is customary in these general debates to leave five minutes at the end for the hon. Member who initiated the debate to respond and that we have to finish by 5.30 pm.

Mr Hayes: I am happy to allow that, Mr Chope. In fact, I was just about to conclude by saying that the debate has been helpful and shown the House at its best. It has been technical, informed and non-partisan. In part, that is because of how it was introduced by the hon. Member for Perth and North Perthshire, whom I should be delighted to hear from further.

5.26 pm

Pete Wishart: I am grateful to the Minister for those remarks. I agree with them entirely. This has been a well-informed and useful debate. I hope that some of things that he has heard during the past three hours will inform the response to the Hargreaves report. I have seen the officials sitting at the back taking copious notes, so I hope that some of the helpful things raised by hon. Members from all parties will be listened to and reflected in the Government's response when we see it, which I believe will be in the next month.

I hope that you have been intellectually stimulated by the debate on intellectual property, Mr Chope, because some fine contributions have been made. We heard from my colleagues from the all-party group on intellectual property. The elder statesman—or the young prince—of creative industries the right hon. Member for Bath (Mr Foster) raised many pertinent points, particularly about orphan works. I hope that his comments will be listened to. The hon. Member for Lewisham West and Penge (Jim Dowd) is right to say that the report has been generally supportive but that we must be careful about how we consider some of the issues.

It was fantastic to hear from the hon. Member for Folkestone and Hythe (Damian Collins). I think it is the first time I have heard him speak in one of these debates. I hope that he comes back again to give us the benefit of his vast experience in advertising. His comments were very useful. He was right to say that we must ensure that we tackle illegal activity and recalibrate the public to ensure that they go to legal sites and that artists and creators are rewarded for their work.

Unfortunately the hon. Member for Suffolk Coastal (Dr Coffey), who is no longer in the Chamber, gave us the lyrics without the music—it would have been good to have had the music. We also received some useful advice about cat litter, which I took a note of. I will see what I can do with it when I get home. She is right to say that there must be recompense to artists. She also mentioned search engines, which are critical to the matter—Google was the inspiration for all this. It was good to hear from the hon. Member for Solihull (Lorely Burt), too. She is right to remind us that patents are important. That subject did not get the coverage that it required or deserved from Hargreaves, but now the Minister has listened to her comments I am sure that patents will be covered in the response.

The hon. Member for Northampton South (Mr Binley) made a pertinent speech. I will be checking out that place in China to make sure that I get my royalty from those CDs. He was right to raise that as a real issue.

It was good to hear from the hon. Member for Hove (Mike Weatherley). We perhaps disagree a little bit about format shifting. It is right that the matter should be resolved. This has been going on since the time of the cassette tape. If there is going to be an exception for format shifting, I hope that the Government look at compensation for artists and creators. The UK would be in bad company if it were not going to give any compensation to artists, given that most of Europe is doing so.

It was also good to see the hon. Member for Falkirk (Eric Joyce). We do not agree on all the issues, but it is good that he is here. On some of the language in the early-day motion he has signed, nobody talks about disconnection in the Digital Economy Act 2010. It is about reconnecting the public with the legitimate means to secure that music. I sometimes wish that we could achieve greater consensus on the language that is used.

It has been a good debate. I thank the Minister for his robust response. We look forward to seeing the Government's response to the Hargreaves report in the next month, as we have heard today.

5.30 pm

Sitting adjourned without Question put (Standing Order No. 10(11)).